TRICON CAPITAL GROUP INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the Three Months Ended March 31, 2016

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

	Notes	March 31, 2016	December 31, 2015
ASSETS			
Cash		$ 29,456	$ 4,493
Amounts receivable		9,773	8,088
Prepaid expenses and deposits	*3*	3,020	2,542
Investments – Tricon Housing Partners	*4,5*	270,241	303,782
Investments – Tricon American Homes	*4,5*	472,995	426,030
Investments – Tricon Lifestyle Communities	*4,5*	31,636	19,153
Investments – Tricon Luxury Residences	*4,5*	32,284	19,582
Intangible assets	*10*	29,027	30,527
Deferred income tax assets	*9*	13,526	11,282
Other assets	*11*	1,155	1,047
Total assets		**$ 893,113**	**$ 826,526**
LIABILITIES			
Amounts payable and accrued liabilities	*7*	$ 4,764	$ 7,621
Dividends payable	*12*	5,609	4,857
Long-term incentive plan	*15*	15,494	15,717
Debt	*6*	132,016	71,353
Deferred income tax liabilities	*9*	22,149	20,600
Derivative financial instruments	*8*	8,003	8,376
Total liabilities		**188,035**	**128,524**
Equity			
Share capital	*13*	563,245	561,347
Contributed surplus		9,570	9,812
Accumulated other comprehensive income		18,609	20,098
Retained earnings		98,099	90,813
Total shareholders' equity		689,523	682,070
Non-controlling interest		15,555	15,932
Total equity		**705,078**	**698,002**
Total liabilities and equity		**$ 893,113**	**$ 826,526**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of U.S. dollars, except per share amounts)

For the Three Months Ended	Notes	March 31, 2016	March 31, 2015
Revenue			
Contractual fees	*17*	$ 5,468	$ 5,413
General partner distributions	*17*	305	324
Performance fees	*17*	–	10
Interest income	*17*	2	15
		5,775	5,762
Investment income			
Investment income – Tricon Housing Partners	*16,17*	6,401	6,798
Investment income – Tricon American Homes	*16,17*	12,910	22,618
Investment income – Tricon Lifestyle Communities	*16,17*	482	(39)
Investment income – Tricon Luxury Residences	*16,17*	1,919	–
		21,712	29,377
		27,487	35,139
Expenses			
Compensation expense	*15*	4,739	5,615
General and administration expense		1,407	1,331
Interest expense		2,562	3,559
Net change in fair value of derivative	*8*	(925)	37,891
Transaction costs		1,125	1,017
Amortization expense		1,570	1,880
Realized and unrealized foreign exchange (gain) loss		1,505	(10,658)
		11,983	40,635
Income (loss) before non-controlling interest and income taxes		**15,504**	**(5,496)**
Non-controlling interest change		377	40
Income (loss) before income taxes		**15,881**	**(5,456)**
Income tax expense	*9*	2,647	5,460
Net income (loss)		**$ 13,234**	**$ (10,916)**
Other comprehensive income			
Cumulative translation reserve		(1,489)	1,628
Comprehensive income for the period		**$ 11,745**	**$ (9,288)**
Basic income per share		**$ 0.12**	**$ (0.12)**
Diluted income per share		**$ 0.11**	**$ (0.12)**
Weighted Average Shares Outstanding – Basic	*14*	**112,379,331**	**90,646,960**
Weighted Average Shares Outstanding – Diluted	*14*	**122,715,437**	**92,060,642**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

	Notes	Share Capital	Contributed Surplus	Accumuated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2016		**$ 561,347**	**$ 9,812**	**$ 20,098**	**$ 90,813**	**$ 682,070**	**$ 15,932**	**$ 698,002**
Net income (loss)		–	–	–	13,234	13,234	(377)	12,857
Cumulative translation reserve		–	–	(1,489)	–	(1,489)	–	(1,489)
Dividends/Dividend reinvestment plan	*12*	940	–	–	(5,616)	(4,676)	–	(4,676)
Repurchase of common shares	*13*	(1,115)	–	–	(332)	(1,447)	–	(1,447)
Bought deal offering	*13*	1,362	–	–	–	1,362	–	1,362
Stock options	*15*	–	274	–	–	274	–	274
Deferred share units	*15*	711	(516)	–	–	195	–	195
Balance at March 31, 2016		**$ 563,245**	**$ 9,570**	**$ 18,609**	**$ 98,099**	**$ 689,523**	**$ 15,555**	**$ 705,078**
Balance at January 1, 2015		**$ 393,200**	**$ 7,833**	**$ 17,631**	**$ 52,954**	**$ 471,618**	**$ 18,360**	**$ 489,978**
Net income (loss)		–	–	–	(10,916)	(10,916)	(40)	(10,956)
Cumulative translation reserve		–	–	1,628	–	1,628	–	1,628
Distribution to non-controlling interest		–	–	–	–	–	(897)	(897)
Dividends/Dividend reinvestment plan	*12*	632	–	–	(4,281)	(3,649)	–	(3,649)
Stock options	*15*	–	126	–	–	126	–	126
Phantom units	*15*	–	14	–	–	14	–	14
Deferred share units	*15*	1,189	(871)	–	–	318	–	318
Balance at March 31, 2015		**$ 395,021**	**$ 7,102**	**$ 19,259**	**$ 37,757**	**$ 459,139**	**$ 17,423**	**$ 476,562**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

For the Three Months Ended	Notes	March 31, 2016	March 31, 2015
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income (loss)		$ 13,234	$ (10,916)
Adjustments for non-cash items			
Non-controlling interest		377	40
Amortization of intangibles and fixed assets	*10,11*	1,570	1,880
Deferred income taxes	*9*	(1,079)	3,355
Long-term incentive plan	*15*	937	1,488
Annual incentive plan	*15*	1,048	45
Amortization of debenture discount and issue costs	*6*	538	1,250
Accrued investment income – Tricon Housing Partners	*16,17*	(6,401)	(6,798)
Accrued investment income – Tricon American Homes	*16,17*	(12,910)	(22,618)
Accrued investment income – Tricon Lifestyle Communities	*16,17*	(482)	39
Accrued investment income – Tricon Luxury Residences	*16,17*	(1,919)	–
Net change in fair value of derivative	*8*	(925)	37,891
Unrealized foreign exchange loss (gain)		(1,125)	(9,846)
Distributions to non-controlling interest		–	(897)
Acquisitions of investments	*5*	(69,561)	(10,028)
Distributions received	*5*	53,797	12,571
		(22,901)	(2,544)
Changes in non-cash working capital items	*20*	(5,020)	(11,596)
		(27,921)	(14,140)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	*11*	(156)	(124)
Placement fees	*10*	–	(18)
		(156)	(142)
Financing activities			
Issuance (repurchase) of common shares	*13*	248	–
Proceeds from (repayment of) borrowing – net of financing costs	*6*	56,750	21,519
Dividends paid	*12*	(3,877)	(3,870)
		53,121	17,649
Foreign exchange gain (loss) on cash		**(81)**	**(70)**
Change in cash during the period		**24,963**	**3,297**
Cash – beginning of period		**4,493**	**4,940**
Cash – end of period		**$ 29,456**	**$ 8,237**
Supplementary information			
Income taxes paid		**$ 2,126**	**$ 3,430**
Interest paid		**$ 2,282**	**$ 3,745**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF BUSINESS

Tricon Capital Group Inc. ("Tricon" or the "Company") is a principal investor and asset manager focused on the residential real estate industry in North America. In the Principal Investment portfolios, the Company primarily invests through Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences. In Private Funds and Advisory, the Company manages, on behalf of private investors, commingled funds, side-cars and separate investment accounts that invest in the development of real estate in North America and generate contractual fee income for the Company.

Tricon was incorporated on June 16, 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company is domiciled in Canada. Tricon became a public company on May 20, 2010, and its common shares are listed on the TSX (symbol: TCN).

These condensed interim consolidated financial statements were approved for issue on May 10, 2016 by the Board of Directors of Tricon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies applied in the preparation of these condensed interim consolidated financial statements.

BASIS OF PREPARATION

The condensed interim consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand U.S. dollars except where otherwise indicated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost basis except for (i) investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The Company presents its condensed interim consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the condensed interim consolidated financial statements provide information on the Company's current assets and current liabilities (Note 18). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

3. PREPAID EXPENSES AND DEPOSITS

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Deposits for investments	$ 550	$ 436
Deposits for office building	1,981	1,626
Other prepaid expenses and deposits	489	480
Total prepaid expenses and deposits	**$ 3,020**	**$ 2,542**

4. INVESTMENTS

Investments – Tricon Housing Partners ("THP") are investments or co-investments in funds, separate accounts and side-car investments managed by the Company.

Investments – Tricon American Homes ("TAH") are investments in operating entities which invest in U.S. single-family rental homes. The investments are managed through an integrated business platform managed by the operating entity, which is responsible for the acquisition, renovation and leasing of the homes.

Investments – Tricon Lifestyle Communities ("TLC") are investments in U.S. manufactured housing communities that lease land to owners of pre-fabricated homes.

Investments – Tricon Luxury Residences ("TLR") are investments in U.S. and Canadian Class A multi-family and rental developments.

The Company makes these investments via loan advances and equity investments. The following is a summary of the composition of the Company's investments:

	March 31, 2016			December 31, 2015		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
U.S. funds	$ –	$ 185,882	$ 185,882	$ –	$ 233,547	$ 233,547
Canadian funds	–	9,277	9,277	–	8,340	8,340
Separate accounts and side-cars	19,026	56,056	75,082	18,000	43,895	61,895
	19,026	251,215	270,241	18,000	285,782	303,782
Investments – TAH	–	472,995	472,995	–	426,030	426,030
Investments – TLC	–	31,636	31,636	–	19,153	19,153
Investments – TLR	–	32,284	32,284	–	19,582	19,582
Total	**$ 19,026**	**$ 788,130**	**$ 807,156**	**$ 18,000**	**$ 750,547**	**$ 768,547**

The underlying loan instruments within the Company's Tricon Housing Partners investments are denominated in U.S. dollars and bear interest at rates between 9.45% and 11.95%, compounded monthly.

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has provided specific guarantees to the lenders of the TAH warehouse facility, the TLC mortgages and the TLR land and construction loans, each on a non-recourse basis subject only to specific carved-out events.

The following tables summarize the balances in the investment funds that are managed by Tricon, presented in the functional currency of the fund:

(in thousands of dollars)

THP Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investment at fair value[2]
As at March 31, 2016[1]								
THP1 US[3,4]	US	$ 226,775	$ 272,970	$ 11,861	$ –	$ 185,859	$ 185,859	$ 163,712
THP2 US	US	25,000	15,405	9,595	–	–	–	22,170
Cross Creek Ranch	US	14,400	12,295	2,105	5,036	9,952	14,988	8,759
Fulshear Farms	US	5,000	3,206	1,794	573	–	573	3,215
Grand Central Park	US	8,075	7,770	305	2,099	1,520	3,619	7,714
Trilogy at Verde River	US	10,350	7,182	3,168	1,808	–	1,808	8,816
Viridian	US	25,400	24,896	504	781	3,500	4,281	21,396
Queen Creek	US	12,750	10,765	1,985	255	–	255	10,765
Side-cars	US	17,880	13,284	4,596	3,267	–	3,267	14,417
Total US Investments		**345,630**	**367,773**	**35,913**	**13,819**	**200,831**	**214,650**	**260,964**
THP3 Canada	CA	20,000	11,194	8,806	–	2,368	2,368	9,277
Total CA Investments		**$ 20,000**	**$ 11,194**	**$ 8,806**	**$ –**	**$ 2,368**	**$ 2,368**	**$ 9,277**
Investments – THP								**$ 270,241**
As at December 31, 2015[1]								
THP1 US[3,4]	US	$ 226,775	$ 272,970	$ 19,120	$ –	$ 132,062	$ 132,062	$ 212,159
THP2 US	US	25,000	15,105	9,895	–	–	–	21,388
Cross Creek Ranch	US	14,400	12,295	2,105	4,860	9,952	14,812	8,708
Fulshear Farms	US	5,000	3,206	1,794	553	–	553	3,215
Grand Central Park	US	8,075	7,357	718	1,939	1,520	3,459	6,996
Trilogy at Verde River	US	10,350	6,691	3,659	1,509	–	1,509	8,155
Viridian	US	25,400	24,328	1,072	476	3,500	3,976	20,827
Side-cars	US	17,880	12,820	5,060	2,974	–	2,974	13,994
Total US Investments		**332,880**	**354,772**	**43,423**	**12,311**	**147,034**	**159,345**	**295,442**
THP3 Canada	CA	20,000	11,194	8,806	–	2,368	2,368	8,340
Total CA Investments		**$ 20,000**	**$ 11,194**	**$ 8,806**	**$ –**	**$ 2,368**	**$ 2,368**	**$ 8,340**
Investments – THP								**$ 303,782**

(1) Commitment, unfunded commitment, advances and distributions are shown in Fund or Separate Account originating currency.

(2) Investments at fair value as of March 31, 2016 and December 31, 2015 are shown in U.S. dollars.

(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.

(4) Actual cash distribution received from THP1 US was reduced by $1,281 (2015 – $1,281) of withholding tax.

5. FAIR VALUE ESTIMATION

In the fair value hierarchy, the level in which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. Assessing the significance of a particular input to the fair value measurement requires judgment, considering factors specific to the asset or liability.

The following describes the categories within the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table provides information about financial assets and liabilities measured at fair value on the balance sheet and categorized by level according to the significance of the inputs used in making the measurements:

	March 31, 2016			December 31, 2015		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
U.S. funds	$ –	$ –	$ 185,882	$ –	$ –	$ 233,547
Canadian funds	–	–	9,277	–	–	8,340
Separate accounts and side-cars	–	–	75,082	–	–	61,895
	–	–	270,241	–	–	303,782
Investments – TAH	–	–	472,995	–	–	426,030
Investments – TLC	–	–	31,636	–	–	19,153
Investments – TLR	–	–	32,284	–	–	19,582
	$ –	**$ –**	**$ 807,156**	**$ –**	**$ –**	**$ 768,547**
Financial liabilities						
Derivative financial instruments (Note 8)	$ –	$ 8,003	$ –	$ –	$ 8,376	$ –

There have been no transfers between levels for the quarter ended March 31, 2016.

FINANCIAL ASSETS VALUATION METHODOLOGIES

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Valuation Committee at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

The Company used the following techniques to determine the fair value measurements included in the financial statements categorized in Level 3:

Investments – Tricon Housing Partners
Tricon establishes wholly-owned subsidiaries that invest in the limited partnerships as a limited partner. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of each limited partnership's net assets at each measurement date. The fair values of each limited partnership's net assets are calculated by determining the fair values of the underlying projects using discounted cash flows, appraised values or share prices as reported on the appropriate stock exchange.

In addition to the investments in limited partnerships, the Company invests in separate accounts and side-car investments through limited partnership with other third parties. Tricon's ownership interests in these investments are held through the Company's wholly-owned subsidiaries. The investments are measured at fair value as determined by the waterfall distribution calculations specified in the relevant limited partnership agreement. The inputs into the waterfall distribution calculations include the fair value of the land and working capital held by the limited partnerships. The fair value of the land is based on appraisals prepared by an external third-party valuator or on internal valuations.

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-car are held through the Company's wholly-owned subsidiaries. The side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as those for the limited partnership investments.

Quantitative information about fair value measurements of the investments uses the following significant unobservable inputs (Level 3):

Description	Valuation technique(s)	Significant unobservable input
Debt investments	Discounted cash flow	a) Discount rate[1] b) Future cash flow
Equity investments		
Commingled funds	Net asset value	a) Discount rate[2] b) Future cash flow c) Control premium/discount, if any[3]
Separate accounts and side-cars	Waterfall distribution model	a) Discount rate[2] b) Future cash flow c) Appraised value[4]

(1) The range of discount rates in the discounted cash flow model was from 10% to 12%.

(2) The range of discount rates in the discounted cash flow model was from 12.5% to 20.0%. Generally, an increase in future cash flow will result in an increase to the fair value of debt instruments and fund equity investments. An increase in the discount rate will result in a decrease in fair value of the debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(3) As at March 31, 2016, the THP1 US Co-Investment included a Control Premium of $610.

(4) The Company obtained external valuations for seven separate account equity investments at December 31, 2015, totaling $22,929. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per acre. External valuations are obtained annually and the Company assesses whether any changes to inputs would have a significant impact on the loan balances as at March 31, 2016.

Sensitivity

The effects on Investments – Tricon Housing Partners of a 1% change in the discount rates are as follows:

		March 31, 2016		December 31, 2015	
(in thousands of dollars)	Currency	1% increase	1% decrease	1% increase	1% decrease
US funds	US	$ (1,538)	$ 1,574	$ (1,437)	$ 1,470
Canadian funds	CA	(273)	283	(264)	274
Separate accounts and side-cars	US	(401)	411	(424)	435

Investments – Tricon American Homes

All of the Company's investments in Investments – TAH limited partnerships are held through a wholly-owned subsidiary, Tricon SF Home Rental Inc., and are recorded at fair value. The fair value of the Company's investment in Tricon SF Home Rental Inc. is calculated based on Tricon's proportionate share of each entity's fair value of net assets. The fair value of the net assets of the various entities is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Under the assumption that home values do not change materially in the short term, and that the capital expenditures do not have a significant impact in the first three months of purchase, no valuation has been performed for homes purchased after December 31, 2015. As a result, these homes will be recorded at their purchase price plus the cost of capital expenditures, if applicable. The remaining homes were valued at February 29, 2016. Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that values were valid at March 31, 2016.

During the quarter, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 343 of TAH's rental properties purchased before January 1, 2016. The homes were valued by independent brokers who hold active real estate licenses and have market experience in the locations and segments of the homes valued. The brokers value each home based on recent comparable sales and active comparable listings in the area, assuming the homes were all renovated to an average standard in their respective areas. The BPO retrieves information on the comparable properties from the Multiple Listing Service ("MLS") public database.

Rental properties acquired between November 30, 2015 and December 31, 2015 and rental properties that were previously valued by BPO had their values updated using the Home Price Indexes ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past 12 months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties.

In addition to the investment generating rental income, a small percentage of the investment properties is held for resale. These are select properties purchased for the purpose of rental operations but subsequently selected for sale within the next quarter, mostly due to undesirable rental prospect. All inventory homes are valued at the lower of carrying amount and fair value less cost to sell.

The Company also takes into account the unrealized and realized carried interest payable to local operating partners as general partners of some of the underlying limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the relevant limited partnership agreement with each local operator and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnerships would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years, with fair value determined by discounting to the reporting period. Working capital of the limited partnerships approximates fair value.

Sensitivity

The TAH debt facility is subject to variable rates based on the one-month LIBOR plus 300 basis points, subject to a 25 basis point LIBOR floor. As of March 31, 2016, the rental partnership and the Company as its sponsor are in compliance with the financial covenant and other undertakings outlined in the loan agreement (previously, the rate was three-month LIBOR plus 360 basis points, subject to a 50 basis point LIBOR floor). As a result, interest expense will only be impacted when the one-month LIBOR increases above 0.25%. The one-month LIBOR during the three months ended March 31, 2016 ranged from 0.24% to 0.44%. If interest rates had been 10 basis points lower, with all other variables held constant, the interest rate would have dropped to 3.25% as a result of the interest rate floor in place, and Investment income – TAH for the three months ended March 31, 2016 would have been $59 (2015 – $0) higher. At March 31, 2016, if interest rates had been 10 basis points higher with all other variables held constant, Investment income – TAH for the three months ended March 31, 2016 would have been $65 (2015 – $0) lower. Investment income is more sensitive to interest rate increases than decreases because of the interest rate floor on borrowings. The calculated impact of a 10 basis point increase is higher in the three months ended March 31, 2016 than in the three months ended March 31, 2015 because of the decrease in the interest rate floor from 0.50% on the three-month LIBOR to 0.25% on the one-month LIBOR effective June 12, 2015 amendment.

TAH is indebted in the amount of $361 million under a securitization loan. The securitization transaction involved the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in a loan secured by a portion of the Company's portfolio of single-family properties. Monthly payments of interest commenced on June 9, 2015. All outstanding principal and interest shall be paid in full prior to maturity on May 9, 2017, with three one-year extensions available at the Company's option. As of March 31, 2016, the rental partnership is in compliance with the covenant and other undertakings outlined in the loan agreement. Interest-only payments are required on the securitization loan at a weighted average interest rate of one-month LIBOR plus 1.96% per annum, subject to a 3.955% cap. As a result, interest expense will only be impacted when the one-month LIBOR is below 1.995%. The one-month LIBOR during the three months ended March 31, 2016 ranged from 0.24% to 0.44%. If interest rates had been 10 basis points higher or lower, with all other variables held constant, Investment income – TAH for the three months ended March 31, 2016 would have been $90 lower or higher (2015 – not applicable).

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1% (December 31, 2015 – 1%), the impact on Investments – TAH fair value at March 31, 2016 would be $9,018 and ($9,117), respectively (December 31, 2015 – $9,705 and ($9,705)).

Investments – Tricon Lifestyle Communities

The Company's investment in Investments – Tricon Lifestyle Communities ("TLC") is held through a wholly-owned subsidiary, Tricon Manufactured Housing Communities LLC, which carries the investment at fair value. The fair value of the Company's investment is estimated based on the Company's proportionate share of the net assets of the TLC limited partnership. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of future capital expenditures, generally do not change significantly in the first 12 months after acquisition, investments are recorded at cost for the first 12 months after acquisition. As a result, these properties are recorded at their purchase price plus the cost of capital expenditures. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

The Company fair values the TLC properties using a discounted cash flow methodology. The fair value is determined based on rental income from the current leases and assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year Net Operating Income ("NOI"), supported by the terms of existing leases and assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

The Company also takes into account the unrealized and realized carried interest payable to the general partner of the underlying limited partnership in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the limited partnership agreement and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnership would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years. Working capital of the limited partnership approximates fair value.

Sensitivity

Since the rate of interest on borrowings made by Tricon Lifestyle Communities is fixed, Investment income – Tricon Lifestyle Communities for the period would not change due to interest rate fluctuation.

Investments – Tricon Luxury Residences

The Company's investment in TLR Canada is held through a wholly-owned subsidiary, Tricon Luxury Residences Co-Investment Inc. Its investment in TLR U.S. is held through a wholly-owned subsidiary, Tricon SLR US Multifamily LLC. Both subsidiaries carry their investments at fair value. The fair value of the investments in TLR is estimated based on the subsidiaries' proportionate share of the net assets of TLR limited partnerships. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

TLR Canada fair values its properties based on an external appraisal performed annually as of November 30. The fair value is determined based on active market prices, adjusted (if necessary) for differences in the nature, location or condition of the asset, as well as assumptions about the recoverability of development costs. Management has assessed whether any market changes have occurred subsequent to the date of prior valuation and has determined that the value remained unchanged at March 31, 2016.

TLR U.S. fair value its properties using a discounted cash flow methodology. The fair value is determined based on assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year Net Operating Income ("NOI"), supported by the assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

Sensitivity

TLR U.S.'s fair value measurements of its investments are based on significant unobservable inputs including discount rates and future cash flows. An increase of 1% in the discount rate results in a decrease to fair value of ($739), and a decrease of 1% in the discount rate results in an increase in fair value of $767.

TLR Canada's income is largely based on the fair value of appraised assets held for development at year end. As at March 31, 2016, an increase of 1% of the appraised value would result in an increase to fair value of $36, and a decrease of 1% of the appraised value would result in a decrease in fair value of ($36).

Continuity of investments

The following presents the changes in Level 3 instruments for the three months ended March 31, 2016 and December 31, 2015:

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Opening balance	$ 768,547	$ 665,539
Acquisitions	69,561	186,706
Distributions/sales	(53,797)	(160,444)
Investment income	21,712	76,411
Revaluation of opening balance	1,133	335
Ending balance	**$ 807,156**	**$ 768,547**

FINANCIAL LIABILITIES VALUATION METHODOLOGIES

Derivative financial instruments relate to the conversion and redemption features of the convertible debentures and are valued using model calibration, as discussed in Note 8. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Quantitative information about fair value measurements using significant unobservable inputs (Level 2) is as follows:

	March 31, 2016	December 31, 2015
	2013 Debenture	2013 Debenture
Risk-free rate[1]	0.92%	1.08%
Stock price[2]	C$9.03	C$9.06
Implied volatility[3]	30.02%	30.17%
Dividend yield[4]	3.19%	2.92%

(1) Risk-free rates were from the CAD swap curves matching the terms to maturity of the debentures.
(2) Closing price of the stock as of the valuation date.
(3) Implied volatility was computed from the trading volatility of the Company's stock.
(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

Cash, amounts receivable, amounts payable and accruals, dividends payable, interest payable and bank debt are measured at amortized cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

6. DEBT

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Revolving term credit facility	$ 76,750	$ 20,000
Convertible debentures	55,266	51,353
	$ 132,016	**$ 71,353**

REVOLVING TERM CREDIT FACILITY

The Company has access to a $235 million revolving term credit facility (the "Credit Facility"). The Credit Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The credit facility may be further increased to $275 million with the approval of the lenders. The Credit Facility has a maturity date of April 29, 2018. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During 2016, the minimum balance drawn on the credit facility was $20,000, and the maximum amount drawn was $91,250.

Advances under the Credit Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 250 to 300 basis points above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 350 to 400 basis points above the respective reference rate. Standby fees ranging from 87.5 to 100 basis points of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. The Credit Facility total interest expense incurred for the quarter ended March 31, 2016 amounted to $735 (2015 – $696). The weighted average interest rate over the quarter was 4.454%.

The Credit Facility agreement requires the Company to maintain the following covenants: a funded debt-to-EBITDA ratio not to exceed 3.25:1; a minimum interest coverage ratio of 1.5:1; and a consolidated total funded debt-to-capital not to exceed 55%. As at March 31, 2016, the outstanding balance of the Credit Facility was $76,750 (December 31, 2015 – $20,000) and the Company was in compliance with each of the covenants of the Credit Facility.

Convertible debentures payable

The balances of the debt components of the convertible debentures (the "Debentures") recognized on the consolidated balance sheet were calculated as follows:

	February 2013 Debenture	
(in thousands of dollars)	USD[1]	CAD
March 31, 2016		
Face value outstanding	$ 66,013	$ 85,731
Less: Transaction costs (net of amortization)	(1,974)	(2,563)
Liability component on initial recognition	64,039	83,168
Debentures discount (net of amortization)	(8,773)	(11,394)
Debentures payable	**$ 55,266**	**$ 71,774**

	February 2013 Debenture	
(in thousands of dollars)	USD[1]	CAD
December 31, 2015		
Face value outstanding	$ 61,940	$ 85,731
Less: Transaction costs (net of amortization)	(1,957)	(2,709)
Liability component on initial recognition	59,983	83,022
Debentures discount (net of amortization)	(8,630)	(11,945)
Debentures payable	**$ 51,353**	**$ 71,077**

(1) Balance translated at period-end exchange rate.

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. If the debt components of the debentures were recognized at fair value, then the balance appearing on the consolidated balance sheets would be $65,152 (C$84,613) as of March 31, 2016 and $60,852 (C$84,219) as of December 31, 2015. The difference between the amortized costs and implied fair value is a result of the difference between the effective interest rate and the market risk-free rate.

The face and weighted average interest rates are as follows:

(in thousands of U.S. dollars)	Coupon interest rates	Effective interest rates	Maturity dates	Debt balance March 31, 2016	Debt balance December 31, 2015
Fixed Rate					
February 2013 Debenture	5.60%	6.46%	2020	$ 55,266	$ 51,353
Total fixed-rate debt	5.60%	6.46%		55,266	51,353
Variable Rate					
Revolving term credit facility	4.00%	4.00%	2018	76,750	20,000
Total debt	**4.67%**	**5.03%**		**$ 132,016**	**$ 71,353**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Total
2016	$ –	$ –	$ –
2017	–	–	–
2018	76,750	–	76,750
2019	–	–	–
2020	–	66,013	66,013
2021	–	–	–
2022 and thereafter	–	–	–
	76,750	66,013	142,763
Transaction costs (net of amortization)			(1,974)
Debentures discount (net of amortization)			(8,773)
			$ 132,016

7. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accruals consist of amounts payable and accruals, income taxes payable, and interest payable, as follows:

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Accrued liabilities	$ 4,001	$ 6,017
Interest payable	763	1,604
Total	**$ 4,764**	**$ 7,621**

8. DERIVATIVE FINANCIAL INSTRUMENTS

The conversion and redemption options of the convertible debentures are combined pursuant to IAS 39, "Financial Instruments: Recognition and Measurement", and are measured at fair value at each reporting period using model calibration.

The conversion and redemption option components were valued using a binomial pricing model and then the valued amount was calibrated to the traded price of the underlying debentures. The valuation model uses market-based inputs including the spot price of the underlying equity, implied volatility of the equity, risk-free rates from the CAD swap curves and dividend yields related to the equity.

The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

As at March 31, 2016, the fair value of the embedded derivative payable on the February 2013 Debenture decreased by $925 (C$1,200), primarily as a result of a decrease in the price of the Company's stock in relation to the conversion price of the underlying debentures. The decrease in fair value of the embedded derivative was offset by an increase of $552 due to foreign exchange revaluation, resulting in a fair value at March 31, 2016 of $8,003 (C$10,394). The net fair value gain on derivative financial instruments was $925 (C$1,200) (2015 – loss of $37,891).

Refer to Note 5 – Fair Value Estimation for details of quantitative information used as inputs in measuring the fair value of the conversion and redemption options.

The assumed conversion of the debentures was dilutive in the quarter; as a result, the shares issuable on conversion were included in the weighted average diluted shares outstanding for the quarter. The comparative period in 2015 excluded the impact of the assumed conversion.

The value attributed to the derivative financial instruments is shown below:

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
March 31, 2016						
Derivative financial instruments – beginning of period	$ –	$ –	$ 8,376	$ 11,594	$ 8,376	$ 11,594
Fair value changes (based on market price)	–	–	(925)	(1,200)	(925)	(1,200)
Revaluation to period-end exchange rate	–	–	552	–	552	–
Derivative financial instruments – end of period	**$ –**	**$ –**	**$ 8,003**	**$ 10,394**	**$ 8,003**	**$ 10,394**

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
December 31, 2015						
Derivative financial instruments – beginning of period	$ 22,789	$ 26,438	$ 13,187	$ 15,299	$ 35,976	$ 41,737
Fair value changes (based on market price)	3,948	5,465	(2,676)	(3,705)	1,272	1,760
Conversion of convertible debentures	(23,892)	(31,903)	–	–	(23,892)	(31,903)
Revaluation to period-end exchange rate	(2,845)	–	(2,135)	–	(4,980)	–
Derivative financial instruments – end of period	**$ –**	**$ –**	**$ 8,376**	**$ 11,594**	**$ 8,376**	**$ 11,594**

9. INCOME TAXES

(in thousands of U.S. dollars)

For the Three Months Ended March 31	2016	2015
Current income tax	$ 1,568	$ 1,616
Deferred income tax	1,079	3,844
Income tax expense	**$ 2,647**	**$ 5,460**

The tax on the Company's income before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to income of the consolidated entities as follows:

(in thousands of U.S. dollars)

For the Three Months Ended March 31	2016	2015
Income (loss) before non-controlling interest and income taxes	$ 15,881	$ (5,496)
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense	4,208	(1,456)
Tax rate differential (foreign tax rates)	63	140
Tax effects of		
Permanent differences[1]	(1,833)	2,219
Prior year adjustments associated with exit strategy changes[2]	–	4,251
Other[3]	209	306
Income tax expense	**$ 2,647**	**$ 5,460**

(1) Permanent differences for 2016 are comprised of the following: (a) the non-taxable portion of unrealized foreign exchange gains/losses on the convertible debentures (b) the non-taxable portion of the unrealized gain recognized on the investment in Tricon American Homes; and (c) fair value change of the derivative; and obligations related to investments held under repurchase agreement.

(2) As a result of a change in the exit strategy for TAH and TLC, portfolio gains will be taxed at capital gains rates instead of ordinary income rates.

(3) Other adjustments includes revaluation due to change of presentation currency.

The expected realization of deferred tax assets and deferred tax liabilities is as follows:

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	$ 13,526	$ 11,282
Total deferred tax assets	**$ 13,526**	**$ 11,282**
Deferred tax liabilities:		
Deferred tax liabilities reversing after more than 12 months	$ 22,149	$ 20,600
Total deferred tax liabilities	**$ 22,149**	**$ 20,600**

The movement of the deferred tax accounts was as follows:

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Change in net deferred tax assets (liabilities):		
Opening balance	$ (9,318)	$ (7,554)
Credit (charge) to the statement of comprehensive income	(1,079)	(3,014)
Credit (charge) directly to equity	1,363	–
Other	411	1,250
Closing balance	**$ (8,623)**	**$ (9,318)**

The tax effects of the significant components of temporary differences giving rise to the Company's deferred income tax assets and liabilities were as follows:

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred tax assets					
At December 31, 2015	$ 4,455	$ 1,621	$ 4,912	$ 294	$ 11,282
Addition/(reversal)	(114)	824	1,041	493	2,244
At March 31, 2016	**$ 4,341**	**$ 2,445**	**$ 5,953**	**$ 787**	**$ 13,526**

(in thousands of U.S. dollars)	Investments	Debentures	Deferred placement fees	Other	Total
Deferred tax liabilities					
At December 31, 2015	$ 19,365	$ 206	$ 1,029	$ –	$ 20,600
Addition/(reversal)	1,654	(36)	(69)	–	1,549
At March 31, 2016	**$ 21,019**	**$ 170**	**$ 960**	**$ –**	**$ 22,149**

Tricon believes it will have sufficient future revenue to realize the deferred tax assets.

10. INTANGIBLE ASSETS

There were no impairments to placement fees and rights to performance fees for the three months ended March 31, 2016 and March 31, 2015.

The intangible assets are comprised as follows:

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Placement fees	$ 2,307	$ 2,471
Rights to performance fees	235	250
Customer relationship intangible	5,659	5,788
Contractual development fees	20,826	22,018
Total intangible assets	**$ 29,027**	**$ 30,527**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to collect over the life of the projects that the Company manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which ranges from 2 to 13 years.

The customer relationship intangible from Johnson represents the management fees, development fees and commissions that Tricon will collect from future projects. These are based on future projects which are a result of Johnson's existing customer relationships, and as such are considered to be definite-life intangibles.

11. OTHER ASSETS

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Office equipment	$ 637	$ 529
Leasehold improvements	299	299
Goodwill	219	219
Total other assets	**$ 1,155**	**$ 1,047**

There were no impairment charges for the three months ended March 31, 2016 and March 31, 2015.

12. DIVIDENDS

(in thousands of dollars, except per share amounts)				Dividend amount per share		Total dividend amount		Dividend reinvestment plan	
Date of declaration	Record date	Payment date	Common shares outstanding	in C$	in US$[1]	in C$	in US$[1]	in C$	in US$[2]
March 8, 2016	March 31, 2016	April 15, 2016	112,069,541	$ 0.065	$ 0.050	$ 7,285	$ 5,616	$ 1,365	$ 939
						$ 7,285	**$ 5,616**	**$ 1,365**	**$ 939**
March 10, 2015	March 31, 2015	April 15, 2015	90,431,078	$ 0.060	$ 0.047	$ 5,420	$ 4,281	$ 639	$ 516
May 11, 2015	June 30, 2015	July 15, 2015	90,533,290	0.060	0.048	5,438	4,351	806	623
August 13, 2015	September 30, 2015	October 15, 2015	104,211,647	0.060	0.045	6,253	4,668	965	748
November 11, 2015	December 31, 2015	January 15, 2016	112,037,851	0.060	0.043	6,722	4,857	1,365	940
						$ 23,833	**$ 18,157**	**$ 3,775**	**$ 2,827**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts are translated to USD using the noon rate on the date of record.

(2) Dividends reinvested are translated to USD using the noon rate on the date common shares are issued.

On November 20, 2012, the Company implemented a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders of the Company may elect to have all or part of their cash dividend automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased on the open market) on the applicable dividend payment date and are priced at 95% of the average market price, calculated as the volume weighted trading price of the Company's common shares on the TSX over the five business days immediately preceding the dividend payment date. If common shares are purchased in the open market, they are priced at the average weighted cost of the Company's common shares on the TSX over the five business days following the dividend payment date.

Brokerage, commissions and service fees are not charged to shareholders for purchases or withdrawals of the Company's shares under the DRIP, and all DRIP administrative costs are assumed by the Company.

For the three months ended March 31, 2016, 172,844 common shares were issued under the DRIP (2015 – 91,947) for a total amount of $940 (2015 – $632).

13. SHARE CAPITAL

	March 31, 2016			December 31, 2015		
	Number of	Share capital		Number of	Share capital	
(in thousands of dollars)	shares issued	in US$[1]	in C$	shares issued	in US$	in C$
Beginning balance	112,037,851	$ 561,347	$ 677,277	90,192,448	$ 393,200	$ 456,148
Shares issued under DRIP[1]	172,844	940	1,365	318,615	2,558	3,210
Stock options exercised	–	–	–	135,890	1,075	1,426
Shares issued for phantom units released from escrow	–	–	–	112,434	528	691
Normal course issuer bid (NCIB)	(244,520)	(1,115)	(1,539)	(636,400)	(2,921)	(3,856)
Deferred share units exercised[2]	103,366	711	978	152,779	972	1,209
Debenture conversions	–	–	–	8,604,085	56,499	75,384
Bought deal offering[3]	–	1,362	1,903	13,158,000	109,436	143,065
Ending balance	**112,069,541**	**$ 563,245**	**$ 679,984**	**112,037,851**	**$ 561,347**	**$ 677,277**

(1) On January 15, 2016, 172,844 common shares were issued under the DRIP at an average price of $5.43 (C$7.90) per share.
(2) In the quarter, 103,366 deferred shared units (DSUs) were vested and exercised at an average price of $6.88 (C$9.46).
(3) The increase in share capital relates to tax savings connected to equity issuance costs.

The Company can issue an unlimited number of common shares and an unlimited number of redeemable and retractable Class A, B and C shares. The common shares of the Company do not have par value.

As of March 31, 2016, the Company had 112,069,541 common shares outstanding (December 31, 2015 – 112,037,851).

14. INCOME PER SHARE

BASIC

Basic income per share is calculated by dividing net income by the sum of the weighted average number of shares outstanding, vested phantom units and vested deferred share units during the period.

(in thousands of U.S. dollars)

For the Three Months Ended March 31	2016	2015
Net income (loss)	$ 13,234	$ (10,916)
Weighted average number of common shares outstanding	112,100,366	90,347,387
Adjustments for vested units	278,965	299,573
Weighted average number of common shares outstanding for basic earnings per share	112,379,331	90,646,960
Basic net income (loss) per share	**$ 0.12**	**$ (0.12)**

DILUTED

Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares. The Company has three categories of potential dilutive shares related to stock compensation: stock options, deferred share unit plan (see Note 15) and the convertible debentures (see Note 8). For the stock compensation, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of March 31, 2016) based on the monetary value of the stock compensation arrangements. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock compensation

For the quarter ended March 31, 2016, the Company's stock compensation plans resulted in 1,588,045 dilutive share units (March 31, 2015 – 1,413,682) as the exercise price of the potential share units is below the average market share price of $6.07 (C$8.33) for the quarter.

Convertible debentures

For the quarter ended March 31, 2016, the Company's convertible debentures are dilutive (March 31, 2015 – anti-dilutive), as debenture interest expense and the change in fair value of the derivative financial instruments, net of tax, would not result in an increased net income per share upon conversion.

(in thousands of U.S. dollars)

For the Three Months Ended March 31	2016	2015
Net income (loss)	$ 13,234	$ (10,916)
Adjustment for convertible debenture interest expense	1,073	–
Changes in fair value for financial instruments through profit or loss	(680)	–
Adjusted net income (loss)	$ 13,627	$ (10,916)
Weighted average number of common shares outstanding	112,379,331	90,646,960
Adjustments for stock compensation	1,588,045	1,413,682
Adjustments for convertible debentures	8,748,061	–
Weighted average number of common shares outstanding for diluted earnings per share	122,715,437	92,060,642
Diluted income (loss) per share	**$ 0.11**	**$ (0.12)**

15. INCENTIVE COMPENSATION ARRANGEMENTS

The breakdown of the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements is as follows:

For the Three Months Ended March 31	2016		2015	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 1,425	$ (1,276)	$ 715	$ 684
Phantom units	–	–	–	236
Deferred share units ("DSUs")	928	564	477	561
Stock options	–	282	–	127
DRIP and revaluation loss	(18)	90	71	28
Total compensation expense (recovery)	**$ 2,335**	**$ (340)**	**$ 1,263**	**$ 1,636**

The changes to transactions of the various cash-settled and equity-settled arrangements during the year are detailed in the sections below.

CASH SETTLED

AIP – For the quarter, the Company accrued $2,353 (2015 – $1,192) in relation to the AIP, of which 60%, being $1,287, will be settled in cash in February 2017. The balance of the AIP accrual will be paid in DSUs, which will vest one year from the grant date.

On February 12, 2016, the Company paid $1,872 in relation to the 2015 AIP.

LTIP – A liability for cash-settled LTIP awards is accrued based on expected performance fees that would be generated from the fair value of the assets within each fund or separate account but disbursed only when such performance fees are earned and recognized as revenue. Changes in LTIP are primarily caused by changes to fair values of fund assets, which result from timing and cash flow changes at the project level of each fund and changing business conditions.

For the quarter, the Company reduced its accrual by $1,276 related to cash-settled LTIP (2015 – $684 accrual increase), which is caused by a reduction in expected performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

PHANTOM UNIT PLAN ("PUP")

On August 13, 2013, as a result of the crystallization of performance fees from the acquisition of the Company's 68.4% interest in the THP1 US limited partnership, 584,252 phantom units were granted on a fully vested basis and held in escrow to be released over three years on the anniversary date of the transaction. The Company estimated that 30% of the benefit value will be settled in cash to satisfy tax withholding requirements and accordingly, this cash-settled component is fair valued at each reporting period and resulted in $1 of gain for the quarter, which is included in the revaluation gain.

DEFERRED SHARE UNITS ("DSUs")

AIP – For the quarter, the Company accrued $928 in AIP expense (2015 – $477), representing approximately 40% of the 2016 AIP entitlement which will be granted in DSUs in February 2017, and will vest one year later. On February 15, 2016, 219,388 DSUs were granted at $5.61 (C$7.78) per unit in settlement of the 2015 AIP entitlement. The fair value of the DSUs on the grant date was $1,231 (C$1,707) and they will vest on February 15, 2017.

LTIP – For the quarter, the Company accrued $564 in LTIP expense (2015 – $561) relating to investment income from THP1 US that will be paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the quarter is comprised of $214 relating to the current year entitlement and $350 relating to the prior year entitlement. On February 15, 2016, 364,381 DSUs were granted at $5.61 (C$7.78) per unit under the 2015 DSU plan and will vest equally from 2017 to 2021.

STOCK OPTION PLAN

During the quarter, the Company granted no stock options (2015 – 721,500). Stock options were exercised regularly throughout the quarter and the average share price in 2016 was C$8.33.

For the quarter, the Company recorded $282 (2015 – $127) in relation to stock options compensation expense.

	For the Three Months Ended March 31, 2016		For the Year Ended December 31, 2015	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Opening balance – outstanding	3,398,835	$ 8.42	2,101,500	$ 6.48
Granted	–	–	1,741,500	10.24
Exercised	(8,500)	7.18	(407,498)	6.27
Forfeited	–	–	(36,667)	7.19
Ending balance – outstanding	3,390,335	$ 8.43	3,398,835	$ 8.42

	March 31, 2016		
Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (C$)
March 16, 2020	720,000	239,998	$ 10.57
May 17, 2020	830,668	584,995	6.81
May 19, 2020	592,000	592,000	6.00
May 19, 2020	176,167	161,661	7.74
August 3, 2020	51,500	51,500	5.26
November 17, 2020	1,000,000	–	10.03
November 22, 2020	20,000	20,000	4.16
Total	**3,390,335**	**1,650,154**	**$ 8.43**

AIP liability is disclosed under the following balance sheet headings:

Balance sheets

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Amounts payable and accrued liabilities	$ 2,446	$ 1,998
Equity – contributed surplus	2,497	3,104
Closing balance – end of period	**$ 4,943**	**$ 5,102**

LTIP liability is shown included under the following balance sheet headings:

Balance sheets

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
LTIP	$ 15,494	$ 15,717
Equity – contributed surplus	6,688	6,457
Closing balance – end of period	**$ 22,182**	**$ 22,174**

16. SEGMENTED INFORMATION

Management has determined the operating segments based on the investment verticals that are managed by the Company. The main segments of the Company are: Private Funds and Advisory; and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC") and Tricon Luxury Residences ("TLR"). The Company evaluates segment performance based on net income less interest expense, amortization, and income taxes and adjustments for certain unrealized and non-recurring items. For directly attributable revenues and expenses, the Company allocates amounts based on the segment in which they are incurred. For non-directly attributable costs, the Company allocates amounts based on a percentage of revenue. Balance sheet items are specifically identified and allocated to the segment from which they originate.

The segmented income statement information is as follows:

(in thousands of U.S. dollars)

For the Three Months Ended March 31, 2016	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 5,775	$ –	$ –	$ –	$ –	$ –	$ 5,775
Investment income	–	6,401	12,910	482	1,919	–	21,712
	5,775	6,401	12,910	482	1,919	–	27,487
Expenses	3,815	2,579	7,041	76	302	440	14,253
Net income (loss)	**$ 1,960**	**$ 3,822**	**$ 5,869**	**$ 406**	**$ 1,617**	**$ (440)**	**$ 13,234**

(in thousands of U.S. dollars)

For the Three Months Ended March 31, 2015	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 5,752	$ –	$ –	$ –	$ –	$ 10	$ 5,762
Investment income	–	6,798	22,618	(39)	–	–	29,377
	5,752	6,798	22,618	(39)	–	10	35,139
Expenses	4,838	1,587	38,775	(6)	–	861	46,055
Net income (loss)	**$ 914**	**$ 5,211**	**$ (16,157)**	**$ (33)**	**$ –**	**$ (851)**	**$ (10,916)**

The balance sheet segmented information is as follows:

(in thousands of U.S. dollars)

March 31, 2016	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
United States	$ 36,756	$ 260,175	$ 472,995	$ 31,636	$ 32,284	$ –	$ 833,846
Canada	3,017	9,277	–	–	–	46,973	59,267
Total assets	**$ 39,773**	**$ 269,452**	**$ 472,995**	**$ 31,636**	**$ 32,284**	**$ 46,973**	**$ 893,113**
United States	$ 8,427	$ (2,354)	$ 48,321	$ 13,035	$ 10,529	$ 14,779	$ 92,737
Canada	7,833	–	63,269	–	–	24,196	95,298
Total liabilities	**$ 16,260**	**$ (2,354)**	**$ 111,590**	**$ 13,035**	**$ 10,529**	**$ 38,975**	**$ 188,035**

(in thousands of U.S. dollars)

December 31, 2015	Private Funds and Advisory	THP	TAH	TLC	TLR	Corporate	Total
United States	$ 32,747	$ 298,024	$ 426,030	$ 19,153	$ 19,582	$ –	$ 795,536
Canada	2,448	9,893	–	–	–	18,649	30,990
Total assets	**$ 35,195**	**$ 307,917**	**$ 426,030**	**$ 19,153**	**$ 19,582**	**$ 18,649**	**$ 826,526**
United States	$ 11,028	$ (2,344)	$ 20,000	$ –	$ –	$ –	$ 28,684
Canada	7,922	–	59,729	–	–	32,189	99,840
Total liabilities	**$ 18,950**	**$ (2,344)**	**$ 79,729**	**$ –**	**$ –**	**$ 32,189**	**$ 128,524**

17. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has a 10-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director of Tricon. For the quarter ended March 31, 2016, the Company paid $11 in rental payments to Mandukwe, including realty taxes, maintenance and utility costs (2015 – $18).

TRANSACTIONS WITH RELATED PARTIES

The following table summarizes revenue earned from related parties including consolidated subsidiaries. These are contractual arrangements from investment funds managed by the Company, of which the Company is the general partner of the investment. In addition, the table includes investment income from related entities fair valued by the Company.

(in thousands of U.S. dollars)

For the Three Months Ended March 31	2016	2015
Contractual fees	$ 5,468	$ 5,413
General partner distributions	305	324
Performance fees	–	10
Interest income	2	15
Total revenue	**$ 5,775**	**$ 5,762**
Investment income – Tricon Housing Partners	$ 6,401	$ 6,798
Investment income – Tricon American Homes	12,910	22,618
Investment income – Tricon Lifestyle Communities	482	(39)
Investment income – Tricon Luxury Residences	1,919	–
Total investment income	**$ 21,712**	**$ 29,377**

BALANCES ARISING FROM TRANSACTIONS WITH RELATED PARTIES

The items set out below are included on various line items comprising the Company's interim financial statements.

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	$ 140	$ 96
Other receivables	2,639	2,082
Employee relocation housing loans[1]	902	963
Loans receivable from investment in associates and joint ventures	19,026	18,000
Long-term incentive plan	16,534	22,174
Annual incentive plan	2,210	6,666
Dividends payable to employees and associated corporations	309	290
Other payables to related parties included in amounts payable and accruals	362	333

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing in 2019.

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at March 31, 2016 (December 31, 2015 – $nil).

18. FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

Liquidity risk is the risk that an entity will have difficulty in paying its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company uses long-term borrowings to finance its investment strategy for Tricon American Homes. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debentures is mitigated by the Company's option, under the terms of the debentures, to settle the obligation with shares.

The maturity analysis of the Company's financial liabilities is as follows:

(in thousands of U.S. dollars) As at March 31, 2016	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accruals	$ 4,764	$ –	$ –	$ –	$ 4,764
Dividends payable	5,609	–	–	–	5,609
Bank debt	76,750	–	–	–	76,750
Convertible debentures payable	–	–	66,013	–	66,013
Total	**$ 87,123**	**$ –**	**$ 66,013**	**$ –**	**$ 153,136**

During 2016, the change in the Company's liquidity resulted in a working capital deficit of $44,873 (December 31, 2015 – deficit of $17,355). As of March 31, 2016, the outstanding debt was $76,750 (December 31, 2015 – $20,000).

The details of the net current assets (liabilities) are shown below:

(in thousands of U.S. dollars)	March 31, 2016	December 31, 2015
Cash	$ 29,456	$ 4,493
Amounts receivable	9,773	8,088
Prepaid expenses and deposits	3,020	2,542
Current assets	42,249	15,123
Amounts payable and accruals	4,764	7,621
Dividends payable	5,609	4,857
Net current assets (liabilities) before undernoted	31,876	2,645
Revolving credit facility	76,750	20,000
Net current liabilities	**$ 44,874**	**$ 17,355**

During the quarter ended March 31, 2016, the Company received distributions of $53,797 (2015 – $12,571) from its investments.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's capital consists of debt, including bank debt, convertible debentures, demand credit facility and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of March 31, 2016, the Company is in compliance with all bank covenants.

20. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars)

For the Three Months Ended March 31	2016	2015
Amounts receivable	$ (1,685)	$ (2,693)
Prepaid expenses and deposits	(478)	(1,884)
Amounts payable and accruals	(2,857)	(7,019)
	$ (5,020)	**$ (11,596)**

21. VARIABILITY OF RESULTS

The nature of our business does not allow for consistent year-to-year revenue comparisons. Revenues earned from a fund are dependent upon where the fund is in its life cycle. At the beginning of the fund's life cycle, consistent contractual fees and general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual fees and general partner distributions start to decline as investments are realized. Performance fees that are earned at the end of the life cycle can vary significantly depending on fund performance, resulting in volatile revenue streams. Similarly, the performance of the Company's investments carried at FVTPL may not be consistent from period to period.

22. SUBSEQUENT EVENTS

On April 11, 2016, TLC entered into a binding contract to purchase an age-restricted community in Mesa, Arizona, which is comprised of 177 residential spaces. The transaction is expected to close in Q2 2016. The acquisition price of $8.8 million was financed with $2.8 million of equity and the assumption of $6.0 million of debt.

On April 22, 2016, Canals at Grand Park Phase II secured a $37.0 million loan with PNC Bank, with an average advance rate of 65% loan-to-value, bearing interest at LIBOR plus 2.65% or PNC prime rate plus 1.65%, and having an interest-only period that expires on the maturity date of October 22, 2019. The loan has a one-year extension option subject to certain conditions.

On May 10, 2016, the Company declared a dividend of six and one half cents per share in Canadian dollars payable on July 15, 2016 to shareholders of record on June 30, 2016, following approval from the Board of Directors.

TRICON

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