Q2 2014

TSX: SRT.U / SRT.UN

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Fellow Unitholders,

I am very pleased to report the close of Slate Retail REIT's ("Slate Retail") first quarter of operations. We began the quarter with the completion of the, Unitholder approved, combination of Slate U.S. Opportunity (No.1) Realty Trust, Slate U.S. Opportunity (No. 2) Realty Trust and U.S. Grocery Anchored Retail (1A), (1B) and (1C) Limited Partnerships followed by the subsequent listing, on the Toronto Stock Exchange. The initial portfolio consists of 29 grocery-anchored retail properties, located throughout the United States. Our U.S. grocery retailers operate in a defensive, consumer staple industry. Our anchor tenants are among the largest supermarket chains in the U.S. and have a proven operational history. As a result, we had a strong quarter and closed on a sturdy footing with financial and operating results in line with our forecast.

With 29 stable properties located across 14 states, we are geographically diversified and have a solid platform from which to grow. Slate Retail is operated by an experienced team of real estate professionals that deliver hands-on asset management and acquisition capabilities. Management continues to maintain strong tenant relationships which helps to ensure tenant retention. This nurturing of existing tenants has allowed us to maintain our high occupancy rate of 96% for the quarter.

Throughout the quarter, we continued to identify undervalued and/or mispriced properties. All target assets are not only assessed from a discount to replacement or peak value perspective but we also try to determine how to optimally refurbish, reposition and/or re-tenant the property in order to maximize future revenues and value. Since June 30, 2014, the REIT acquired one property and committed to acquire three additional properties using existing capital resources. Each of these acquisitions highlight our strategy of purchasing well occupied, strong performing real estate at an attractive price per square foot with below market rents.

I am very excited about my role as Chief Executive Officer of this dynamic business. Our journey has just begun and we have already met a number of our objectives:

1. Created a larger and more diversified entity with improved access to capital;
2. Commenced monthly cash distributions providing Unitholders with stable, predictable cash flows; and,
3. Continued to grow through strategic acquisitions and rental rate increases.

Slate Retail maintains a conservative distribution payout ratio, ensuring that we are well-capitalized for ongoing growth opportunities, while having the balance sheet strength to address an ever changing economic environment. We will continue to focus on our growth strategy as we maintain an exceptional pipeline of highly accretive acquisition opportunities. We are poised for growth and are well positioned to be a leader in the U.S. grocery-anchored retail sector.

Thank you for your continued support,

Blair Welch
Chief Executive Officer
August 13, 2014

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INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Slate Retail REIT and its subsidiaries (collectively, "REIT" or the "Trust") should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes for the quarter ended June 30, 2014 (the "consolidated financial statements").

A copy of the consolidated financial statements for the period ended June 30, 2014, and additional information relating to the REIT, is available on the REIT's SEDAR profile at www.sedar.com.

This MD&A is dated August 13, 2014. Disclosure contained in this document is current to that date, unless otherwise noted.

All amounts in this MD&A are in thousands of U.S. dollars and units, except square foot amounts and other data.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable securities laws. These statements include, but are not limited to, statements made in "Subsequent Events and Proposed Transactions" and "Liquidity" and other statements concerning the REIT's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Readers should not place undue reliance on any such forward-looking statements.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein.

Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, the continued availability of mortgage financing and current interest rates; the extent of competition for properties; assumptions about the markets in which the REIT and its subsidiaries operate; the global and North American economic environment; and changes in governmental regulations or tax laws.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Except as required by applicable law, the REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

NON-IFRS FINANCIAL MEASURES

The MD&A contains financial measures that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board. Slate Retail uses the following non-IFRS financial measures: Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO") on an aggregate and per unit basis and Net Operating Income ("NOI"). Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and financial condition. Accordingly, FFO and AFFO are used by real estate industry analysts, investors and management as supplemental measures of operating performance of investment property. Management uses AFFO and FFO in addition to net income to report operating results. FFO is an industry standard for evaluating operating performance. AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under IFRS, such as straight-line rent and the amortization of finance costs, but also includes capital and leasing costs incurred during the period, but capitalized for IFRS purposes. Management also uses AFFO to evaluate the cash generation performance of the REIT available to fund distributions to unitholders, which is why certain non-cash items are excluded and capital expenditures capital and leasing costs are deducted. NOI is used by real estate industry analysts, investors and management to measure operating performance of the REIT's properties. NOI represents total property revenues less property operating and maintenance expenses. Accordingly, NOI excludes certain expenses included in the determination of net income such as investment property fair value gains and indirect operating expenses and financing costs. These items are excluded from NOI in order to provide results that are more closely related to a property's results of operations. Certain items, such as interest expense, while included in FFO, AFFO and net income, do not affect the operating performance of a real estate asset and are often incurred at the REIT level as opposed to the property level. As a result, management uses only those income and expense items that are incurred at the property level to evaluate a property's performance.

BUSINESS OVERVIEW AND RECENT DEVELOPMENTS

Overview

The REIT (formerly known as, Slate U.S. Opportunity (No. 1) Realty Trust ("SUSO 1")) is an unincorporated, open-ended investment trust under, and governed by, the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the United States with an emphasis on grocery anchored retail properties. The principal, registered and head office of the REIT is 200 Front Street West, Suite 2400, Toronto, ON, M5V 3K2.

On April 15, 2014, the REIT completed the unitholder approved combination transaction (the "Combination Transaction"). Pursuant to the Combination Transaction (i) the REIT acquired all of the assets of Slate U.S. Opportunity (No. 2) Realty Trust ("SUSO 2") in consideration for Class U units of the REIT ("Class U units"), (ii) the REIT effectively acquired, directly or indirectly, all of the assets of U.S. Grocery Anchored Retail (1A), (1B) and (1C) Limited Partnerships ("GAR") in consideration for Class U units of the REIT or securities that are economically equivalent to Class U units of the REIT (subject to certain adjustments) and redeemable for cash or Class U units of the REIT and (iii) the Class u units of the REIT were listed on the Toronto Stock Exchange on April 22, 2014 (TSX:SRT.U / SRT.UN). The Class U Units of the REIT trade on the TSX in both US dollars (under the trading symbol SRT.U) and Canadian dollars (under the trading symbol SRT.UN). The REIT's initial portfolio includes 29 grocery-anchored retail commercial properties across the United States.

As required under IFRS, the Combination Transaction has been accounted for as a business combination in the consolidated financial statements. For accounting purposes only, SUSO 2 has been identified as the acquirer as the Unitholders of SUSO 2 collectively hold a controlling interest in the REIT immediately following the completion of the Combination Transaction. Accordingly, the consolidated financial statements have been issued under the name of the REIT, the legal acquirer, but reflect a continuation of the business of the accounting acquirer, SUSO 2. As a result, the notes and comparative periods in the consolidated financial statements reflect SUSO 2. The three months and six months ended June 30, 2014 relate to the full period of earnings of SUSO 2 and the acquisition of SUSO 1 and GAR portfolios on April 15, 2014.

The objectives of the REIT are to:

i. provide Unitholders with stable cash distributions from a portfolio of diversified revenue-producing commercial real estate properties in the United States with a focus on anchored retail properties;

ii. enhance the value of the REIT's assets in order to maximize long-term Unitholder value through active management; and

iii. expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including accretive acquisitions.

The REIT is externally managed and operated by Slate Properties Inc. ("Slate"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in U.S. grocery-anchored real estate. The Slate team has established a significant presence in key target markets, predominantly within the top 50 U.S. metro areas, and has the resources in place to quickly capitalize on opportunities for accretive growth. Management's interests are aligned with the Unitholders of the REIT through its sponsorship and as a significant Unitholder of the REIT.

Recent Developments

Significant developments during the quarter include:

- On April 29, 2014, the REIT commenced its distribution policy. The REIT pays monthly distributions of $0.06 per unit. The REIT paid a distribution of $0.03 from completion of the Combination Transaction on April 15 to April 30, 2014 and declared/paid distributions of $0.06 per unit for both May and June.
- The REIT filed a notice of intention with the TSX to make a normal course issuer bid for a portion of its Class U units. The REIT may purchase for cancellation approximately 5% of the public float.
- The REIT negotiated an early renewal with the grocery-anchored tenant at Cudahy Centre in Milwaukee adding an additional 5 years to the existing contractual term. The tenant accounts for 61% of the GLA at the center and new remaining lease term is now 7.6 years.

Note: for further information and photos of the investment properties go to www.slateretailreit.com

SUBSEQUENT TO QUARTER END

- On July 15, 2014, the REIT declared a monthly distribution for the month ended July 31, 2014 of $0.06 per unit.
- On July 24, 2014, the REIT completed the acquisition of North Summit Square, a 224,530 square foot shopping center located in Winston-Salem, North Carolina. North Summit Square was acquired for $15,800 ($70 per square foot). The property is 99% occupied and anchored by Sam's Club.
- On July 28, 2014, the REIT announced that it had entered into a binding agreement to purchase East Little Creek, a 100% occupied, 69,620 square foot grocery-anchored shopping center in Norfolk, Virginia for $9,850 ($141 per square foot). The property is anchored by Farm Fresh, a local brand of SuperValu Inc., the third-largest food retailer in the United States. The acquisition is expected to be completed in third quarter 2014 and remains subject to customary closing conditions.
- On July 29, 2014, the REIT announced that it had entered into a binding agreement to purchase Waterbury Plaza, a 100% occupied, 141,443 square foot grocery-anchored shopping center in Waterbury, Connecticut for $27,300 ($193 per square foot). The property is anchored by Stop & Shop, a wholly owned subsidiary of the Dutch supermarket operator Ahold. The acquisition is expected to be completed in the third quarter 2014 and remains subject to customary closing conditions.
- On August 11, 2014, the REIT announced that it had entered into a binding agreement to purchase Wellington Park, a 91% occupied, 102,487 square foot grocery-anchored shopping center in Cary, North Carolina for $15,500 million ($151 per square foot). The property is anchored by Lowes Foods. The acquisition is expected to be completed in the third quarter 2014 and remains subject to customary closing conditions.
- The acquisitions of the four investment properties noted above will be acquired for a combined purchase price of $68,450, at a blended "all-in" cap rate of 7.3% and are expected to be accretive to the REIT.

SUMMARY OF QUARTERLY INFORMATION AND KEY PERFOMANCE INDICATORS

Summary of Selected Quarterly Information

(In thousands of dollars and units except other specified data)

	Q2 2014
Portfolio Information	
Number of properties	29
Gross Leasable Area	3,545,857
Occupancy as at quarter end	96%
Grocery anchor weighted average lease term	6.1 Years
Portfolio weighted average lease term	5.4 Years
Square footage leased during the period	89,772
Financial Information	
Total assets / gross book value ("GBV")	$463,208
Total debt	$230,626
Revenue	$9,885
NOI	$6,890
FFO	$4,335
AFFO	$4,059
Distributions declared	$2,396
Class U equivalent units outstanding	15,975
Weighted average Class U equivalent units outstanding	15,975
FFO per unit (1)	$0.27
AFFO per unit (2)	$0.25
Distributions declared per unit	$0.15
Financial Ratios	
AFFO payout ratio (3)	60.0%
Debt / GBV (4)	49.8%
Weighted average interest rate	3.44%
Interest coverage ratio (5)	3.00x

1 FFO divided by the Class U equivalent units outstanding

2. AFFO divided by the Class U equivalent units outstanding

3 Distributions declared per unit divided by AFFO per unit

4 Total debt divided by total assets

5 NOI less G&A, divided by cash interest paid

Summary of Key Performance Indicators

The key performance indicators by which Management measures the REIT's performance are as follows:

- Cash Flow Metrics
  - NOI, the net operating income generated by the portfolio
  - FFO per Unit, an earnings measure designed for real estate entities
  - AFFO per Unit, a measure of operating cash flow
- Other Financial Metrics
  - Interest Coverage Ratio, a measure of credit risk used by lenders
  - Debt / Total Assets, a measure of credit risk used by lenders

Cash Flow Metrics

	Actual (June 30, 2014)	Adjusted Forecast	Variance
NOI	$6,890	$6,946	$(56)
FFO	$4,335	$4,385	$(50)
AFFO	$4,059	$3,743	$316

Management is pleased with the performance of the business over the quarter. NOI was slightly lower than Forecast (as defined below) due to above average one-time non-recoverable costs associated with this year's hard winter. Despite the slight miss, occupancy has remained strong at 96% and leasing momentum has continued with 89,772 square feet of space leased in the second quarter. 66,597 square feet of the leasing completed during the quarter were renewals at rental rates that are 9.5% greater than the rental rate in place at expiration. Overall the operations of the business continue to perform well and are tracking in line with Management's expectations.

Reported FFO was $50 lower than Adjusted Forecast (as defined below). Actual FFO would have been higher than the Adjusted Forecast except for a non-cash expense associated with setting up acquisition facilities that will allow the REIT to purchase additional properties (through the amortization of financing charges). The non-cash expense amounted to $232 and if excluded would result in FFO $182 higher than the Adjusted Forecast. The expense was not included in the creation of the Forecast as it does not pertain to the portfolio at amalgamation but rather to the growth initiatives being pursued by Management.

Reported AFFO exceeded the Forecast by $316, due in part to reversing the aforementioned non-cash expense and the balance due to lower than Forecast capital and leasing costs. Capital and leasing costs were lower due to better than anticipated pricing on two large capital programs and lower than anticipated leasing capital associated with the 89,772 square feet of leasing.

Other Financial Metrics

At June 30, 2014, the REIT's Debt / GBV was 49.8%, lower than 53.0% at amalgamation. The improvement in this metric is primarily due to an increase in the fair value of the portfolio since April 15, 2014. The Debt / GBV is below the REIT's target of 55.0%. In Q2, the interest coverage ratio was 2.82x, in-line with expectations.

SLATE RETAIL REIT PORTFOLIO ANALYSIS

Investment Properties

As of June 30, 2014, the REIT owns a portfolio of grocery-anchored retail properties comprised of the following 29 assets. The portfolio consists of 3,545,857 square feet of GLA and a current occupancy rate of 96%.

Property	Location	Associated MSA	Area (SF)	Occupancy	Anchor
98 Palms	Destin, FL	Crestview-Fort Walton Beach-Destin	84,682	95%	Winn-Dixie
Alta Mesa Plaza	Fort Worth, TX	Dallas-Ft Worth	167,961	99%	Kroger
Bowling Green Plaza	Bowling Green, VA	Richmond	49,850	87%	Food Lion
Buckeye Plaza	Cleveland, OH	Cleveland	141,975	99%	Giant Eagle
Cambridge Crossings	Troy, MI	Detroit	238,963	96%	Walmart
County Line Plaza	Philadelphia, PA	Philadelphia	75,649	100%	Food Basics
Cudahy Centre	Milwaukee, WI	Milwaukee	103,254	89%	Pick ‘n Save
Douglas Commons	Douglasville, GA	Atlanta	97,027	98%	Kroger
East Brainerd Mall	Brainerd, MN	Minneapolis	191,459	93%	Cub Foods
Errol Plaza	Orlando, FL	Orlando	72,150	97%	Winn-Dixie
Field Club Commons	New Castle, PA	Pittsburgh	131,305	97%	Save-A-Lot
Fuquay Crossing	Fuquay-Varnia, NC	Raleigh	124,773	92%	Kroger
Gaston Marketplace	Gaston, SC	Columbia	44,133	94%	Food Lion
Highland Square	Crossville, TN	Nashville	179,243	92%	Kroger
Independence Square	Charlotte, NC	Charlotte	190,361	97%	Walmart
Kennywood Shops	Pittsburgh, PA	Pittsburgh	194,823	99%	Giant Eagle
Madison Centre	Madison, AL	Huntsville	64,837	96%	Publix
Madison Plaza	Madison, VA	Charlottesville	49,607	93%	Food Lion
Mitchellville Plaza	Mitchellville, MD	Washington, DC	145,402	95%	Food Lion
North Pointe	Columbia, SC	Columbia	64,255	100%	Publix
Oak Hill Plaza	Jacksonville, FL	Jacksonville	78,492	100%	Publix
Phalen Retail Center	St Paul, MN	Minneapolis-St Paul	73,678	100%	Cub Foods
Pinewood Plaza	Dayton, OH	Dayton	88,700	92%	Kroger
Springboro Plaza	Dayton, OH	Dayton	154,034	100%	Kroger
St. Elmo Central	Chattanooga, TN	Chattanooga	74,978	99%	BI-LO
Summit Ridge	Mount Pleasant, PA	Pittsburgh	227,729	100%	Walmart
Triangle Food Lion	Charlotte, NC	Charlotte	41,439	100%	Food Lion
Uptown Station	Fort Walton Beach, FL	Crestview-Fort Walton Beach-Destin	298,096	94%	Winn-Dixie
Westhaven Town Center	Franklin, TN	Nashville	97,002	99%	Harris Teeter
TOTAL / WEIGHTED AVERAGE			**3,545,857**	**96%**	

Acquisition of Investment Property

As of June 30, 2014, the REIT has capital resources available (cash, operating and acquisition lines) to acquire an additional $70 million to $90 million of investment properties. The REIT's growth strategy includes identifying undervalued properties located in the United States that are aligned with the REIT's investment criteria and accretive to cash flow.

North Summit Square

On July 24, 2014, the REIT completed the acquisition of North Summit Square, a 224,530 square foot shopping center located in Winston-Salem, North Carolina. North Summit Square was acquired for $15.8 million ($70 per square foot). The 224,530 square foot property is 99% occupied and anchored by Sam’s Club, a wholly-owned subsidiary of Wal-Mart Stores, Inc..

Photo: North Summit Square - Wintston-Salem, North Carolina

Committed Property Purchases

East Little Creek

On July 28, 2014, the REIT announced that it had entered into a binding agreement to purchase East Little Creek, a 100% occupied, 69,620 square foot grocery-anchored shopping center in Norfolk, Virginia for $9.85 million ($141 per square foot). The property is anchored by Farm Fresh, a local brand of SuperValu Inc., the third-largest food retailer in the United States. The acquisition is expected to be completed in third quarter 2014 and remains subject to customary closing conditions.

Photo: East Little Creek - Norfolk, Viriginia

Waterbury Plaza

On July 29, 2014, the REIT announced that it had entered into a binding agreement to purchase Waterbury Plaza, a 100% occupied, 141,443 square foot grocery-anchored shopping center in Waterbury, Connecticut for $27.3 million ($193 per square foot). The property is anchored by Stop & Shop, a wholly owned subsidiary of the Dutch supermarket operator Ahold. The acquisition is expected to be completed in the third quarter 2014 and remains subject to customary closing conditions.

Photo: Waterbury Plaza - Waterbury, Connecticut

Wellington Park

On August 8, 2014, the REIT announced that it had entered into a binding agreement to purchase Wellington Park, a 91% occupied, 102,487 square foot grocery-anchored shopping center in Cary, North Carolina for $15.5 million ($151 per square foot). The property is anchored by Lowes Foods. The acquisition is expected to be completed in the third quarter 2014 and remains subject to customary closing conditions.

Photo: Welllington Park - Cary North Carolina

Slate U.S. Opportunity (No. 3) Realty Trust

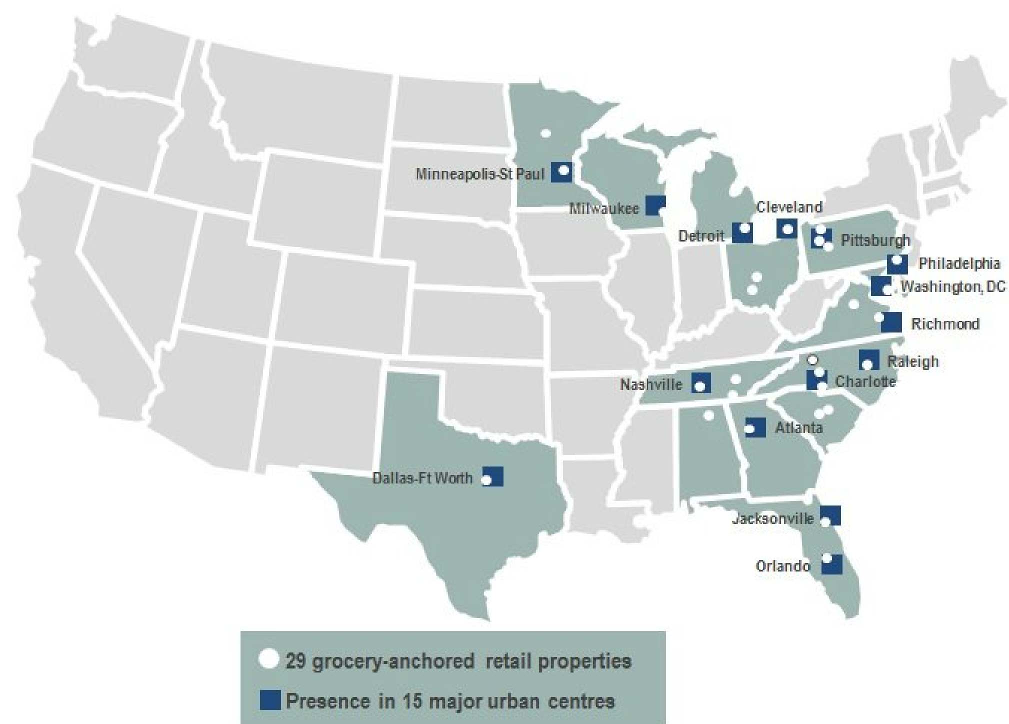
In addition, the REIT has the opportunity to benefit from the relationship with its manager, Slate. The REIT anticipates that its continuing relationship with Slate will provide opportunities to acquire additional investment properties. In particular, Slate is currently the manager of Slate U.S. Opportunity (No. 3) Realty Trust ("SUSO 3"), which has nearly identical investment objectives, operating guidelines and strategy as that of the REIT. The REIT may have an opportunity to acquire SUSO 3 or its properties. Any acquisition of SUSO 3 or its properties would be subject to a number of conditions, and there can be no assurance that the REIT will acquire SUSO 3 or its properties.

Slate has a strong track record of closing acquisitions and believes that it can grow the asset base of the REIT on an accretive basis (either through the purchase of SUSO 3, its properties or otherwise) in the near to medium term.

Geographic Overview

The REIT's portfolio is geographically diversified. As of June 30, 2014, the REIT has 29 properties, located in 14 states, totaling 3,545,857 leasable square feet:

State	Number of Assets	Total SF	% Total SF Owned
Pennsylvania	4	629,506	17.8%
Florida	4	533,420	15.0%
Ohio	3	384,709	10.8%
North Carolina	3	356,573	10.1%
Tennessee	3	351,223	9.9%
Minnesota	2	265,137	7.5%
Michigan	1	238,963	6.8%
Texas	1	167,961	4.7%
Maryland	1	145,402	4.1%
South Carolina	2	108,388	3.1%
Wisconsin	1	103,254	2.9%
Virginia	2	99,457	2.8%
Georgia	1	97,027	2.7%
Alabama	1	64,837	1.8%
Total	**29**	**3,545,857**	**100%**



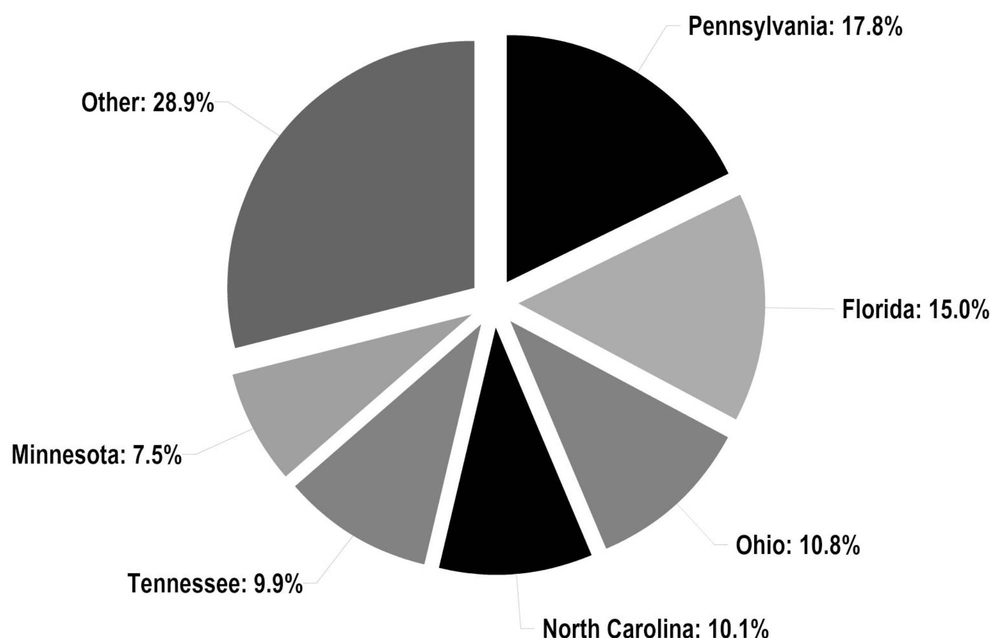
Anchor Tenants

The following table illustrates the largest anchor tenants within the REIT's portfolio including their annual minimum rent, number of stores, percentage of GLA of the total portfolio and the percentage of estimated total revenue. Wal-mart stores represent the largest percentage of rent with a total of three stores and approximately 8.16% of the total tenant annual revenues.

Grocery-anchored tenants account for 45.38% of total GLA and 35.77% of total rent.

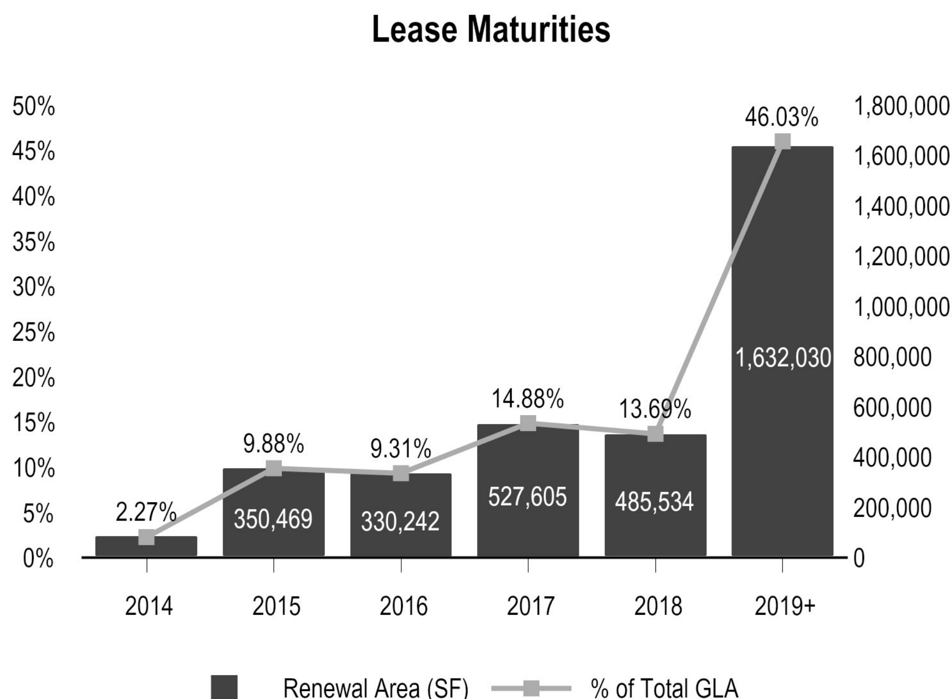
Parent Co.	Store Brand(s)	Revenue	Stores	% GLA	% Rent
Wal-Mart Stores, Inc.	Walmart, Neighborhood Market	$2,565	3	11.0%	8.2%
The Kroger Co.	Kroger, HarrisTeeter	2,021	7	10.5%	6.4%
Delhaize America	Food Lion	1,516	5	5.0%	4.8%
Bi-Lo Holdings, LLC	BI-LO, Winn-Dixie	1,505	4	5.3%	4.8%
SuperValu, Inc.	Cub Foods, Save-A-Lot	1,264	2	3.4%	4.0%
Publix Super Markets, Inc.	Publix	925	3	3.5%	2.9%
Giant Eagle, Inc.	Giant Eagle	810	2	3.3%	2.6%
LA Fitness International Texas LP	LA Fitness	633	1	1.7%	2.0%
Sears Holdings Corporation	Kmart	479	1	2.6%	1.5%
Super Global Mart LLC	Super Global Mart	461	1	1.4%	1.5%
Family Dollar Stores, Inc. (1)	Family Dollar	420	6	1.5%	1.3%
Dollar Tree Stores Inc. (1)	Dollar Tree	403	4	1.1%	1.3%
Medstar Physician Partners, Inc.	Medstar Health	339	1	0.5%	1.1%
Marshals of MA Inc.	Marshalls	300	1	0.9%	1.0%
A & P Company	Food Basics	289	1	1.0%	0.9%
TOTAL		$13,930	42	52.7%	44.3%

(1) Dollar Tree and Family Dollar have recently announced a merger.



Lease Maturities

The majority of anchor tenants have leases that expire beyond 2016. The following table illustrates the timing of upcoming lease expirations for all tenants in the REIT.



Valuation Method

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method or the discounted cash flow method, or in certain circumstances a combination of both methods. Both methods are generally accepted appraisal methodologies. Under the overall income capitalization method, year one income is stabilized and capitalized at a rate appropriate for each investment property. Capitalization rates and estimates of stabilized income are the most significant assumptions in determining fair values under the overall capitalization method. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions. At June 30, 2014, all valuations were completed by management of the REIT using the income capitalization method.

PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AS A RESULT OF THE COMBINATION TRANSACTION

The Combination Transaction has been accounted for as a business combination in accordance with the REIT's policy as described in Note 3 of the consolidated financial statements. For accounting purposes, SUSO 2 has been identified as the acquirer as the Unitholders of SUSO 2 collectively hold a controlling interest in the REIT immediately following the completion of the Combination Transaction.

Accordingly, the consolidated financial statements have been issued under the name of the REIT, the legal acquirer, but reflect a continuation of the business of the accounting acquirer, SUSO 2. As a result under IFRS, the notes and comparative periods in the consolidated financial statements are required to reflect only SUSO 2.

The following chart shows a comparative statement of net income and comprehensive income of the REIT for the three months and six months ended June 30, 2014 and June 30, 2013. As noted above, SUSO 2 acquired the net assets of GAR and SUSO 1 on April 15, 2014. The prior year comparative information reflects only SUSO 2. SUSO 2 for the six months ended June 30, 2013 was not fully invested and represented the activity of five investment properties.

	Three months ended June 30,			Six months ended June 30,		
	2014	**2013**	**Variance**	**2014**	**2013**	**Variance**
Net property income						
Rental revenue	**$9,885**	$1,829	**$8,056**	**$15,549**	$2,851	**$12,698**
Property operating expenses	**(1,647)**	(382)	**(1,265)**	**(5,404)**	(991)	**(4,413)**
Net property income	**8,238**	1,447	**6,791**	**10,145**	1,860	**8,285**
Other income (expenses)						
General and administrative	**(2,211)**	(377)	**(1,834)**	**(2,897)**	(702)	**(2,195)**
Interest and other financing charges	**(10,572)**	(3,118)	**(7,454)**	**(11,579)**	(5,287)	**(6,292)**
Property acquisition costs	**—**	(1,010)	**1,010**	**(131)**	(1,186)	**1,055**
Fair value change of investment properties	**21,772**	4,598	**17,174**	**34,870**	8,199	**26,671**
Impairment of Goodwill	**(14,987)**	—	**(14,987)**	**(14,987)**	—	**(14,987)**
Net income before taxes	**$2,240**	$1,540	**$700**	**$15,421**	$2,884	**$12,537**
Income taxes						
Current	**—**	—	**—**	**—**	(68)	**68**
Deferred	**(3,337)**	(1,540)	**(1,797)**	**(8,318)**	(2,815)	**(5,503)**
	(3,337)	(1,540)	**(1,797)**	**(8,318)**	(2,883)	**(5,435)**
Net income and comprehensive income	**$(1,097)**	$0	**$(1,097)**	**$7,103**	$1	**$7,102**

The significant variance between the three and six months ended 2013 and 2014 relates to the acquisition of the remaining investment properties in SUSO 2 and the acquisition of the SUSO 1 and GAR portfolios on April 15, 2014. The remainder of this MD&A will focus on the variances between the three months ended June 30, 2014 and the financial forecast published in the Management Information Circular.

ADJUSTED FORECAST

The forecast of the REIT's financial results presented in the Management Information Circular covered the period beginning April 1, 2014 to June 30, 2014 for the combination of SUSO 1, SUSO 2 and GAR (the "Forecast"). The Combination Transaction was however completed on April 15, 2014. The actual three month and six month ended June 30, 2014 results included in this MD&A and the consolidated financial statements include the full period earnings of SUSO 2 and the acquisition of SUSO 1 and the GAR portfolio on April 15, 2014. To increase comparability between the Forecast for the quarter and the actual results for the quarter, the Forecast has been adjusted (the "Adjusted Forecast"). See chart below for adjustments made to the Forecast.

	Forecast as presented in the Prospectus beginning April 1, 2014 to June 30, 2014 [1]	Adjustments [2]	**Adjusted Forecast reflects operations beginning April 1, 2014 to June 30, 2014 [3]**
Rental revenue	$10,967	($923)	**$10,044**
Property operating expenses	(3,468)	(262)	**(3,206)**
Net property income	7,499		**6,838**
Administrative expenses	(770)	—	**(770)**
Interest on debt	(2,086)	(190)	**(1,896)**
Other interest income (expense)	—	—	**—**
REIT and exchangeable unit distributions	(2,742)	(425)	**(2,317)**
Fair value adjustment on investment properties	—	—	**—**
Fair value adjustment on REIT units	—	—	**—**
Fair value on exchangeable units	—	—	**—**
Deferred income taxes	(891)	(139)	**(752)**
Net income and comprehensive income	$1,010		**$1,103**
Property tax adjustment IFRIC 21	—	—	**—**
Property tax normalization	252	39	**213**
Fair value adjustment on investment properties	—	—	**—**
Fair value adjustment on REIT units	—	—	**—**
Fair value on exchangeable units	—	—	**—**
Distributions on exchangeable units	410	62	**348**
Distributions on REIT units	2,332	363	**1,969**
Deferred income taxes	891	139	**752**
Funds from operations	$4,895		**$4,385**
Straight-line rent adjustment	(124)	(19)	**(105)**
Mark to Market adjustment on in place debt	(17)	(3)	**(14)**
Capital and leasing costs	(619)	(96)	**(523)**
Adjusted funds from operations	$4,135		**$3,743**

[1] The financial forecast assumed that all GAR B Unitholders would elect to receive GAR B Exchangeable Units. Accordingly, for the purposes of the consolidated financial forecast GAR B's ownership in the net assets of the REIT was considered a non-controlling interest. As a result, the exchangeable unit distribution of $410 does not include distributions paid to GAR B Unitholders. On April 15, 2014, approximately 27% of the GAR B Unitholders elected to receive REIT Units thereby triggering consolidating the GAR B interest in the REIT's net assets.

[2] The Forecast has been adjusted for 15 days of activity in SUSO 1 and GAR.

[3] The Adjusted Forecast reflects the full period of earnings of SUSO 2 and the acquisition of SUSO 1 and the GAR portfolio on April 15, 2014.

RESULTS OF OPERATIONS

The REIT's results of operations cover the period of the acquisition date of the investment properties from April 15, 2014 to June 30, 2014 and are compared to the financial forecast presented in the Management Information Circular. The original Forecast was generated with the assumption that the REIT was operating as of January 1, 2014 and subsequently April 1, 2014 to June 30, 2014. The combination of SUSO 1, SUSO 2 and GAR was however completed on April 15, 2014. The Adjusted Forecast figures shown below reflect a pro-ration for the acquisition date of April 15, 2014.

	Three months ended June 30, 2014		
	Actual	Adjusted Forecast	Variance
Rental revenue	$9,885	$10,044	($159)
Property operating expenses [1]	(1,647)	(3,206)	1,559
Net property income	8,238	6,838	1,400
Administrative expenses	(2,211)	(770)	(1,441)
Interest on debt	(1,789)	(1,896)	107
Amortization of loan costs	(232)	—	(232)
Other interest income	6	—	6
SUSO 2 Trust unit distributions	(124)	—	(124)
REIT and exchangeable unit distributions [2]	(2,408)	(2,317)	(91)
Fair value adjustment on investment properties	21,772	—	21,772
Fair value adjustment on REIT Units	(7,081)	—	(7,081)
Fair value on exchangeable units	1,056	—	1,056
Impairment of goodwill	(14,987)	—	(14,987)
Deferred income taxes	(3,337)	(752)	(2,585)
Net income and comprehensive income	($1,097)	$1,103	($2,200)

[1] The adoption of IFRIC 21, Levies ("IFRIC 21"), resulted in the Trust recognizing 12 months of property tax liability and expense on its properties as at January 1, 2014 and January 1, 2013, rather than recognizing them progressively (i.e., ratably) throughout the year. Since the full amount of property tax expense was realized on January 1, no amount of property tax is being recognized in the three month period ended June 30, 3014.

[2] The Forecast assumed that GAR B's ownership in the net assets of the REIT would be considered a non-controlling interest. As a result, the REIT and exchangeable unit distributions forecasted does not include distributions paid to GAR B Unitholders. The distribution payable to the GAR B Unitholders and the redemption of 25 units accounts for the discrepancy between the actual distributions and the amount forecasted

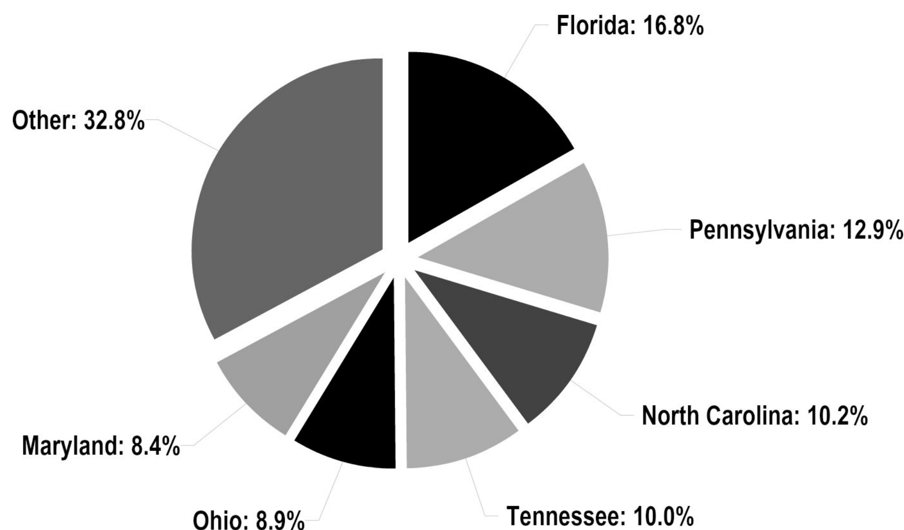
REVIEW OF FINANCIAL RESULTS

Rental Revenue

Revenue from investment properties includes base rent from tenants, straight-line rental income, property taxes and operating cost recoveries, and other incidental income.

For the second quarter of 2014, rental revenue of $9,885 was $159 lower than the Adjusted Forecast, due to lower than expected recoveries as a result of lower than expected operating expenses. Tenant base rents were consistent with the Adjusted Forecast.

The REIT's portfolio is located across 14 states in the United States with 58.8% of the quarters' rental revenue from investment properties located in Florida, Pennsylvania, North Carolina, Tennessee and Ohio.



Leasing Activities

During the second quarter, the REIT completed 66,597 square feet of renewals. An early renewal with the Cudahy Centre grocery-anchor tenant was completed for an additional 5 years thereby increasing their lease term to 7.6 years. The renewal rent will be an increase of 3% over expiring rent. This tenant is 61% of the GLA and increases the weighted average lease term of the center by 3.1 years. On the remainder of the renewals year to date, the REIT has achieved a 9.5% leasing spread on renewals for the quarter (rental rate at renewal vs. rental rate at expiration) which compares favorably to the 4.7% achieved since inception.

During the second quarter, the REIT completed 23,175 square feet of new leases. A new lease was executed with Ascensus for an additional 8,000 square feet at East Brainerd, Minneapolis. This new lease is in addition to 60,900 square feet of office space Ascensus currently occupies, further committing to their location at the center as they account for 35% of the GLA.

Property Operating Expenses

Property operating expenses consist of property taxes, property management fees, and other expenses such as common area costs, utilities and insurance. The majority of the REIT's operating expenses are recoverable from tenants in accordance with the terms of their lease agreements. The property operating costs were lower than Forecast by $1,559 for the three months ended June 30, 2014.

The adoption of IFRIC 21, resulted in the Trust recognizing 12 months of property tax liability and expense on its properties as at January 1, 2014, rather than recognizing them progressively (i.e., ratably) throughout the year. IFRIC 21 was not accounted for in this manner when preparing the Forecast. The change in the application of this accounting policy accounts for the large variance between the Forecast and the actual results.

The foregoing change in the recognition of property taxes as a result of IFRIC 21 had no impact on FFO or AFFO.

Net Property Income

For the three months ended June 30, 2014, net property income of $8,339 was $1,396 higher than the Adjusted Forecast, primarily driven by IFRIC 21 adjustments which recorded the property tax expenses fully in the first quarter of 2014.

	Three months ended June 30, 2014		
	Actual	Adjusted Forecast	Variance
Rental revenue	$9,885	$10,044	($159)
Straight-line rent revenue	101	105	(4)
	9,986	10,149	(163)
Property operating expenses	(1,647)	(3,206)	1,559
Net property income	$8,339	$6,943	$1,396

General and Administrative Expenses

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other tax compliance and reporting fees.

	Three months ended June 30, 2014		
	Actual	Adjusted Forecast	Variance
Asset management	$393	$393	$—
REIT start up costs	1,534	—	1,534
Professional fees	255	335	(80)
Other administrative costs	29	—	29
General and administrative expenses	$2,211	$728	$1,483

In the second quarter of 2014, general and administrative expenses of $2,211 were $1,483 higher than the Adjusted Forecast. The discrepancy results primarily from REIT start up costs associated with listing on the Toronto Stock Exchange, fees associated with the Combination Transaction and establishing initial processes. Professional fees of $255 were lower than the Adjusted Forecast for the three months ended June 30, 2014. Forecast amounts were attributed across a full year and equally prorated through the 4 fiscal quarters.

Interest on debt

Interest expense on debt consists of interest paid on Credit facility 1, Credit facility 2, GAR mortgage, Cudahy Centre first mortgage, Cudahy Centre second mortgage, the standby fee paid on the secured revolving facility and senior secured term facility and the amortization of mark-to-market adjustment recorded as a result of the Combination Transaction. The interest expense was $107 lower than the Adjusted Forecast primarily as a result of the amortization of the mark-to-market premium on debt. The amortization on the mark-to-market premium is a non cash amount.

Tax increment financing

On March 6, 2014, the REIT acquired tax incremental revenue notes issued by the City of St. Paul (the "Phalen City Note") and by the City of Brainerd (the "Brainerd City Notes", and collectively the "TIF Notes Receivable") in Minnesota, related to the REIT's Phalen and Brainerd properties, respectively. The Phalen City Note and Brainerd City Note obligates each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT. The Phalen City Note had an original principal amount of $3,100 and a current outstanding balance of $3,028 at the time of purchase. The Brainerd City Note had an original principal amount of $2,400 and a current outstanding balance of $2,288 consisting of $1,290 in principal and $998 in interest at the time of purchase. The outstanding principal of the Brainerd City Note and Phalen City Note each bear interest payable on February 1 and August 1 at a rate of 8% and 6% per annum, respectively. The TIF Notes Receivable mature on February 1, 2029. The effective interest rate of the TIF Notes Receivable are 2.731% and 3.304%, respectively.

Also, on March 6, 2014, the REIT entered into two separate tax increment financing agreements with a third party (the "TIF Notes Payable") whereby the REIT borrowed in aggregate $4,297. The TIF Notes Payable mature on February 28, 2019 and bear interest at

a fixed rate equal to 5.25%. The TIF Notes Payable require annual blended interest and principal payments of $205. All proceeds from the TIF Notes Receivable are required to be applied against interest and then the principal of the TIF notes payable.

Transaction costs related to the TIF Notes Payable in the amount of $158 are amortized over the term to initial maturity based on the effective interest rate method. Included in interest on the TIF notes on the consolidated statement of comprehensive income is amortization of transaction costs of $3.

The REIT acquired the TIF Notes Receivable for $4,175. However, on acquisition, the REIT estimated the fair value of the TIF Notes Receivable to be $5,488. Accordingly, the REIT adjusted the measurement amount of the TIF Notes Receivable to defer the difference between the fair value at acquisition and transaction price of $1,313. The REIT recognizes the difference in income on a straight-line basis over the term of the maturity of the TIF Notes Receivable.

Distributions

The REIT pays monthly distributions of $0.06 per unit. The REIT paid a distribution of $0.03 from completion of the Combination Transaction on April 15 to April 30, 2014 and paid distributions of $0.06 per unit for both May and June. Distributions are in line with the Adjusted Forecast. Under IFRS, the distributions paid on the REIT Units and exchangeable units are recorded as finance expenses.

For the purposes of the Forecast, GAR B's ownership in the net assets of the REIT was considered a non-controlling interest. As a result, the REIT and exchangeable unit distributions forecasted does not include distributions paid to GAR B Unitholders. The distribution payable to the GAR B Unitholders and the redemption of 25 units accounts for the discrepancy between the actual distributions and the amount forecasted.

Prior to the completion of the Combination Transaction, SUSO 2 declared a special distribution of $124. SUSO 2 qualifies as a "mutual fund trust" under the Income Tax Act (Canada) and declared this distribution, to ensure all taxable earnings were distributed to Unitholders prior to the completion of the Combination Transaction. Since this distribution was paid prior to the completion of the Combination Transaction, it was not included in the Forecast. As discussed above, SUSO 2 is the accounting acquirer and the consolidated financial statements included income of SUSO 2 prior to the completion of the Combination Transaction.

Fair Value Adjustments to Financial Instruments

As described in the REIT's accounting policy in the notes to the consolidated financial statements, the REIT Units and the exchangeable units are classified as financial liabilities under IFRS and are measured at fair value with any changes in fair value recognized in net and comprehensive income. The fair value is re-measured at the end of each reporting period. During the three months ended June 30, 2014, the REIT recognized a $7,081 unrealized fair value loss on the REIT Units and a $1,056 unrealized fair value gain on the exchangeable units. An unrealized gain represents a decrease in the fair value per unit whereas an unrealized loss represents an increase in the fair value per unit. The fair value per unit on June 30, 2014 was $11.90. Changes in fair value of the exchangeable and REIT Units are a factor of market conditions with the changes in unit prices, as such no change was included in the Forecast. The movements are non-cash in nature.

Fair Value Adjustments on Investment Properties

Under IFRS, the REIT has elected to use the fair value model to account for its investment in properties. Under the fair value model, the investment properties are carried on the consolidated balance sheet at fair value. There was an increase to investment properties of $21,772 for the three months ended June 30, 2014.

For the six months ended June 30, 2014 and 2013, a portion of the gain is related to an increase in the fair market value of investment properties for property tax adjustments recorded on the REIT's portfolio as part of the adoption of IFRIC 21. The REIT has determined that the liability to pay property taxes on its properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the full property tax liability and expense on its properties as at January 1, 2014 with a retrospective adjustment to January 1, 2013.

Under IFRS, the fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. Accordingly, under IFRS no consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform amongst other benefits. As a result, the fair value of the Trust’s investment properties taken as a whole would differ from that appearing on the REIT’s consolidated statements of financial position.

Impairment of goodwill

As discussed above, for accounting purposes the REIT acquired 100% of the combined net assets of SUSO 1 and GAR. Under IFRS, the allocation of the fair value of consideration exchanged to the net assets acquired gave rise to goodwill of $14,987. The goodwill arises primarily from the difference between how deferred tax is calculated for accounting purposes for SUSO 1 and GAR and the value ascribed to it in negotiations. The former is based on the difference between the values of the assets and liabilities concerned for accounting purposes and those applying for taxation. The latter is based on tax payments likely to be made on the sale of the investment properties. In management's opinion, the carrying amount of this goodwill cannot be justified by reference to future cash flows and the ongoing business plan to operate and own the Initial Properties in the foreseeable future. As a result, it has been determined that the goodwill has been impaired and a impairment charge has been recognized in the consolidated financial statements.

Deferred Income Tax

The deferred income tax expense of $3,337 was $2,585 higher than the Adjusted Forecast. The variance is primarily due to the fair value adjustment to investment properties.

The REIT's operations and the associated net income occur within partially owned, flow through entities such as partnerships. Any tax liability on taxable income attributable to the Slate Retail Exchangeable Unitholders is incurred by the Unitholders as opposed to Investment LP. As such, although the REIT's consolidated net income includes income attributable to Slate Retail Exchangeable unitholders, the consolidated tax provision includes only the REIT's proportionate share of the tax provision. In other words, the REIT is consolidating all of the net income, but only its share of the tax provision.

Net income

For the second quarter, the net loss of $1,097 was lower than the Adjusted Forecast. The decrease is largely due to the impairment in goodwill, the change in deferred income taxes, unrealized gains in the fair value of investment properties, exchangeable units and REIT Units and the application of IFRIC 21.

Assets

Total assets as at June 30, 2014 was $463,208. Total assets includes cash of $13,883, deposits on investment properties of $1,350, prepaids of $678, accounts receivable $4,600, TIF note receivable of $4,161, funds held in escrow $401, interest rate caps of $8 and investment properties of $438,127 recorded at fair market value as at June 30, 2014.

There was a significant increase in total assets for the period ended June 30, 2014 compared to the period ended December 31, 2013 as a result of the completion of the Combination Transaction.

Funds held in escrow represents funds held by the mortgage lender in respect of future leasing costs and and tenant improvements to be paid. The accounts receivable balance is comprised of the following:

	June 30, 2014	December 31, 2013
Rent receivable	$2,073	$271
Allowance for doubtful accounts	(46)	(16)
Accrued recovery income	2,573	975
Accounts receivable	$4,600	$1,230

The following is an aging analysis of rents receivable past due, net of allowance for doubtful accounts:

	June 30, 2014	December 31, 2013
Current to 30 days	$491	$211
31 to 60 days	1,148	29
Greater than 60 days	388	15
	$2,027	$255

Rent receivable consists of base rent and operating expense recoveries. A significant portion of the rent receivable has been outstanding for less than 60 days and is expected to be fully collected. Management anticipates that the remaining balance is collectable and has provided for $46 as an allowance for doubtful accounts.

Accrued recovery income represents amounts that have not been billed to the tenants and generally billed and paid in the following year. This relates to tenants who are billed annually for operating expenses, mainly real estate taxes. Management expects that this amount will be received in full shortly after the bills are issued.

Debt

The following is a summary of the debt held by the REIT as of June 30, 2014:

	June 30, 2014	December 31, 2013
Credit facility 1	$87,230	$0
Credit facility 2	111,592	106,730
GAR mortgage	30,440	—
Cudahy Centre first mortgage	3,755	—
Cudahy Centre second mortgage	213	—
Financing costs	(3,367)	(2,539)
Amortization of financing costs	763	335
Total	$230,626	$104,526

The increase in total debt for the period ended June 30, 2014 compared to the period ended December 31, 2013 resulted from the assumption of the SUSO 1 and GAR debt facilities on the completion of the Combination Transaction. Debts assumed on the acquisition of the Initial Properties was recorded at their aggregate fair value of $121,837 on initial recognition resulting in a mark-to-market adjustment of $2,897 which is amortized using the effective interest method over the remaining terms of the debt assumed. During the six months ended June 30, 2014, the REIT recorded amortization of $86.

On closing of the Combination Transaction, a syndicate of U.S. lenders provided the REIT (i) a $30 million secured revolving facility (the Secured Revolving Facility), and (ii) a $45 million senior secured term facility (the Senior Secured Term Facility). As of June 30, 2014, there have been no drawings made on the Secured Revolving Facility or the Senior Secured Term Facility.

Unitholders' equity

The REIT has class A units, class I units and class U units issued and outstanding. Generally, since these different classes of units do not have identical features, the REIT is required under IFRS to classify the units as financial liabilities. The Slate Retail Exchangeable Units ("LP2") and the GAR B Exchangeable Units are redeemable for Class U Units at the option of the holder and are also required to be classified as financial liabilities under IFRS. The REIT units, the Slate Retail Exchangeable Units and the GAR B Exchangeable Units are measured at fair value at each reporting period with any changes in fair value recognized in net and comprehensive income. The distributions paid on the REIT Units, Slate Retail Exchangeable Units and the GAR B Exchangeable Units are recorded as finance expenses.

The following is a summary of REIT Units and exchangeable units of subsidiaries outstanding during the period and their Class U equivalent amounts if converted basis:

	Units of REIT			Exchangeable Units of Subsidiaries		Total (Class U equivalent)
Class / Type	A	U	I	LP2	GAR B	
Balance, December 31, 2013	3,702	1,298	703	—	—	5,771
Issued for Combination Transaction	—	7,759	—	1,880	590	10,229
Units redeemed	—	(25)	—	—	—	(25)
Exchanges	(3,086)	3,448	(320)	—	—	—
Balance, June 30, 2014	616	12,480	383	1,880	590	15,975
Conversion ratio to Class U Units	1.0078	1.0000	1.0554	1.0000	1.0000	—
Class U Units equivalent	621	12,480	404	1,880	590	15,975

If all of the exchangeable units of subsidiaries, class A units of the REIT and class I units of the REIT were redeemed or exchanged for Class U Units, as applicable, there would be in aggregate approximately 15,975 Class U Units outstanding.

OTHER MEASURES OF PERFORMANCE

Net Operating Income

Net Operating Income ("NOI") is defined as cash rental revenue from investment property less property operating costs. NOI of $6,890 was $56 or 0.8%, lower than the Adjusted Forecast. The Forecast assumed equal expenditures each quarter. However, in the quarter, actual non-recoverable property expenditures were slightly higher than the Adjusted Forecast due to one time increases resulting from harsh winter conditions.

	Three months ended June 30, 2014		
	Actual	Adjusted Forecast	Variance
Rental revenue	$9,885	$10,044	($159)
Straight-line rent revenue	(101)	(105)	4
Property operating expenses	(1,647)	(3,206)	1,559
Property tax normalization for IFRIC 21 adjustment	(1,247)	213	(1,460)
Net operating income	$6,890	$6,946	($56)

Funds from Operations

During the second quarter of 2014, FFO of $4,335 was lower than the Adjusted Forecast by $50. This difference relates primarily to the amortization of financing costs incurred on the Credit facility 2 and the fees incurred on the Secured Revolving Facility and the Senior Secured Term Facility, the costs were non-cash items. The Forecast assumed there would be no financing fees.

	Three months ended June 30, 2014		
	Actual	Adjusted Forecast	Variance
Net income and comprehensive income	(1,097)	1,103	(2,200)
Property tax adjustment IFRIC 21	(1,247)	—	(1,247)
Property tax normalization	—	213	(213)
REIT start up costs	1,534	—	1,534
Fair value adjustment on interest rate caps	36	—	36
Fair value adjustment on exchangeable units	(1,056)	—	(1,056)
Fair value adjustment on REIT Units	7,081	—	7,081
Fair value adjustment on investment properties	(21,772)	—	(21,772)
Impairment of goodwill	14,987	—	14,987
REIT and exchangeable unit distributions	2,532	2,317	215
Deferred income taxes	3,337	752	2,585
Funds from operations	4,335	4,385	(50)
FFO per unit	0.27	0.27	—
Distributions per Unit (1)	(0.16)	(0.15)	(0.01)
Number of units outstanding	15,975	16,000	(25)

(1) For the purposes of the Forecast, GAR B's ownership in the net assets of the REIT was considered a non-controlling interest. As a result, the distribution amount of $2,317 does not include distributions paid to these unitholders. The distribution per unit for the Forecast has been adjusted to account for this discrepancy.

Adjusted Funds from Operations

For the second quarter of 2014, AFFO of $4,059 was $0.02 per unit higher than the Adjusted Forecast due to favourable capital and leasing costs, and the reversal of the non-cash amortization expense.

	Three months ended June 30, 2014		
	Actual	Adjusted Forecast	Variance
Funds from operations	4,335	4,385	(50)
Straight-line rental revenue	(101)	(105)	4
Amortization of finance charges	232	—	232
Mark to market adjustment of debt	(86)	(14)	(72)
Capital and leasing costs	(321)	(523)	202
Adjusted funds from operations	4,059	3,743	316
AFFO per unit	0.25	0.23	0.02
Number of units outstanding	15,975	16,000	(25)

Capital and Leasing Costs

AFFO was reduced by property capital and leasing costs. Capital improvements may include, but are not limited to, items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties.

Capital Costs

During the quarter a new roof was installed over Winn-Dixie at Uptown Station. Management is optimistic that this investment will result in an early renewal for an additional 5 years with anchor tenant Winn-Dixie, which would extend their lease term to over 9 years.

A parking lot and landscaping project was completed at North Pointe during the quarter. This investment was completed in advance of a multi-million dollar store remodel that anchor tenant Publix is commencing in the third quarter of 2014 . Management believes that this remodel demonstrates the tenant's long-term commitment to the center. Publix currently has 2.7 years remaining on their lease with 4-5 year options renewals and account for 74.6% of the GLA.

Leasing Costs

Leasing costs this quarter related to a good balance of new and renewal leasing activity totaling approximately 90,000 square feet. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. The leasing capital this quarter was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs.

To date the REIT has funded capital and leasing costs using cash flows from operations.

MAJOR CASH FLOW COMPONENTS

The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through the REIT`s revolving credit facility and conventional mortgage debt secured by income producing properties.

Cash flow from (used in)	**Three months ended June 30, 2014**	**Six months ended June 30, 2014**
Operating activities	13,274	4,184
Investing activities	(1,317)	(1,831)
Financing activities	(4,119)	568
Increase in cash and cash equivalents	7,838	2,921

Operating activities cash flows

The positive cash flow from operating activities was driven by a positive cash flow from net income before non-cash items and a positive change in non-cash working capital items. Cash flows from operating activities will be used to fund on-going operations and expenditures for leasing capital and property capital.

Investing activities cash flows

Capital expenditures for acquisitions and development activities are generally financed. In the current quarter, there were deposits made for future acquisitions of investment properties.

Financing activities cash flows

Distributions were declared and paid in the quarter to REIT and exchangeable unitholders. There were also loan costs incurred with relation to the securing of Secured Revolving Facility and the Senior Secured Term Facility.

CONTRACTUAL COMMITMENTS

The REIT has the following contractual commitments:

	Total contractual cash flow	Less than one year	1-6 years
Accounts payable and accrued liabilities	$4,547	$4,547	$—
Credit facility 1	87,230	—	87,230
Credit facility 2	111,592	—	111,592
GAR mortgage	27,743	412	27,331
Cudahy Centre first mortgage	3,655	138	3,517
Cudahy Centre second mortgage	200	—	200
TIF note payable	4,297	308	3,989
TIF note interest payable	931	214	717
Credit facility 1 interest payable (1)	4,063	2,766	1,297
Credit facility 2 interest payable (2)	12,144	3,539	8,605
REIT units	160,737	400	160,337
Exchangeable units of subsidiaries	29,401	400	29,001
Total contractual commitments	$446,540	$12,724	$433,816

(1) Credit facility 1 interest payable is calculated on $87,230 (balance outstanding) using an estimated "all in" interest rate of 3.17% under the "within one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the Term Loan Facility and results in an anticipated increase to the "all-in" interest rate to 3.27%. The total Term Loan Facility interest payable is calculated until maturity of the Initial Term.

(2) Credit facility 2 interest payable is calculated on $111,592 (balance outstanding) using an estimated "all in" interest rate of 3.17% under the "within one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the Term Loan Facility and results in an anticipated increase to the "all-in" interest rate to 3.84%. The total Term Loan Facility interest payable is calculated until maturity of the Initial Term.

In addition, subsequent to June 30, 2014, the REIT acquired North Summit Square for a purchase price of $15.8 million before acquisition costs, and entered into three binding agreements to purchase East Little Creek, Waterbury Plaza, and Wellington Park for a total combined purchase price of $52.65 million before acquisition costs. East Little Creek, Waterbury Plaza and Wellington Park are subject to customary closing conditions. These acquisitions have been further described in the "Subsequent Events" section of this MD&A.

RELATED PARTY TRANSACTIONS

	Three months ended June 30, 2014	Six months ended June 30, 2014
Asset management	$393	$664
Acquisition fees	—	131
Related party fees	$393	$795

Asset management fees incurred and paid to Slate for the three months ended June 30, 2014 amounted to $393. The fees payable for the 6 months ended June 30, 2014, includes the legacy SUSO 2 asset management fees payable from January 1, 2014 to April 15, 2014 and the acquisition fees for an investment property acquired prior to the completion of the Combination Transaction.

These transactions are in the normal course of operations and are measured at the exchange amount. The exchange amount is the consideration established and agreed to by the related parties.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As of June 30, 2014, the Trust had $13,883 cash on hand.

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash	$ 13,883	$ 13,883	$ 10,962	$ 10,962
TIF note receivable	4,600	4,600	1,230	1,230
Accounts receivable	4,161	5,488	—	—
Financial liabilities				
Accounts payable and other liabilities	$ 4,547	$ 4,547	$ 1,771	$ 1,771
Credit facility 1	87,230	87,230	—	—
Credit facility 2	109,242	111,592	104,526	106,730
GAR mortgage	30,440	30,440	—	—
Cudahy Centre first mortgage	3,755	3,755	—	—
Cudahy Centre second mortgage	213	213	—	—
REIT units	160,737	160,737	—	—
Exchangeable units	29,401	29,401	—	—
TIF notes payable	4,142	4,297	—	—

The REIT Units and the exchangeable units are considered financial instruments under IFRS and are recognized as financial liabilities measured at fair value through profit and loss. The fair value is re-measured at the end of each reporting period based on the closing market price of the trust units.

CRITICAL ACCOUNTING ESTIMATES

The REIT prepares its financial statements in accordance with IFRS. A summary of significant accounting policies is included in Note 3 of the unaudited interim condensed consolidated financial statements of the REIT as at and for the periods ended June 30, 2014.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates that have the most significant impact on the condensed consolidated financial statements are the following:

Valuation of investment property

The fair value of investment property is determined by management, in conjunction with independent real estate valuation experts using recognized valuation techniques. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisers, in their determination of the fair value of the investment property:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

CHANGES IN ACCOUNTING POLICIES

The REIT has retrospectively adopted IFRIC 21, in its condensed consolidated interim financial statements for the period beginning January 1, 2013. The interpretation provides guidance on when to recognize a liability for levies that are accounted for in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and those where the timing and amount of the levy are certain. Levies are outflows from an entity imposed by a government in accordance with legislation. The REIT has assessed property taxes as being within the scope of IFRIC 21, given that property taxes are non-reciprocal charges imposed by a government, in accordance with legislation, and are based on property value. IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The REIT has determined that the liability to pay property taxes on its U.S. properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the full property tax liability and expense on its U.S. properties as at January 1, 2014 with a retrospective adjustment to January 1, 2013.

The retrospective application of IFRIC 21 resulted in the REIT recording a decrease in operating expenses of $114 for the three months ended June 30, 2013; and a decrease of $114 to fair value of investment properties for the three months ended June 30, 2013.

CONTROL AND PROCEDURES

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the REIT is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

Inherent Limitation

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

USE OF ESTIMATES

The preparation of the REIT financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management's estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions.

Additional information regarding the Trust can be found on SEDAR at www.sedar.com.

For further information contact: Blair Welch (416) 644-4267 or Brady Welch (416) 644-4263

CORPORATE INFORMATION

Corporate profile

Slate Retail REIT is an unincorporated, open-ended investment trust under, and governed by, the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the United States with an emphasis on grocery-anchored retail properties. The REIT has a current portfolio that spans 3.8 million square feet of gross leasable area and consists of 30 grocery anchored retail commercial properties located in the United States. The units of the REIT trade on The Toronto Stock Exchange ("TSX") under the symbol SRT.U/SRT.UN. The principal, registered and head office of the REIT is 200 Front Street West, Suite 2400, Toronto, ON, M5V 3K2.

Head Office
Slate Retail REIT
200 Front Street West, Suite 2400
Toronto, ON
Tel: 416.644.4264
Fax: 416.947.9366
E-mail: info@slateretailreit.com

Stock exchange listing and symbol
The REIT's units are listed on the Toronto Stock Exchanged and traded under the symbol SRT.U (quoted in US) and SRT.UN (quoted in CDN)

Independent Auditors
Deloitte LLP
Chartered Professional Accountants, Chartered Accountants
Toronto, Canada

Registrar and transfer agent
TMX Equity Transfer Services Inc.
200 University Ave, Suite 300
Toronto, ON, M5H 4H1
Tel: 416.361.0930
Fax: 416.361.0470

Visit slateretailreit.com which includes portfolio details, information on corporate governance, financial reports and information for investors.

Trustees

Thomas Farley, Chairman (3)
Chairman of the Board of Trustees, Brookfield Canada Office Properties

Colum Bastable, FCA (IRL) (1)(2)
Chairman of Cushman & Wakefield Inc.

Samuel Altman (1)(2)(3)
President of Joddes Limited

Patrick Flatley (3)
Senior Vice President, Fidelity National Title Insurance Co

Peter Tesche, CFA (1)(2)(3)
Principal at P.T. Lloyd Associates

Blair Welch (3)
Chief Executive Officer of Slate Retail REIT

Brady Welch
Chief Financial Officer of Slate Retail REIT

(1) Compensation, Governance and Nomination Committee
(2) Audit Committee
(3) Investment Committee