FRONSAC Real Estate Investment Trust

Management Discussion & Analysis

–

Q4 2020
Period ended December 31st, 2020
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

Periods ended December 31	12 months 2020	2019	Δ	%
Financial info				
Property rental income	12,976,848	9,388,326	3,588,522	38%
Total revenue	12,987,262	9,388,326	3,598,936	38%
Net income (loss) and comprehensive income (loss)	9,621,177	4,081,269	5,539,908	136%
NOI (1)	9,869,068	7,144,022	2,725,046	38%
FFO (1)	7,127,856	4,615,394	2,512,462	54%
Recurring FFO (1)(2)	7,117,442	4,615,394	2,502,048	54%
AFFO (1)	6,562,370	4,524,363	2,038,007	45%
Adjusted EBITDA (1)	9,918,347	6,672,288	3,246,059	49%
Investment properties	185,991,100	118,503,056	67,488,044	57%
Adjusted investment properties (3)	221,711,905	134,376,091	87,335,814	65%
Total assets	209,705,999	129,118,708	80,587,291	62%
Total mortgage/loans/long term debt (4)	107,652,001	60,382,953	47,269,048	78%
(including revolving line of credit)	107,652,001	70,828,653	36,823,348	52%
Total convertible debentures	8,134,379	3,023,326	5,111,053	169%
Total equity	90,206,351	51,342,040	38,864,311	76%
Weighted average units o/s - basic	14,628,913	11,138,488	3,490,425	31%
Amounts on a per unit basis				
FFO	0.487	0.414	0.073	18%
Recurring FFO	0.487	0.414	0.072	18%
AFFO	0.449	0.406	0.042	10%
Distributions	0.256	0.222	0.034	15%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.4%	4.0%	(0.6%)	
Debt to gross assets - including converts	55%	57%	(2%)	
Debt to gross assets - excluding converts	51%	55%	(4%)	
Interest coverage ratio	3.2x	2.6x	0.6x	
Debt service coverage ratio	1.9x	1.7x	0.2x	
Distributions as a % of FFO per unit	52%	54%	(2%)	
Distributions as a % of Recurring FFO per unit	53%	54%	(1%)	
Distributions as a % of AFFO per unit	57%	55%	2%	
Leasing information				
Occupancy	99%	100%	(1%)	
Mix of tenancy based on net revenue				
National	86%	85%	1%	
Regional	12%	9%	3%	
Local	3%	5%	(2%)	
Property type breakdown				
Retail	18	10	8	
Quick Service Restaurants	19	17	2	
Gas/Convenience stores/Quick Service Rest.	17	13	4	
Gas/Convenience stores	18	15	3	
Other	2	2	-	
	74	57	17	
Other				
Average term to maturity – mortgages (years)	6.1	6.1	-	
Average term to maturity – leases (years)	7.9	8.7	(0.8)	
IFRS capitalization rate	6.48%	6.35%	0.13%	

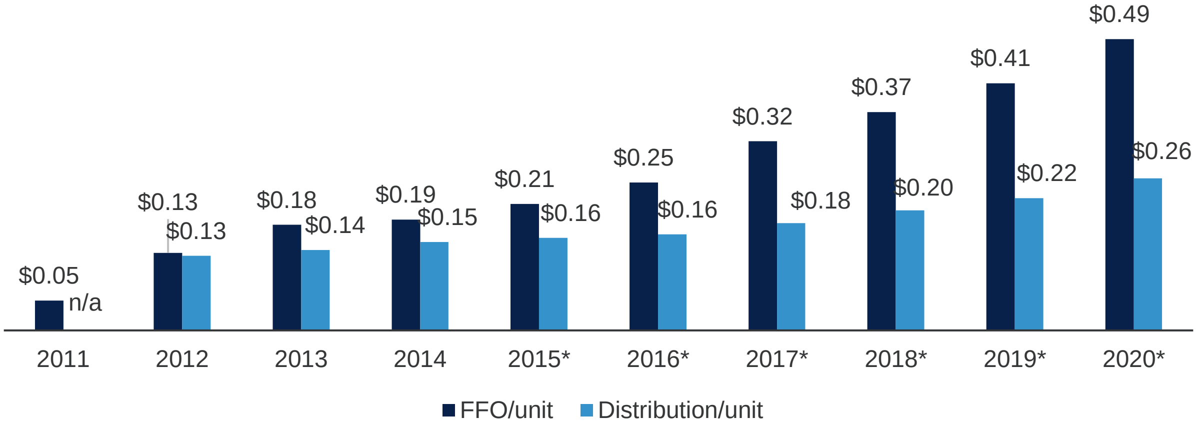
(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

(2) Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements

(3) Adjusted Investment Properties includes the Trust’s proportionate share of value of investment properties owned through joint ventures; Refer to Note 4 Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Fronsac’s financial statements

(4) Excludes convertible debentures

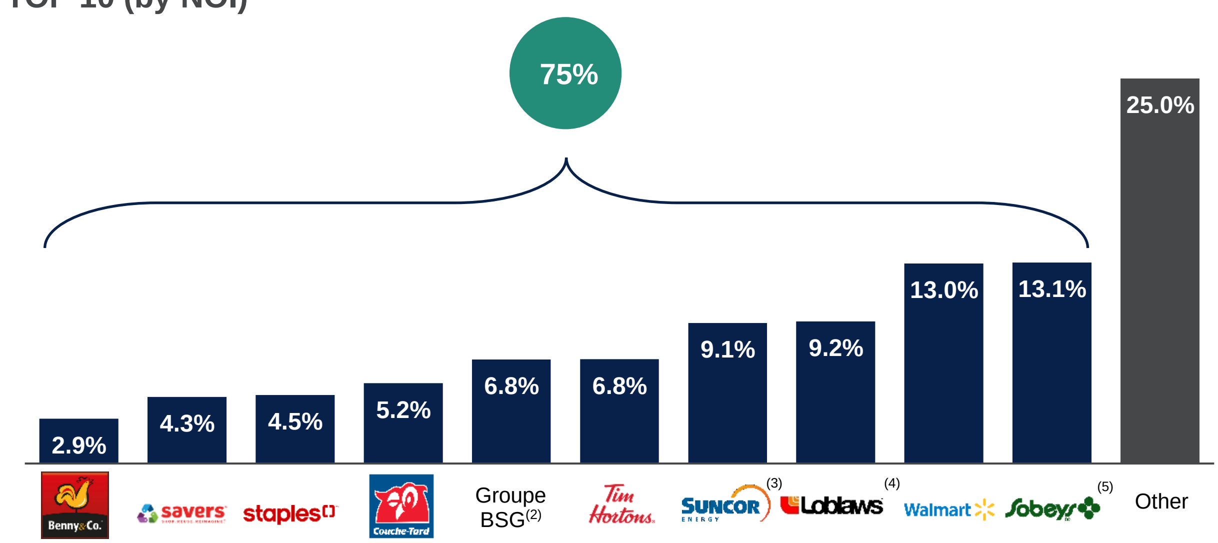
HISTORICAL SELECTED FINANCIAL PERFORMANCE



*Recurring FFO: excludes "Other revenues" as presented in the Consolidated Financial Statements

TENANT OVERVIEW – Period Ended December 31, 2020

TOP 10 (by NOI)[(1)]



Notes:

(1) Net Operating Income; Includes the Trust’s proportionate share of NOI from properties held through joint ventures
(2) Groupe BSG is a large regional service-station operator operating under various banners
(3) Suncor operates Pétro-Canada service-stations
(4) Loblaws operates the Pharmaprix pharmacies and the Provigo, Maxi, Independent’s and Atlantic Superstore grocery banners
(5) Sobeys operates IGA grocery stores and Shell service-stations

KEY PERFORMANCE INDICATORS - 2020

Recurring FFO(1) per unit

+18%

From $0.414 in 2019 to $0.487 for 2020

Net Operating Income

+38%

A $2.7M increase over the past 12 months

Dist./Recurring FFO(1)

53%

*A **conservative ratio** that allows Fronsac to **maintain its strong growth***

Occupancy Rate

99%

*The **quality of our assets** allowed us to maximize our occupancy rate*

Adj. Investment Properties(2)

+65%

From $134M in 2019 to $222M in 2020

Management expense ratio(3)

0.33%

Down from 0.47% in 2019

Notes:

(1) Recurring FFO excludes "Other revenues" as presented on the Consolidated Statements of Income for the period; refer to section "Non-IFRS Financial Measures"

(2) Adjusted Investment Properties includes the Trust's proportionate share of value of investment properties owned through joint ventures; Refer to Note 4 (Investment Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Fronsac's financial statements

(3) Ratio of administrative expenses on adjusted investment properties

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City/Province	Type	Land	Building	Ownership
1	40-50 Brunet Street	Mont St-Hilaire, Qc	QSR, gas, c-store	69K sf	5,452 sf	100%
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu, Qc	Gas, c-store	65K sf	8,359 sf	100%
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup, Qc	Gas, c-store	14K sf	2,400 sf	100%
4	1349-1351 Road 117	Val-David, Qc	QSR, gas, c-store	36K sf	6,088 sf	100%
5	275 Barkoff Street	Trois-Rivières, Qc	Gas, c-store	65K sf	2,400 sf	65%
6	530 Barkoff Street	Cap-de-la-madeleine, Qc	Gas, c-store	30K sf	2,641 sf	50%
7	340-344 Montée du Comté	Les Coteaux, Qc	QSR, gas, c-store	67K sf	8,071 sf	100%
8	1440-50 St-Laurent East Blvd.	Louiseville, Qc	QSR, gas, c-store	115K sf	6,132 sf	50%
9	1460 St-Laurent East Blvd.	Louiseville, Qc	QSR	37K sf	4,841 sf	50%
10	490-494 De L'Atrium Blvd.	Québec City, Qc	Gas, c-store	34K sf	6,574 sf	100%
11	7335 Guillaume Couture Blvd.	Lévis, Qc	QSR	30K sf	2,860 sf	100%
12	1319 Brookdale Avenue	Cornwall, On	QSR	33K sf	3,127 sf	100%
13	4200 Bernard-Pilon Street	St-Mathieu de Beloeil, Qc	Gas, c-store	20K sf	1,200 sf	100%
14	1901 Raymond Blais Street	Sainte-Julie, Qc	Gas, c-store	39K sf	5,150 sf	100%
15	2000 Leonard de Vinci Street	Sainte-Julie, Qc	QSR	86K sf	1,255 sf	100%
16	2050 Leonard de Vinci Street	Sainte-Julie, Qc	Gas	50K sf	5,975 sf	100%
17	2051 Nobel Street	Sainte-Julie, Qc	QSR	27K sf	1,392 sf	100%
18	16920-16930 St-Louis Ave.	St-Hyacinthe, Qc	QSR, gas, c-store	70K sf	6,290 sf	100%
19	3726 Des Forges Blvd.	Trois-Rivières, Qc	QSR	19K sf	3,360 sf	100%
20	2871-2885 Des Prairies Street	Trois-Rivières, Qc	QSR, gas, c-store	60K sf	6,662 sf	100%
21	2350 Chemin des Patriotes	Richelieu, Qc	QSR, gas, c-store	48K sf	4,851 sf	100%
22	4932 Des Sources Blvd.	Pierrefonds, Qc	QSR	19K sf	2,716 sf	100%
23	314 De Montigny Street	St-Jérôme, Qc	QSR	24K sf	2,832 sf	100%
24	288 Valmont Street	Repentigny, Qc	Gas, c-store	22K sf	2,400 sf	100%
25	2439 Ste Sophie Blvd.	Sainte-Sophie, Qc	Gas, c-store	58K sf	4,856 sf	95%
26	2429 Sainte-Sophie Blvd.	Sainte-Sophie , Qc	QSR	45K sf	3,710 sf	95%
27	610 Saint-Joseph Blvd.	Gatineau, Qc	Other	12K sf	3,019 sf	100%
28	513 Des Laurentides Blvd.	Laval, Qc	Other	13K sf	3,372 sf	100%
29	123 St-Laurent East Blvd	St-Eustache, Qc	Gas, c-store	22K sf	3,846 sf	100%
30	4 North Street	Waterloo, Qc	Gas, c-store	14K sf	2,845 sf	100%
31	3355 de la Pérade Street	Quebec City, Qc	Retail	142K sf	28,894 sf	100%
32	2555 Montmorency Blvd	Quebec City, Qc	Retail	110K sf	25,480 sf	100%
33	3592 Laval Street	Lac Mégantic, Qc	Gas, c-store	20K sf	1,777 sf	100%
34	536 Algonquin Blvd.	Timmins, On	QSR	108K sf	2,690 sf	100%
35	1730 Jules Vernes Ave.	Cap Rouge, Qc	QSR	35K sf	4,100 sf	50%
36	235 Montée Paiement	Gatineau, Qc	Retail	149K sf	25,706 sf	100%
37	510 Bethany Ave.	Lachute, Qc	QSR, gas, c-store	113K sf	11,910 sf	50%
38	1337 Iberville Blvd.	Repentigny, Qc	Retail	57K sf	17,050 sf	100%
39	222 St-Jean-Baptiste Blvd.	Mercier, Qc	QSR, gas, c-store	70K sf	9,488 sf	82.5%
40	230 St-Jean-Baptiste Boul.	Mercier, Qc	QSR	33K sf	4,165 sf	82.5%
41	101 Hébert Street	Mont-Laurier, Qc	Retail	350K sf	37,530 sf	100%
42	290 Mgr. Langlois Blvd.	Salaberry-de-Valleyfield, Qc	QSR, gas, c-store	107K sf	10,114 sf	50%
43	510 Portland Street	Dartmouth, NS	QSR	32K sf	4,631 sf	100%
44	20 Frontenac Ouest Blvd.	Thetford Mines, Qc	QSR	30K sf	2,400 sf	100%
45	975 Wilkinson Ave.	Dartmouth, NS	QSR, gas, c-store	85K sf	7,975 sf	50%
46	1501 Jacques Bedard Street	Quebec City, Qc	Retail	152K sf	24,652 sf	100%
47	852 Laure Boulevard	Sept Iles, Qc	QSR	28K sf	3,239 sf	100%
48	87-91 Starrs Road	Yarmouth, NS	Gas, c-store	62K sf	3,335 sf	100%
49	4675 Shawinigan Sud Blvd.	Shawinigan, Qc	QSR, gas, c-store	101K sf	7,126 sf	50%
50	480 Bethany Ave.	Lachute, Qc	Retail	492K sf	75,681 sf	100%
51	484 Bethany Ave.	Lachute, Qc	QSR	32K sf	3,037 sf	100%
52	2077 Laurentides Blvd.	Laval, Qc	Retail	31K sf	9,462 sf	100%
53	111-117 Desjardins Bvld.	Maniwaki, Qc	Retail	45K sf	16,085 sf	100%
54	550 Laflèche Boulevard	Baie Comeau, Qc	Retail	102K sf	19,676 sf	100%
55	304 LaSalle Boulevard	Baie Comeau, Qc	QSR	13K sf	3,300 sf	100%
56	35 route 201	Coteau-du-Lac, Qc	QSR, gas, c-store	31K sf	4,500 sf	50%
57	835 Lucien Chenier	Farnham, Qc	QSR, gas, c-store	89K sf	7,000 sf	100%
58	24 Miikana Way	Kenora, On	Retail	534K sf	80,881 sf	100%
59	1410 Principale Street	St-Etienne-des-Grès, Qc	QSR, gas, c-store	26K sf	3,830 sf	75%
60	2505 Saint-Louis Street	Gatineau, Qc	Retail	88K sf	25,389 sf	100%
61	124 Beech Hill Road	Antigonish, NS	QSR, gas, c-store	176K sf	4,040 sf	50%
62	16670 Des Acadiens Blvd.	Bécancour, Qc	QSR, gas, c-store	14K sf	3,600 sf	75%
63	1875 Sainte-Marguerite Street	Trois-Rivières, Qc	Gas, c-store	19K sf	2,400 sf	75%
64	5100 Wilfrid Hamel Blvd.	Quebec City, Qc	Gas, c-store	26K sf	3,077 sf	50%
65	369 St-Charles Street West	Longueuil, Qc	Gas, c-store	15K sf	2,578 sf	50%
66	1305-1375 Sherbrooke Street*	Magog, Qc	QSR, gas, c-store	38K sf	8,900 sf	50%
67	250 Saint-Antoine Nord Street	Lavaltrie, Qc	Retail	87K sf	22,794 sf	100%
68	524-534 Saint-Joseph Blvd.*	Drummondville, Qc	QSR	26K sf	7,684 sf	50%
69	570 Saint-Joseph Blvd.*	Drummondville, Qc	QSR	52K sf	3,855 sf	50%
70	491 Seigneuriale Street	Quebec City, Qc	Retail	103K sf	21,303 sf	100%
71	150 St-Alphonse Blvd.	Roberval, Qc	Retail	207K sf	43,378 sf	100%
72	15 McChesney Ave.	Kirkland Lake, ON	Retail	200K sf	45,157 sf	100%
73	394 Westville Road	New Glasgow, NS	Retail	487K sf	90,800 sf	100%
74	1225 Kings Street	Sydney, NS	Retail	155K sf	47,189 sf	100%
75	478 Ch. Knowlton**	Lac Brome, Qc	QSR, gas, c-store	51K sf	4,500 sf	100%
76	14 Sunset Road**	Pictou, NS	QSR, gas, c-store	129K sf	5,460 sf	50%
QSR: Quick Service Restaurant			**Total:**	**6,296K sf**	**922,494 sf**	

* Under development
**Acquired after December 31, 2020

MANAGEMENT’S DISCUSSION & ANALYSIS

SCOPE OF ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Fronsac Real Estate Investment Trust (“Fronsac” or the “Trust”) is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the 12-month period ended December 31, 2020. It should be read in conjunction with the Audited Consolidated Financial Statements for the period ended December 31, 2020 and the Audited Consolidated Financial Statements and MD&A for the period ended December 31, 2019. The financial data contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are in Canadian dollars. You can find all copies of Fronsac’s recent financial reports on Fronsac’s website fronsacreit.com and on sedar.com.

Dated March 26, 2021, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Audited Consolidated Financial Statements for the period ended December 31, 2020 and accompanying notes included in this report.

The audit committee reviewed the contents of this MD&A and the Audited Financial Statements and the Trust’s Board of Trustees has approved them.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to present forward-looking information to provide investors with a better understanding of the Trust’s future prospects and help them make informed decisions. This MD&A contains forward-looking statements about the Trust’s objectives, strategies, financial position, results of operations, cash flows and operations, which are based on management’s current expectations, estimates and assumptions about the markets in which it operates.

Statements based on management’s current expectations contain known and unknown inherent risks and uncertainties. Forward-looking statements may include verbs such as “believe,” “anticipate,” “estimate,” “expect,” “intend” and “assess” or related expressions, used in the affirmative and negative forms. These statements represent the Trust’s intentions, plans, expectations or beliefs and are subject to risks, uncertainties and other factors, many of which are beyond the Trust’s control. Actual results may vary from expectations. The reader is cautioned not to place undue reliance on any forward-looking statements.

On November 10, 2020, the Trust completed a consolidation of units on a basis of one (1) post-consolidation unit for every ten (10) pre-consolidation units. All per unit numbers in this MD&A are shown on a post-consilidation basis.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, self imposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown. These measures have also resulted in material disruptions to global equity and capital markets.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and accordingly certain aspects of the Trust’s operations could be affected, including rent collection, occupancy rates, demand for retail space, capitalization rates, and the resulting value of the Trust’s properties. The full extent and duration of COVID-19 remain uncertain at this time.

Please note that the forward-looking statements contained in this MD&A describe our expectations as at March 26, 2021.

DESCRIPTION OF THE ISSUER'S BUSINESS

Fronsac is an active Trust operating in the Canadian commercial real estate market. The Trust is currently traded on the TSX Venture using the ticker symbol FRO.UN. The Trust owns and rents commercial real estate properties directly and through its wholly owned subsidiaries. Since inception the Trust has made a series of acquisitions and has steadily increased its real estate portfolio.

While always staying focused on **per unit results, Fronsac…**

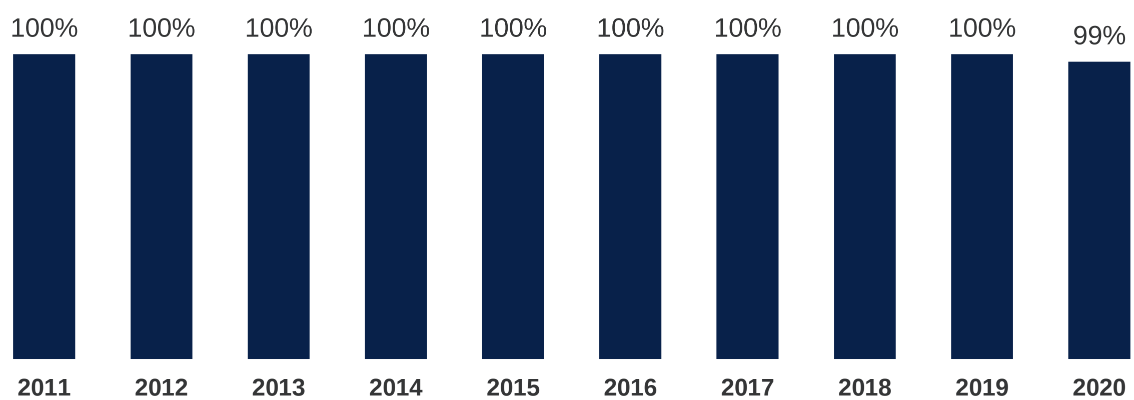
The principal, registered and head office of the Trust is located at 106 Gun Avenue, Pointe Claire, Qc, H9R 3X3.

On November 10, 2020, the Trust completed a consolidation of units on a basis of one (1) post-consolidation unit for every ten (10) pre-consolidation units. All per unit numbers in this MD&A are shown on a post-consilidation basis.

As at December 31, 2020 the Trust held 74 investment properties, 64 residing in the province of Quebec, 4 in the province of Ontario and 6 in the province of Nova Scotia. The occupancy rate for these properties was at 99% throughout the quarter. The properties are occupied by 5 distinct groups of tenants composed of: (1) quick service restaurant chains, (2) major oil/gas companies, (3) c-store chains, (4) major retailers and (5) others.

The Trust management is entirely internalized and no service agreements or asset management agreements are in force between Fronsac and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

HISTORICAL OCCUPANCY RATE



These properties are leased to tenants on a management free basis with triple net leases. Under this type of arrangement, the tenant is responsible for paying real estate taxes, insurance and any general maintenance required, in addition to the base rent already stipulated in the lease terms. These types of leases ensure stable recurring cash flows with an opportunity for growth.

MAJOR EVENTS OF THE YEAR

On January 20, 2020, Fronsac announced, that it had entered into acquisition agreements to purchase three commercial properties in Québec and Ontario, and its intention to undertake a public offering of units of Fronsac at a price of $0.62 per unit for minimum gross proceeds of approximately $15.0 million and maximum gross proceeds of approximately $18.0 million.

The REIT intended to use the net proceeds of the offering as follows: (A) the acquisition by the Trust of a 100%-interest in a property located in Kenora, Ontario, and leased to Walmart for an aggregate purchase price of approximately $12.0 million (excluding transaction costs), which is expected to be satisfied by (1) approximately $8.4 million aggregate principal amount of new mortgage financing and (2) a cash payment of $3.6 million, which the Trust anticipates using from the net proceeds of the offering, (B) the acquisition by the Trust of a 100%-interest in a property located in Farnham, Québec, and leased to a gas station and restaurant combo operated by Petro-Canada, a c-store operator and Tim Hortons, for an aggregate purchase price of approximately $4.0 million (excluding transaction costs), which is expected to be satisfied by (1) approximately $2.7 million aggregate principal amount of new mortgage financing and (2) a cash payment of $1.3 million, which the Trust anticipates using from the net proceeds of the offering, (C) the acquisition by the Trust of a 75%-interest in a property located in Saint-Étienne-des-Grès, Québec, and leased to a gas station and restaurant combo operated by Parkland, a c-store operator and Tim Hortons, for an aggregate purchase price of approximately $3.0 million (excluding transaction costs), which is expected to be satisfied by (1) approximately $2.0 million aggregate principal amount of new mortgage financing and (2) a cash payment of $1.0 million, which the Trust anticipates using from the net proceeds of the offering, (D) approximately $7.5 million assuming the minimum offering is completed and approximately $10.3 million assuming the maximum offering is completed to repay a portion of the outstanding indebtedness under certain of Fronsac's credit facilities, which may be subsequently redrawn in connection with the acquisition by the Trust of the acquisition properties; (E) approximately $0.3 million for expenses incurred by the Trust in connection with the offering; and (F) approximately $0.5 million for real estate transaction costs expected to be incurred in connection with the acquisition of the acquisition properties, primarily comprised of land transfer and other taxes, insurance, bank underwriting fees, legal fees and third-party consultant fees; and the combined net operating income in respect of the acquisition properties is approximately $1.5 million, representing a 7.9% weighted average capitalization rate based on the aggregate purchase price of approximately $19.0 million (excluding transaction costs) in respect of the acquisition properties.

On February 13, 2020, Fronsac announced that it had closed its previously-announced public offering of trust units of Fronsac. Under the offering, an aggregate of 29 million units were issued, representing the maximum number of units qualified under Fronsac's short form prospectus, at a price of $0.62 per unit for aggregate gross proceeds of approximately $18 million. The offering was made through a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., acting as joint bookrunners, and including Laurentian Bank Securities Inc., Echelon Wealth Partners Inc. and Desjardins Securities Inc.

The REIT intended to use the net proceeds of the offering as described in the Trust's final short form prospectus dated February 7, 2020, including to partially fund the acquisition of three commercial properties in Québec and Ontario and repay a portion of the outstanding indebtedness under certain of the Trust's credit facilities.

On February 28, 2020, Fronsac announced the closing of two previously announced acquisitions. The first property acquired was in Farnham, Québec. It is composed of a Petro-Canada gas station, a Beau-Soir c-store and a Tim Hortons restaurant. Total consideration paid was $4.0 million and was settled in cash. The second property acquired was in Kenora, Ontario. It is composed of a retail store operated under the Walmart banner. Total consideration paid for the property was $12.0 million and was settled in cash.

On April 9, 2020, Fronsac announced the acquisition of a property located in the district of Limbour in Gatineau, Qc. The property is a grocery store operated under the Metro banner. Total consideration paid for the property was $4,600,000 and was settled in cash.

On May 12, 2020, Fronsac provided a business update related to COVID-19. Fronsac's rent collection for the months of April and May were as follows:

- For the month of April, Fronsac collected 84% of its gross rents and entered into deferral agreements for 13% of gross rents for a total of 97%, on a consolidated basis.
- For the month of May, Fronsac collected 87% of its gross rents and entered into deferral agreements for 10% of gross rents for a total of 97%, on a consolidated basis.

As of the date of the press release, based on Fronsac's gross leasable area, approximately 97% of the Trust's tenants were open or partially open. In the event of the latter, those tenants were serving customers through takeout and/or delivery.

On June 1, 2020, Fronsac announced the acquisition of two properties through a joint venture in which it owns 75%.

The first property is an Ultramar service station and c-store. It is located in Trois Rivières, Qc. Total consideration paid for the property was $1,450,000 and was settled in cash.

The second property is an Ultramar service station with a c-store and a Subway restaurant. The property is located in Bécancour, Qc. This property is under redevelopment. A portion of the property has been demolished and is being rebuilt in order to better suit the needs of customers. The total costs of this project are estimated at $2,500,000 with expected delivery in Fall 2020.

On June 22, 2020, Fronsac provided a business update related to COVID-19. Fronsac's rent collection for the month of June was as follows:

- For the month of June, Fronsac collected 97% of its gross rents on a consolidated basis.

The Trust has entered into very few rent deferral arrangements for the month of June and is currently reviewing a handful of applications to participate in the Canada Emergency Commercial Rent Assistance ("CECRA") program. Fronsac is working with those tenants to assess their eligibility and provide assistance in the application. Admissibility into the program would result in certain tenants paying 25% of their gross rents and 50% of gross rents paid to Fronsac by the Canadian Government, through the CECRA program, in the form of a forgivable loan. With those two elements combined it would bring Fronsac's total collections for the month of June to 99%.

On July 16, 2020, Fronsac announced the acquisition of a land through a joint venture in which it owns 50%. The land is located on Wilfrid-Hamel Boulevard in Quebec City, Qc. A new Pétro-Canada service-station will be built on the property and total costs are estimated to be $2,500,000 with expected delivery at the end of 2020.

On July 31, 2020, Fronsac sold its property located at 507 Chemin de la Grande Cote in St-Eustache, Qc. Total consideration paid by the purchaser was $1,700,000 and was settled in cash. This property was no longer considered core and did not agree with the long term vision of the Trust.

On August 28 2020, Fronsac acquired a 50% interest in a land located in the heart of Longueuil, Qc, on St-Charles Street West. A Petro-Canada service-station will be built on the land. Total costs are expected to be approximately $2,300,000 and the project is expected to be completed in Q1 2021.

On September 3, 2020, Fronsac acquired a 50% interest in a building located on Sherbrooke Street in Magog, Qc. The property will be demolished, and a new standalone Benny&Co. restaurant will be built. Total costs are expected to be approximately $1,500,000 and construction is set to begin in Q2 2021.

On September 30, 2020, Fronsac acquired a 50% interest in a service-station operated under the Esso banner with a Boni-Soir c-store and is located next to the above-mentioned restaurant in Magog, Qc. Total consideration paid for the property was $1,050,000 and was settled in cash.

MAJOR EVENT OF THE FOURTH QUARTER

On October 8, 2020, Fronsac announced that during Q4 2020, it will complete the acquisition of a 50% interest in two buildings located on St-Joseph Boulevard in Drummondville, Qc. The first building is occupied by two quick service restaurants and will be repositioned during 2021. The second building is a standalone restaurant that will be demolished and replaced by a standalone Benny&Co. restaurant starting in 2020. Total costs are expected to be approximately $4,800,000.

On October 30, 2020, Fronsac announced that it closed its previously announced acquisition of a grocery store property operated under the Super C banner in Lavaltrie, Qc. Total consideration paid for the property was $3,150,000 (excluding transaction costs) and was settled in cash.

On November 4, 2020, Fronsac announced a 17% increase in its annual distributions for 2021 and that its Board of Trustee approved a consolidation of units at a ratio of 1 for 10 to take place in the week of November 9th, 2020.

On November 10, 2020, Fronsac announced that it had agreed to acquire five grocery store properties leased to affiliated brands of Loblaws™ located in Beauport, QC, Roberval, QC, Sydney, NS, New Glasgow, NS, and Kirkland Lake, ON (collectively, the "Acquisition Properties"), its intention to undertake a public offering of units of Fronsac and its intention to undertake a private placement of convertible debentures of Fronsac.

The REIT also announced that it had completed the previously-announced consolidation of the issued and outstanding units on a basis of one (1) post-consolidation unit for every ten (10) pre-consolidation units.

On November 23, 2020, Fronsac announced the closing of its previously announced private placement of unsecured convertible debentures.

Under the private placement, the Trust issued $6.0 million in principal amount of convertible debentures. The convertible debentures will mature on November 23, 2025, bear an annual interest rate of 6.0% payable semi-annually, and are convertible into units of Fronsac at a conversion price of $8.13 per unit. Fronsac will have the right to redeem the convertible debentures on or after November 23, 2023 if the closing price of the units on the TSX Venture Exchange (the "TSX-V") is greater than $8.78 for a period of forty-five (45) consecutive trading days. At any time upon giving 10 days' advance written notice to the holders of the convertible debentures, the Trust may force the conversion of the principal amount of the then outstanding convertible debentures into units at the conversion price if the closing price of the units on the TSX-V is greater than $8.78 for any forty-five (45) consecutive trading days.

The net proceeds from the private placement were used as stated in Fronsac's press release dated November 10, 2020. In connection with the private placement, Fronsac paid an aggregate of $16,500.00 in finder's fees in accordance with applicable laws.

On November 25, 2020, Fronsac announced that it closed its previously-announced public offering of units of Fronsac.

Under the offering, an aggregate of 2,653,846 units were issued and sold, including the exercise in full by the Agents (as defined below) of their over-allotment option to purchase up to 346,154 additional units. The units were issued and sold at a price of $6.50 per unit for aggregate gross proceeds of $17,249,999. The offering was made through a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., acting as joint bookrunners, and including Desjardins Securities Inc., Laurentian Bank Securities Inc., Industrial Alliance Securities Inc. and Echelon Wealth Partners Inc. (collectively, the "Agents").

With the offering and the previously announced closing of the private placement of unsecured convertible debentures of the Trust, Fronsac raised raised total gross proceeds of $23,250.000.

The net proceeds from the offering were be used as stated in Fronsac's press release dated November 10, 2020.

On December 1, 2020, Fronsac announced that it closed its previously announced acquisition of the Acquisition Properties as described in its press release of November 10, 2020.

The properties are comprised of five grocery stores, aggregating approximately 246,000 square feet of gross leasable area. The properties are 100% occupied, with a weighted average remaining lease term of approximately 6.1 years, and are all single-tenant properties leased on a triple net basis.

OUTLOOK 2021 & SUBSEQUENT EVENTS

Fronsac is constantly looking for acquisitions of commercial real estate properties that have triple net leases and are management free. These types of acquisitions limit the overhead required to run the business and in turn allow management to focus on adding value through strategic acquisitions that are accretive to the Trust's FFO/AFFO per unit.

Fronsac is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

On February 1, 2021, Fronsac announced the acquisition of a property located in Lac Brome, Qc, and a 50% participation in a new development in Chicoutimi, Qc.

> On January 29th, 2021 Fronsac completed the acquisition of a property in Lac Brome, QC which is operated by a service-station under the Esso banner and a fast-food restaurant operated under the Tim Hortons banner. Total consideration paid for the property was $2,840,000 (excluding transaction costs) and was settled in cash.
>
> In partnership with Odacité Immobilier and Benny & Co., Fronsac also is pleased to announce the development of a new standalone Benny&Co. restaurant in Chicoutimi, Qc. Fronsac will retain a 50% participation in the project. Total costs are expected to be $2,100,000 and construction is set to begin in 2021.

On March 1st, 2021, Fronsac closed on an acquisition of a 50% interest in a service station, fast food combo in Pictou, Nova Scotia. The 50% share was acquired for $2,875,000.

On March 1st , 2021, Fronsac entered into an agreement to purchase three (3) freestanding Food Basics grocery stores in Hamilton, Keswick and Dunnville, Ontario. The transaction is expected to close during Q2 2021. The purchase price for the 3 properties will be $8,090,000.

On March 26, 2021, Fronsac announced that it will make monthly cash distributions of 2.5¢ per unit, representing 30.0¢ per unit on an annualized basis, on April 30th, May 31st and June 30th, 2021 to unitholders of record on April 15th, May 14th and June 15th, 2021, respectively.

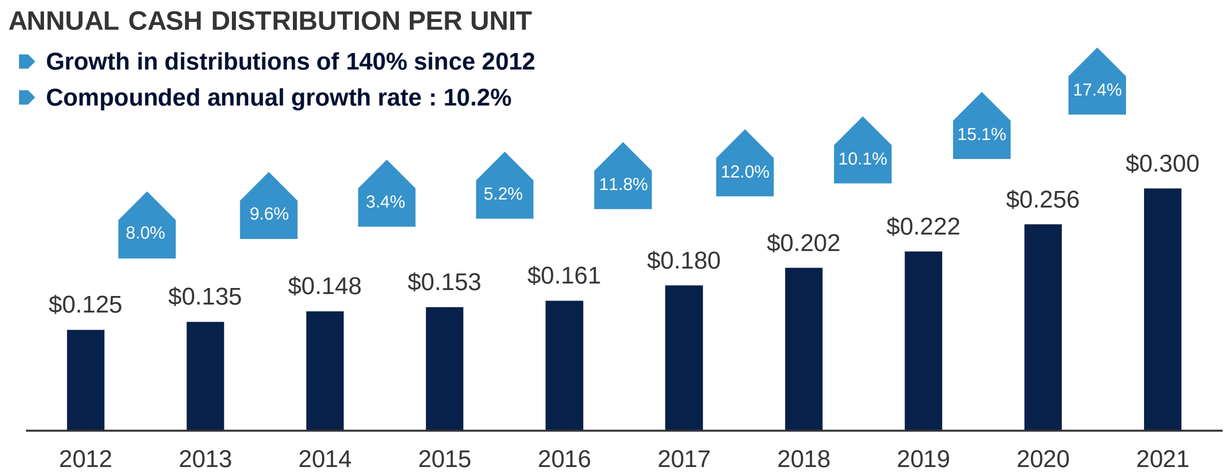
On March 26, 2021, Fronsac announced that it will be acquiring a piece of land in April 2021 in Terrebonne, Quebec. In summer 2021 the Trust will begin construction of a freestanding Benny&Co. Fronsac will retain a 40% interest in the joint venture development. Total project costs are estimated to be $2,200,000.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, selfimposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown. These measures have also resulted in material disruptions to global equity and capital markets.

Fronsac's portfolio is mostly comprised of retailers who provide essential services, such as grocery stores and pharmacies, service stations and quick service restaurants. As of today, the Trust's portfolio is comprised of 76 properties with more than 100 tenants. Throughout the COVID-19 crisis, our tenants have remained open to continue to provide these essential services to the communities in which they operate, with some exceptions. Depending on the type of tenant, some have experienced increased traffic, while others have been more susceptible to the governments stay at home initiatives.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and accordingly certain aspects of the Trust's operations could be affected, including rent collection, occupancy rates, demand for retail space, capitalization rates, and the resulting value of the Trust's properties. The full extent and duration of COVID-19 remain uncertain at this time.

The Trust believes in a long-term growth strategy through acquiring properties that will increase its funds from operations per unit, distributions per unit and as a result increase total unitholders value.



NON-IFRS FINANCIAL MEASURES

This document contains various non-IFRS financial measures, which are used to explain the financial results of the Trust. The terms explained in this section do not have any standardized IFRS meaning and as such may not be comparable to other issuers.

Funds From Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 14). Fronsac considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and whereas others use the fair value model to account for investment properties).

FFO per unit is not an IFRS financial measure. Fronsac calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

Recurring Funds From Operations (FFO) is not an IFRS financial measure. Fronsac calculates recurring FFO by subtracting from the base FFO material non-recurring revenues and adding material non-recurring charges.

Recurring FFO per unit is not an IFRS financial measure. Fronsac calculates Recurring FFO per unit as recurring FFO divided by the weighted average number of units outstanding.

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream. Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures, which generate a new investment or revenue stream, such as the development of a new property or redevelopment of an existing property, would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short-term cash requirements or surpluses. In addition, non-recurring costs that impact operating cash flow may be adjusted.

AFFO per unit is not an IFRS financial measure. Fronsac calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Fronsac, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust’s ability to service debt. Its calculation is profit before financial expenses, income tax expense, and amortization.

Adjusted EBITDA is a non-IFRS measure and is used by the Trust to monitor the its ability to satisfy and service its debt and to monitor requirements imposed by the Trust's lenders. Specifically, Adjusted EBITDA is used to monitor the Fronsac’s Interest Coverage Ratio and Debt Service Coverage Ratio. Adjusted EBITDA represents earnings before interest, income taxes and fair value gains (losses) on investment properties, while also excluding non-recurring items.

The Interest Coverage Ratio (“Interest Coverage Ratio”) is an non-IFRS measure used by management in determining the Trust’s ability to service the interest requirements of its outstanding debt. The Trust calculates its Interest Coverage Ratio by dividing Adjusted EBITDA by the Trust’s interest obligations for the period. Management uses this ratio to measure and limit the Trust’s leverage.

The Debt Service Coverage Ratio (“Debt Coverage Ratio”) is a non-IFRS measure. It is determined by the Trust as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflect principal repayments and interest expensed during the period. Payments related to prepayment penalties or payments upon discharge of a mortgage are excluded from the calculation. The Debt Service Coverage Ratio is a useful measure and is used by the Trust's management to monitor the Trust’s ability to meet annual interest and principal payments.

Distributable Income is not an IFRS measure. There is no standardized measure of distributable income Distributable income is presented in this MD&A because Fronsac believes this non IFRS measure is a relevant measure of its ability to earn and distribute cash returns to unitholders Distributable Income as computed by Fronsac may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable income as reported by such entities.

The Distributable Income of Fronsac is calculated based on Fronsac’s income determined in accordance with the provisions of the Income Tax Act (as amended, subject to certain adjustments as set out in Fronsac’s contract of trust, including that capital gains and capital losses be excluded, net recapture income be excluded, no deduction be made for non capital losses, capital cost allowance, terminal losses, amortization of cumulative eligible capital or amortization of costs of issuing units or financing fees related to the instalment loan, and leasehold improvements be amortized. Distributable Income so calculated may reflect any other adjustments determined by the Trustees in their discretion and may be estimated whenever the actual amount has not been fully determined. Such estimates will be adjusted as of the subsequent distribution date when the amount of Distributable Income has been finally determined.

Adjusted Investment Properties is not an IFRS measures. Adjusted Investment Properties is a combination of the Trust’s investment properties as shown on its balance sheet as well as its propoertionate share of the value of the properties owned through joint ventures.

FFO, Recurring FFO, AFFO, EBITDA, Adjusted EBITDA, Interest Coverage Ratio, Debt Service Coverage Ratio, Distributable Income and Adjusted Investment Properties are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

ADDITIONAL IFRS FINANCIAL MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of income and comprehensive income. NOI as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. Fronsac considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of income and comprehensive income (property revenues less total property operating costs, including operating ground rents).

FINANCIAL HIGHLIGHTS

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Rental income	3,690,482	3,219,366	3,203,394	2,863,606	2,738,295	2,458,451	2,192,484	1,999,095
Net income (loss) to unitholders	847,652	2,139,737	2,515,312	4,118,476	(997,612)	3,891,506	1,136,505	50,870
Net income (loss) per unit Basic	0.054	0.145	0.171	0.310	(0.085)	0.333	0.013	0.005
FFO (1)	1,977,993	1,874,971	1,830,892	1,462,713	1,295,716	1,197,449	1,121,743	1,000,484
FFO per unit	0.125	0.127	0.125	0.110	0.110	0.102	0.103	0.098
Value of adjusted investment properties (000's) (2)	221,712	171,615	168,805	160,829	134,376	133,413	124,741	107,597
Total assets (000's)	209,706	159,169	157,837	155,221	129,119	126,615	117,063	100,749
Mortgages, and other debts (000's)	107,652	73,912	75,298	71,064	60,383	60,554	61,398	54,979
Equity (000's)	90,206	74,303	72,971	71,359	51,342	53,031	50,499	41,842
Weighted avg. units o/s Basic (000's)	15,794	14,727	14,697	13,297	11,740	11,701	10,928	10,161

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Non-IFRS financial measures"
(2) Adjusted Investment Properties includes the Trust's proportionate share of value of investment properties owned through joint ventures; Refer to Note 4 (Investment Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Fronsac's financial statements

INVESTMENT PROPERTIES

As at December 31	2020	2019	Δ
Investment Properties			
Developed properties	185,991,100	118,503,056	57%
Properties under development	-	-	-
	185,991,100	118,503,056	57%
Joint Venture Ownership(1)			
Developed properties	32,591,070	14,162,491	130%
Leased properties	350,000	350,000	-
Properties under development	2,779,735	1,360,544	104%
Adjusted Investment Properties(2)	**221,711,905**	**134,376,091**	**65%**

(1) Represents Fronsac's proportionate share
(2) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

RECONCILIATION OF NET INCOME TO FFO

	3 months			12 months		
Periods ended December 31	**2020**	**2019**	**Δ**	**2020**	**2019**	**Δ**
Net income (loss) attributable to unitholders	847,652	(997,612)	1,845,264	9,621,177	4,081,269	5,539,908
Debenture issuance costs	-	-	-	-	30,660	(30,660)
Δ in value of investment properties	1,951,657	501,678	1,449,979	(309,372)	(1,546,054)	1,236,682
Δ in value of investment properties in joint ventures	(513,351)	427,047	(940,398)	(1,512,138)	583,734	(2,095,872)
Unit based compensation	(912)	78,540	(79,452)	37,492	259,845	(222,353)
Δ fair value adjustments on derivative financial instruments	(337,544)	1,266,418	(1,603,962)	(939,825)	1,158,905	(2,098,730)
Accretion of lease payments	6,991	9,057	(2,066)	27,405	38,395	(10,990)
Income taxes	23,500	10,588	12,912	23,117	8,640	14,477
Realized loss on sale of an investment property	-	-	-	180,000	-	180,000
FFO(1)	1,977,993	1,295,716	53%	7,127,856	4,615,394	54%
FFO per unit	0.125	0.110	13%	0.487	0.414	18%
Other revenues	(124)	-	(124)	(10,414)	-	(10,414)
Recurring FFO(1)	1,977,869	1,295,716	53%	7,117,442	4,615,394	54%
Recurring FFO per unit	0.125	0.110	13%	0.487	0.414	18%
Distributions	998,731	651,590	347,141	3,754,484	2,457,083	1,297,401
Distributions per unit	0.064	0.056	14%	0.256	0.222	15%
FFO per unit - after distributions	0.061	0.055	11%	0.232	0.192	20%
Recurring FFO per unit - after distributions	0.061	0.055	11%	0.231	0.192	20%
Distributions per unit as a % of						
FFO per unit	51%	50%	1%	52%	54%	(2%)
Recurring FFO per unit	51%	50%	1%	53%	54%	(1%)
Weighted avg. units o/s						
Basic	15,794,450	11,740,357	4,054,093	14,628,913	11,138,488	3,490,425

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

	3 months			12 months		
Periods ended December 31	**2020**	**2019**	**Δ**	**2020**	**2019**	**Δ**
FFO (1)	1,977,993	1,295,716	682,277	7,127,856	4,615,394	2,512,462
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Straight-line rent adjustment(2)	(142,312)	-	(142,312)	(493,116)	-	(493,116)
Maintenance/cap-ex on existing properties	(20,995)	(47,545)	26,550	(72,370)	(91,031)	(18,661)
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO(1)	1,814,686	1,248,171	45%	6,562,370	4,524,363	45%
AFFO per unit	0.115	0.106	8%	0.449	0.406	10%
Distributions per unit	0.064	0.056	14%	0.256	0.222	15%
AFFO per unit - after distributions	0.051	0.051	-	0.193	0.184	5%
Distributions per unit as a % of AFFO per unit	56%	52%	4%	57%	55%	2%
Weighted avg. units o/s						
Basic	15,794,450	11,740,357	4,054,093	14,628,913	11,138,488	3,490,425

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"
(2) Adjusted for proportionate share of equity accounted investments

CASH FLOW AND LIQUIDITY

	3 months			12 months		
Periods ended December 31	**2020**	**2019**	**Δ**	**2020**	**2019**	**Δ**
Cash flow from:						
Operating activities	2,364,173	1,355,866	1,008,307	6,187,599	3,615,256	2,572,343
Investing activities	(47,547,031)	(3,079,467)	(44,467,564)	(73,816,514)	(28,215,324)	(45,601,190)
Financing activities	49,375,418	1,757,670	47,617,748	71,788,283	24,725,954	47,062,329
Increase in cash & cash Equivalents	4,192,560	34,069	4,158,491	4,159,368	125,886	4,033,482
Cash & cash equivalents - Beginning of period	267,146	266,269	877	300,338	174,452	125,886
Cash & cash equivalents - End of period	4,459,706	300,338	4,159,368	4,459,706	300,338	4,159,368

The Trust’s rental income revenues are used to pay down various working capital obligations. These funds are the primary source to fund mortgage/loan and other debt payments, with the residual used to fund distributions to unit holders.

For the 12-month and 3-month periods ended December 31, 2020, Fronsac has increased its cash from operating activities. These were mostly impacted by the growth in rental revenues, which was partially offset by the increase in financial expenses related to mortgages on new acquisitions.

Increase in cash spent on investing activities can mainly be attributed to the acquisitions of properties, participations in joint ventures that took place over the course of the period. For more details regarding these acquisitions over the 12-month period ended December 31, 2020, please refer to Note 4 “Investment Properties” and Note 5 “Joint Arrangements” in the Financial Statements.

For the 12-month period ended December 31, 2020, cash derived from financing activities amounted to $71,788,283 ($24,725,954 for the same period in 2019). These amounts are the result of the money raised through new mortgages used to fund our acquisitions, as well as offerings of units and convertible debentures of the Trust for the respective periods.

The Trust expects to be able to meet all of its obligations as they become due in the short-term and the long-term. Fronsac expects to have sufficient liquidity as a result of cash on hand, cash flow from operating activities, operating facilities, the ability to refinance properties when required as well as the ability to raise equity and debentures in the capital markets when deemed necessary.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Periods ended December 31	3 months 2020	3 months 2019	Δ	12 months 2020	12 months 2019	Δ
Cash flow provided from operating activities	2,364,173	1,355,866	1,008,307	6,187,599	3,615,256	2,572,343
Net change in non-cash asset and liability items	(633,361)	(212,621)	(420,740)	(347,120)	515,663	(862,783)
Income taxes	21,500	18,088	3,412	21,117	16,140	4,977
Accretion of lease payments	6,991	9,057	(2,066)	27,405	38,395	(10,990)
Straight line rent adjustment	142,312	-	142,312	493,116	-	493,116
Δ in accrued interest	(1,762)	(3,285)	1,523	(4,527)	(38,980)	34,453
Debentures issuance costs	-	-	-	-	30,660	(30,660)
Δ in value of investment properties in joint ventures	(513,351)	427,047	(940,398)	(1,512,138)	583,734	(2,095,872)
Income from investment in joint ventures(1)	731,606	(298,436)	1,030,042	2,383,456	(145,474)	2,528,930
Accretion of the non-derivative liability component of convertible debentures	(140,115)	-	(140,115)	(121,052)	-	(121,052)
FFO(2)	1,977,993	1,295,716	53%	7,127,856	4,615,394	54%
Accretion of lease payments	(6,991)	9,057	(16,048)	(27,405)	38395	(65,800)
Straight line rent adjustment(3)	(142,312)	-	(142,312)	(493,116)	-	(493,116)
Distributions from joint ventures	92,500	18,000	74,500	196,000	159,500	36,500
Periodic mortgage principal repayments	(610,109)	(398,342)	(211,767)	(2,011,109)	(1,460,434)	(550,675)
Repayment of long-term-debt	-	-	-	(15,000)	(15,000)	-
Distributable income	1,311,081	924,431	42%	4,777,226	3,337,855	43%
Distributions to unitholders	(998,731)	(651,590)	(347,141)	(3,754,484)	(2,457,083)	(1,297,401)
Cash surplus after distributions	312,350	272,841	39,509	1,022,742	880,772	141,970

(1) Excludes straight line rent in equity accounted investments
(2) See appropriate sections for reconciliation to the closest IFRS measure and section
(3) Including the proportionate share of equity accounted investments

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Financial position & COVID-19

Fronsac benefits from a solid financial position. The Trust has sufficient liquidity, including cash on hand and undrawn credit facilities, to meet its current obligations, working capital requirements and distributions. As of December 31, 2020, Fronsac had approximately $15 million of cash and availability on its credit facilities.

RESULTS OF OPERATIONS

Periods ended December 31	3 months 2020	3 months 2019	Δ	12 months 2020	12 months 2019	Δ
Rental Income	3,690,482	2,738,295	952,187	12,976,848	9,388,326	3,588,522
Increase/(decrease) in fair values of investment properties	(1,951,657)	(501,678)	(1,449,979)	309,372	1,546,054	(1,236,682)
Financial expenses	540,883	1,910,468	(1,369,585)	2,122,968	3,583,094	(1,460,126)
Administrative expenses	198,228	217,049	(18,821)	728,562	627,894	100,668
Unit-based compensation	(912)	78,540	(79,452)	37,492	259,845	(222,353)
Net income (loss) attributable to unitholders	847,652	(997,612)	1,845,264	9,621,177	4,081,269	5,539,908
Net income (loss) per unit Basic	0.054	(0.085)	0.14	0.658	0.366	0.29
FFO(1)	1,977,993	1,295,716	53%	7,127,856	4,615,394	54%
FFO per unit	0.125	0.110	13%	0.487	0.414	18%
Recurring FFO(2)	1,977,869	1,295,716	53%	7,117,442	4,615,394	54%
Recurring FFO per unit	0.125	0.110	13%	0.487	0.414	18%
Weighted avg. units o/s Basic	15,794,450	11,740,357	4,054,093	14,628,913	11,138,488	3,490,425

(1) See appropriate sections for reconciliation to the closest IFRS measure and section
(2) Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements

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RECONCILIATION OF NET INCOME TO EBITDA

	3 months			12 months		
Periods ended December 31	**2020**	**2019**	**Δ**	**2020**	**2019**	**Δ**
Net income attributable to unitholders	847,652	(997,612)	1,845,264	9,621,177	4,081,269	5,539,908
Financial expenses	540,883	1,910,468	(1,369,585)	2,122,968	3,583,094	(1,460,126)
Accretion of lease payments	(6,991)	(9,057)	2,066	(27,405)	(38,395)	10,990
Income taxes	23,500	10,588	12,912	23,117	8,640	14,477
EBITDA	1,405,044	914,387	490,657	11,739,857	7,634,608	4,105,249
Δ in value of investment properties	1,951,657	501,678	1,449,979	(309,372)	(1,546,054)	1,236,682
Δ in value of investment properties in joint ventures	(513,351)	427,047	(940,398)	(1,512,138)	583,734	(2,095,872)
Adjusted EBITDA[(1)]	2,843,350	1,843,112	54%	9,918,347	6,672,288	49%
Interest expense	792,742	693,477	99,265	3,131,527	2,545,889	585,638
Principal repayments	610,109	398,342	211,767	2,011,109	1,460,434	550,675
Debt service requirements	1,402,851	1,091,819	28%	5,142,636	4,006,323	28%
Interest coverage	3.6x	2.7x	0.9x	3.2x	2.6x	0.6x
Debt service coverage	2.0x	1.7x	0.3x	1.9x	1.7x	0.2x

(1) See appropriate sections for reconciliation to the closest IFRS measure and section

RESULTS OF OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2020

For the quarter ended December 31, 2020, the Trust had rental income of $3,690,482 ($2,738,295 in Q4 2019). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 20 for more details). As at December 31, 2020, the Trust has estimated that a 0.25% decrease in the capitalization rate applied to the overall portfolio would increase the fair value of the investment properties by approximately $7,505,640 ($4,880,018 in Q4 2019) while an increase in the capitalization rate would decrease the fair value of the investment properties by aproximately $6,940,558 ($4,507,612 in Q4 2019). The weighted average capitalization rate used in the calculation of the fair value of investment property is 6.48% (6.35% in Q4 2019) while the range of capitalization rates used is 5.50% to 7.25% (5.75% to 7.25% in Q4 2019). The capitalization rates used in the calculation of the change in fair value of investment properties are provided by a third party firm specializing in the appraisal of commercial properties. The adjusted rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income.

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which amounted to $540,883 in Q4 2020 compared to $1,910,468 for the same period last year. For the quarter ended December 31, 2020, the change in fair value of convertible debentures and warrants decreased financial expenses by $337,544 compared to an increase of $1,210,590 in 2019. Excluding this change in fair value, financial expenses for the quarter ended December 31, 2020 were $878,427 compared to $699,878 in 2019. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the quarter ended December 31, 2020, the Trust recorded recurring FFO of $1,977,869 in comparison to $1,295,716 in Q4 2019. Recurring FFO per unit increased by 13% from $0.110 to $0.125 for the same period last year. The growth in FFO is mainly derived from rental revenues of newly acquired properties net of the increase in financial expenses related to new mortgages on the properties.

RESULTS OF OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2020

For the 12-month period ended December 31, 2020, the Trust had rental income of $12,976,848 ($9,388,326 for the same period in 2019). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 19 for more details).

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which amounted to $2,122,968 for the 12-month period ended December 31, 2020 compared to $3,583,094 for the same period last year. For the period ended December 31, 2020, the change in fair value of convertible debentures and warrants decreased financial expenses by $939,825 compared to an increase of $1,104,060 in 2019. Excluding this change in fair value, financial expenses for the quarter ended December 31, 2020 were $3,062,793 compared to $2,479,034 in 2019. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the 12-month period ended December 31, 2020, the Trust recorded recurring FFO of $7,117,442 in comparison to $4,615,394 for the same period in 2019. Recurring FFO per unit increased by 18% from $0.414 to $0.487 for the same period last year. The growth in FFO is mainly derived from rental revenues of newly acquired properties net of the increase in financial expenses related to new mortgages on the properties.

CAPITAL STRUCTURE

The real estate business requires capital in order to continue to fund acquisitions, which is a key part to growth and success. The Trust is authorized to issue an unlimited number of trust units. During the 12-month period ended December 31, 2020, the Trust issued units as follows:

On January 20, 2020, Fronsac announced, that it had entered into acquisition agreements to purchase three commercial properties in Québec and Ontario, and its intention to undertake a public offering of units of Fronsac at a price of $0.62 per Unit for minimum gross proceeds of approximately $15.0 million and maximum gross proceeds of approximately $18.0 million.

On February 13, 2020, Fronsac announced that it had closed its previously-announced public offering of units of Fronsac. Under the Offering, an aggregate of 29 million units were issued, representing the maximum number of Units qualified under Fronsac's short form prospectus, at a price of $0.62 per Unit for aggregate gross proceeds of approximately $18 million. The Offering was made through a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., acting as joint bookrunners, and including Laurentian Bank Securities Inc., Echelon Wealth Partners Inc. and Desjardins Securities Inc.

On March 9, 2020, announced the issuance of 322,000 units of Fronsac REIT at a price of $0.60 per unit, which equates to $193,200 as partial compensation for the services rendered by certain members of management and the board of trustees during the fiscal year ended on December 31st, 2019.

On March 12, 2020, Fronsac purchased 2,000 units at a price of $0.55 per unit on the TSX Venture through its Normal Course Issuer Bid. The 2,000 units were cancelled in April 2020.

On June 8, 2020, Fronsac announced that it received approval from the TSX Venture Exchange ("TSX") for the annual renewal of its normal course issuer bid ("NCIB") from August 1st 2020 to July 31st 2021. Under the renewed NCIB, Fronsac may purchase for cancellation, through the facilities of the TSX, if in the best interest of the Trust, a maximum of 7,347,657 units, which represents approximately 5% of the units in circulation as of June 8, 2020 (146,953,158 units). Over the course of any 30 day period the Trust will not purchase more than 2,939,063 units in total, which represents 2% of the units outstanding as at June 8th, 2020.

All purchases and settlement of said securities will be made by the facilities of the TSX in accordance with its rules and regulations. All units redeemed by the Trust pursuant to the NCIB will be cancelled. National Bank Financial will be handling the offer on behalf of the Trust. The price paid by the Trust for the redemption of these units will be the price of the units at the time of acquisition. The renewed normal course issuer bid began on August 1, 2020 and will expire on July 31, 2021.

For the previous NCIB from August 1, 2019 to July 31, 2020, Fronsac previously sought and received approval from the TSX to repurchase up to 5,828,557 units of Fronsac. The Trust has purchased 2,000 Units at $0.55 for cancellation over the course of this NCIB.

On November 4, 2020, Fronsac announced that its Board of Trustee approved a consolidation of units at a ratio of one (1) post-consolidation unit for every ten (10) pre-consolidation units to take place in the week of November 9th, 2020.

On November 10, 2020, Fronsac announced its intention to undertake a public offering of units of Fronsac and its intention to undertake a private placement of convertible debentures of Fronsac.

The REIT also announced that it had completed the previously-announced consolidation of the issued and outstanding units on a basis of one (1) post-consolidation unit for every ten (10) pre-consolidation units.

On November 23, 2020, Fronsac announced the closing of its previously announced private placement of unsecured convertible debentures.

Under the private placement, the REIT issued $6,000,000 in principal amount of convertible debentures. The convertible debentures will mature on November 23, 2025, bear an annual interest rate of 6.0% payable semi-annually, and are convertible into units of Fronsac at a conversion price of $8.13 per unit. Fronsac will have the right to redeem the convertible debentures on or after November 23, 2023 if the closing price of the units on the TSX Venture Exchange is greater than $8.78 for a period of forty-five (45) consecutive trading days. At any time upon giving 10 days' advance written notice to the holders of the convertible debentures, the Trust may force the conversion of the principal amount of the then outstanding convertible debentures into units at the conversion price if the closing price of the units on the TSX-V is greater than $8.78 for any forty-five (45) consecutive trading days.

On November 25, 2020, Fronsac announced that it closed its previously-announced public offering of units of Fronsac.

Under the offering, an aggregate of 2,653,846 units were issued and sold, including the exercise in full by the Agents (as defined below) of their over-allotment option to purchase up to 346,154 additional units. The units were issued and sold at a price of $6.50 per unit for aggregate gross proceeds of $17,249,999. The offering was made through a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., acting as joint bookrunners, and including Desjardins Securities Inc., Laurentian Bank Securities Inc., Industrial Alliance Securities Inc. and Echelon Wealth Partners Inc. (collectively, the "Agents").

With the offering and the previously announced closing of the private placement of unsecured convertible debentures of the REIT, Fronsac raised raised total gross proceeds of $23,250,000 million.

TRUST UNITS

	# of units	
Units as at January 1, 2020	**11,740,357**	
Units issued (redeemed):		
January 14, 2020 (warrants)	20,408	
February 13, 2020 (public offering)	2,900,000	
February 26, 2020 (warrants)	2,551	
March 9, 2020 (units)	32,200	
April 8, 2020 (NCIB)	(200)	
June 19, 2020 (options)	10,000	
July 21, 2020 (options)	15,000	
August 17, 2020 (option)	20,000	
October 16, 2020 (warrants)	5,102	
Units as at November 9, 2020	**14,745,418**	
Units as at November 10, 2020 after adjustment for fractions	**14,745,411**	
November 25, 2020 (public offering)	2,653,846	
Units as at December 31, 2020	**17,399,257**	
Potential dilutive impact of financial instruments as at Dec 31, 2021		**Exercise price**
Warrants oustanding	477,041	$6.10 per unit
Options oustanding	10,000	$3.80 per unit
Conversion of convertible debentures (in units)	1,167,596	$7.30 to $8.13 per unit

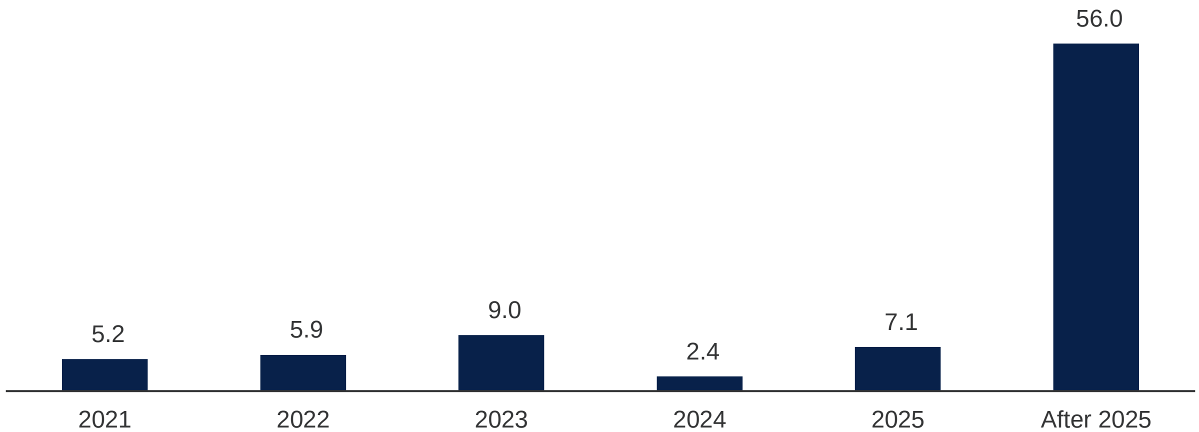
Warrants
The Trust had 505,102 warrants outstanding at the beginning of the period. During the 12-month period ending December 31, 2020, 28,061 warrants were exercised, resulting in the issuance of 28,061 units of Fronsac. The total number of warrants outstanding as of December 31, 2020 is of 477,041.

Convertible debentures
The nominal value of convertible debentures outstanding as of December 31, 2020 is of $9,136,000 and their conversion price range from $7.30 to $8.13 per unit. There was no conversion over the 12-month period ended December 31, 2020.

Options
Over the 12-months period ended December 31, 2020, 45,000 options were exercised at a price of $3.80 per unit, resulting in the issuance of 45,000 units. The total number of options outstanding as of December 31, 2020 is 10,000 with an exercise price of $3.80.

The total amount of units outstanding as at December 31, 2020 was 17,399,257.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



Maturity	2021	2022	2023	2024	2025	After 2025
Total due ($)	5,175,287	5,850,769	9,038,336	2,378,745	7,126,547	55,987,152
Interest rate:	2.85% - 3.32%	3.21% - 3.85%	2.83% - 4.20%	3.64%	2.64% - 3.30%	2.31% - 4.77%
% of total debt:	6.0%	6.8%	10.6%	2.8%	8.3%	65.4%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at December 31, 2020, there are 33 mortgages (excluding Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $107,562,001 ($60,277,953 at December 31, 2019). These mortgages require the Trust to make principal payments of $45,579,388 over the next 5 year and $61,982,613 thereafter. The mortgages outstanding currently have an average term to maturity of 6.1 years (6.1 years at December 31, 2019). Convertible debentures in circulation as at December 31, 2020 have a carrying value of $8,134,379 ($3,023,326 at December 31, 2019). The Trust currently has 3 secured lines of credit with authorized limits of $6,000,000, $4,490,000 and $1,400,000. These lines of credit have a Nil balance as at December 31, 2020 ($10,445,700 at December 31, 2019).

Management believes that Fronsac's blend of debt and equity in its capital base provides stability and reduces risk, while generating an acceptable return on investment. This compliments the long-term business strategy of the Trust, which is to grow its presence in the commercial real estate market in Canada.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include assessing the nature of an acquisition and whether it represents a business combination or an acquisition of assets and liabilities, whether a joint arrangement structured through a separate vehicle is a joint operation or a joint venture, the assessment of the fair values of investment properties and the assessment of the unit-based compensation and derivative financial instruments where the fair value cannot be derived from active markets.

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued by the Trust. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates. Investment properties are appraised primarily based on adjusted cash flows obtained from existing tenants, since market participants focus more on expected income. The fair value of investment properties indicated in the consolidated financial statements has been calculated internally using the direct capitalization method based on rental income. This fair value has been calculated by using a capitalization rate, provided by qualified independent professional appraisers, and applied on adjusted rental income. Rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income. Inputs used in determining the fair value of investment properties have been considered in order to reflect the Trust's best estimates of the impacts related to COVID-19 based on information available to the Trust as of December 31, 2020.

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. As at December 31, 2020 the Trust held interests in 74 properties in Quebec, Ontario and Nova Scotia, across 5 market segments. The Trust is exposed to credit risk, interest rate risk and liquidity risk. In order to limit the effects of changes in interest rates on its expenses and cash flows, the Trust constantly follows the evolution of the market interest rate risk and consequently determines the composition of its debts.

Credit Risk
Credit risk comes primarily from the potential inability of customers to discharge their rental obligations. Fronsac strives to obtain rent payments on a monthly basis in order to limit this risk while maintaining a limited receivable balance ($688,113 as at December 31, 2020 compared to $516,509 as at December 31, 2019). The composition of this balance mostly includes major Canadian oil companies and gas companies with a small credit risk. The remainder of receivables represents amounts owing from Government agencies, which pose a minimum credit risk.

Interest Rate Risk
Interest rate risk affects the Trust through its loans receivable, mortgages, long term debt, convertible debentures and bank loans. These instruments bear fixed and variable interest rates and as such expose the Trust to fair value risk. Lines of credit with a floating interest rate expose the Trust to a cash flow risk. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust has an ongoing requirement to access debt makers and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Each change of 1% of the interest rates would have an impact of $933,942 on the financial expenses of the 12-month period.

Liquidity Risk
Liquidity risk is the risk of being unable to honour financial commitments by the deadlines set out under the terms of such commitments. Senior management manages the Trust's cash resources with respect to financial forecasts and anticipated cash flows.

The Trust has cash availability which allows it to control its current liquidity risks, mainly composed of accounts payable, current portion of mortgages and long-term debt and its bank indebtedness.

Lease Roll-over Risk
Lease roll-over risk arises from the possibility that Fronsac may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants. Fronsac's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk
The Trust's external growth prospects will depend in large part on identifying suitable acquisition opportunities and conducting necessary due diligence. If the Trust is unable to manage its growth and integrate its acquisitions and developments effectively, its business operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Trust's performance.

Environmental Risk
Fronsac is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such petroleum products. Environmental risk is relevant to Fronsac's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Fronsac. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Fronsac's portfolio, or of any material pending or threatened actions, investigations or claims against Fronsac relating to environmental matters. Fronsac manages environmental exposures in a proactive manner by conducting thorough due diligence before the acquisition of each property and by taking envrionmental insurance coverage on properties that where risk could potentially arise.

Status of the REIT
Fronsac is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its real estate investment trust status ("REIT"). Should Fronsac cease to qualify as a REIT, the consequences could be material and adverse. As well, Fronsac conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flowthrough vehicle for the particular year. Should Fronsac not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions. This could also materially reduce its distributable cash. Management believes that it complies with the REIT rules.

Access to Capital
The Trust's growth prospects depends on its ability to access capital, mainly debt and equity. Adverse market conditions could lead to a negative capital markets environment in which the Trust might not be able to issue units, debentures or any other financial instruments in order to raise capital. Access to debt, mainly through mortgages, is also crucial for financing purposes, and the unavailibilty of the debt market would make it harder for Fronsac to acquire real estate assets that satisfy its investment criteria.

COVID-19 Risk
A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy. The COVID-19 could affect the Trust's ability to collect rent in certain instances.

Management continues to assess the impact of COVID-19 and governments' responses to it on the Trust. Portions of the Trust's financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. Areas of increased estimation uncertainty in the Trust's consolidated financial statements include the fair value of its investment properties and the recoverability of amounts receivable.

RELATED PARTY TRANSACTIONS

The loans receivable include an amount of $150,000 (2019: $100 000) due from officers of the Trust. Interest income on the loan amounts to $5,476 (2019: $1,185) for which no amount is receivable as at December 31, 2020 (2019: $0).

During the quarter ended March 31, 2020, the Trust repaid and cancelled a credit facility it had with a trustee (2019: $400,000). As at December 31, 2020, this person is no longer a trustee. Consequently for the year ended December 31, 2020, $2,470 of interest expense was paid to this former trustee (2019: $18,400) and no amount is payable as at December 31, 2020 (2019: $0).

A former trustee who rents investment properties from the Trust has not seeked re-election to the Board of Trustees. Since May 25, 2019, the transactions related to this former trustee are deemed to be at arm's length.

For the period of January 1st, 2019 to December 31, 2019 the results include the following transactions with this former trustee :

- Rental income includes an amount of $126,681 from companies controlled by this trustee.
- Interest income includes an amount of $485 from a person related to this trustee.

Officers and Trustees Compensation

The Trust paid $467,200 as compensation to officers and trustees during the year ended December 31, 2020 (2019: $412,592).

Administrative fees include an amount of $12,500 (2019: $30,000) paid as professional fees to a trustee and to an entity controlled by a trustee.