Rethinking Residential Real Estate

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Three Months Ended March 31, 2018

TRICON

TABLE OF CONTENTS

NON-IFRS MEASURES AND FORWARD-LOOKING STATEMENTS

The Company has included herein certain supplemental measures of key performance, including, but not limited to, adjusted EBITDA, adjusted net income and adjusted earnings per share ("EPS"), as well as certain key indicators of the performance of our investees. We utilize these measures in managing our business, including performance measurement and capital allocation. In addition, certain of these measures are used in measuring compliance with our debt covenants. We believe that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, these measures are not recognized under International Financial Reporting Standards ("IFRS"). Because non-IFRS measures do not have standardized meanings prescribed under IFRS, securities regulations require that such measures be clearly defined, identified, and reconciled to their nearest IFRS measure. The definition, calculation and reconciliation of the non-IFRS measures used in this MD&A are provided in Sections 6 and 7 and the key performance indicators presented are discussed in detail in Section 8.

The supplemental measures presented herein should not be construed as alternatives to net income (loss) or cash flow from the Company's activities, determined in accordance with IFRS, as indicators of Tricon's financial performance. Tricon's method of calculating these measures may differ from other issuers' methods and, accordingly, these measures may not be comparable to similar measures presented by other publicly-traded entities.

Certain statements in this MD&A may be considered "forward-looking information" as defined under applicable securities laws ("forward-looking statements"). Statements other than statements of historical fact contained in this document may be forward-looking statements. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "project", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Tricon and its investments and are based on information currently available to management and on assumptions that management believes to be reasonable.

This MD&A includes forward-looking statements pertaining to: anticipated investment performance including, in particular, project timelines and sales/rental expectations, projected Internal Rate of Return ("IRR"), Returns on Investment ("ROI"), expected performance fees, future cash flows and development yields; anticipated demand for homebuilding, lots, single-family rental homes and purpose-built rental apartments; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home ("TAH")'s underwriting model; the intentions to build portfolios and attract investment in TAH and Tricon Lifestyle Rentals ("TLR") and the Company's investment horizon and exit strategy for each investment vertical, including the anticipated divestiture of Tricon Lifestyle Communities ("TLC") and TLR U.S. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's Annual Information Form dated February 27, 2018 (the "AIF") and its 2017 annual MD&A, both of which are available on SEDAR at www.sedar.com.

Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. See the AIF and Section 9.7 for a more complete list of risks relating to an investment in the Company and an indication of the impact the materialization of such risks could have on the Company, and therefore cause actual results to deviate from the forward-looking statements.

Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, there can be no assurance that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this document are expressly qualified in their entirety by this cautionary statement.

When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The forward-looking statements in this MD&A are made as of the date of this document and the Company does not intend to, or assume any obligation to, update or revise these forward-looking statements or information to reflect new information, events, results or circumstances or otherwise after the date on which such statements are made to reflect the occurrence of unanticipated events, except as required by law, including securities laws.

1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of May 8, 2018, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon," "us," "we" or the "Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2018.

Additional information about the Company, including our 2017 Annual Information Form, is available on our website at www.triconcapital.com, and on the Canadian Securities Administrators' website at www.sedar.com.

The Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 were prepared using International Financial Reporting Standards ("IFRS") accounting policies consistent with the Company's audited annual consolidated financial statements for the year ended December 31, 2017.

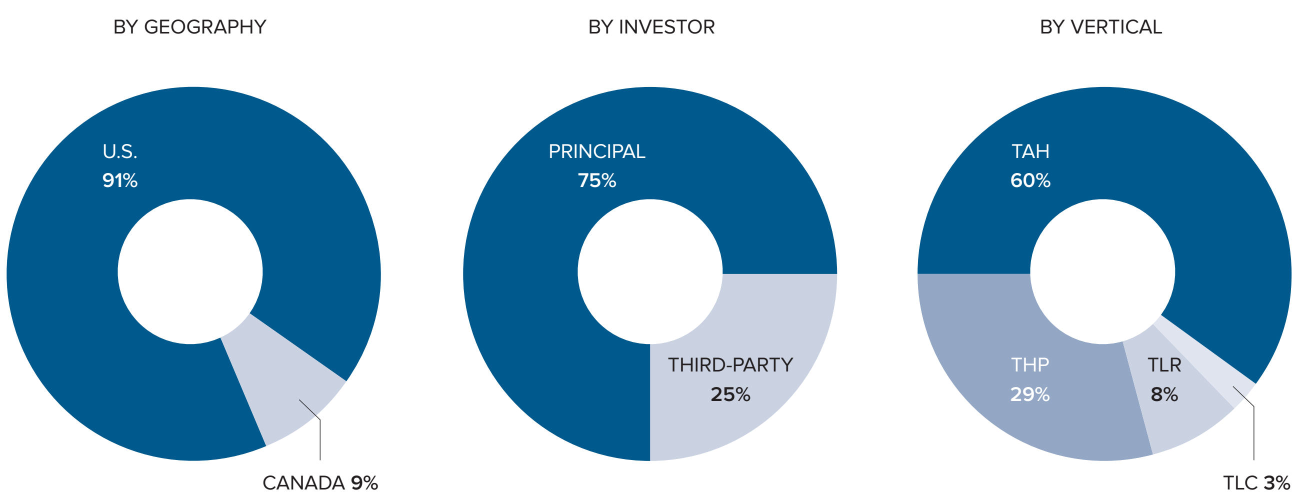
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a principal investor and asset manager focused on the residential real estate industry in North America with approximately $4.8 billion (C$6.1 billion) of assets under management as of March 31, 2018. Tricon owns, or manages on behalf of and in partnership with third-party investors, a portfolio of investments in land and homebuilding assets, single-family rental homes, purpose-built rental apartments and manufactured housing communities. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $19 billion.

$4.8 BILLION

Assets Under Management (AUM)



THP: Land and homebuilding
TAH: Single-family rental homes
TLR: Purpose-built rental apartments
TLC: Manufactured housing communities

1. Principal Investments

As a principal investor, the Company currently invests in four related and complementary residential investment verticals, with the objective of generating investment income and capital appreciation, as follows:

(i) Tricon Housing Partners ("THP") – Investment in for-sale housing through land development, homebuilding, for-sale multi-family construction and ancillary commercial development.

(ii) Tricon American Homes ("TAH") – Investment in single-family rental properties, where homes are renovated to a common standard and then leased to predominantly working class families.

(iii) Tricon Lifestyle Rentals ("TLR") – Investment or co-investment alongside institutional investors to develop and manage a portfolio of Class A purpose-built rental apartments.

(iv) Tricon Lifestyle Communities ("TLC") – Investment in manufactured housing communities ("MHC"), where land parcels are leased to owners of prefabricated homes. Investments in TLC were classified as held for sale during the quarter.

A detailed description of our investment verticals is included in our 2017 Annual Information Form, available on SEDAR at www.sedar.com, and more information about the revenue recognized from our investments is included in Section 9.1.

2. Private Funds and Advisory

Tricon manages an investment portfolio of residential real estate assets on behalf of and in partnership with third-party investors in the U.S. and Canada. Our business objective in our Private Funds and Advisory business is to earn income through:

(i) Asset management of third-party capital invested through private investment vehicles, including private commingled funds, separate accounts, side-cars and syndicated investments ("Investment Vehicles"). The Company's asset management business includes investments in land and homebuilding assets through Tricon Housing Partners, and investments in Class A purpose-built rental apartments through Tricon Lifestyle Rentals.

The following is a list of the active private commingled funds, separate accounts, side-cars and syndicated investments managed by the Company:

- Tricon Housing Partners US LP ("THP1 US")
- Tricon Housing Partners US II LP ("THP2 US")
- Tricon Housing Partners Canada LP ("THP1 Canada")
- Tricon Housing Partners Canada II LP ("THP2 Canada")
- Tricon Housing Partners Canada III LP ("THP3 Canada")
- Separate accounts include:
  - THP – Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2
  - TLR Canada – The Selby, 57 Spadina and Scrivener Square
- U.S. side-cars include Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills
- Canadian syndicated investments include 5 St. Joseph, Heritage Valley and Mahogany

As manager and sponsor of private Investment Vehicles, Tricon typically receives annual contractual fees of 1–2% per annum based on committed or invested capital during the life of these Investment Vehicles. After the return of capital and a contractual preferred return percentage, Tricon may receive additional performance fees based on terms outlined in the various Investment Vehicles' definitive agreements. Commingled funds typically have a life of eight years (before extension provisions) and separate accounts typically have maturity dates timed to coincide with the underlying investment.

(ii) Development management and related advisory services for master-planned communities through Tricon's 50.1% investment in The Johnson Companies LP ("Johnson") and development management services performed by Tricon Development Group Ltd. ("TDG") in respect of TLR projects in Canada.

A more detailed description of the sources of fee income from Private Funds and Advisory activities is included in Section 9.1 and in our 2017 Annual Information Form, available on SEDAR at www.sedar.com.

1.2 How we invest and create value

A description of each of the principal investments in which we invest is discussed below.

Tricon Housing Partners

The Company's THP vertical co-invests in commingled funds, separate accounts, and other private Investment Vehicles which make investments in the following five core categories: (1) master-planned communities ("MPCs"); (2) land development; (3) homebuilding; (4) infill condominiums and attached housing; and (5) active-adult communities. Occasionally, the Company will make such investments directly, with a view to possibly syndicating a portion of the investment to one or more institutional investors to increase diversification for the Company and/or to bolster investment returns with additional Private Funds and Advisory fees, a strategy which Tricon has successfully employed through certain of its co-investments and syndicated investments. THP's investments involve providing financing to developers of the projects, either by way of equity investment or participating loans. The majority of THP's investments are situated in the U.S. Sun Belt and adjacent states where THP currently sees the best opportunities to maximize risk-adjusted returns.

The core investment types described above are structured as self-liquidating transactions generally with cash flows generated as land, lots or homes are sold to third-party buyers (typically large homebuilders in the case of land and master-planned communities and end consumers in all other cases). In select cases, a property may also be sold in bulk to a third-party buyer in situations where THP determines that it can achieve sufficient returns from the sale without participating in the full build-out of the property. With the exception of larger land investments and master-planned communities, the majority of core investments made by THP are typically expected to be substantially completed within a three- to six-year time horizon, providing THP with an opportunity to reinvest realized proceeds on an ongoing basis.

Through its investment in Houston-based Johnson, Tricon has the ability to leverage an integrated development platform with expertise in land entitlement, infrastructure, municipal bond finance and place making, and deep relationships with public and regional homebuilders and commercial developers. Johnson is an active development manager of master-planned communities in the United States and the only development manager in the United States to have five MPCs ranked in the top 50 in 2017 (source: Robert Charles Lesser & Co. Real Estate Advisors and John Burns Real Estate Consulting). Tricon uses Johnson's platform to (i) invest in cash flowing MPCs that generate proceeds from lot sales, commercial pad sales and the issuance of municipal bonds, and to (ii) earn development management fee income and sales commissions from the development and sale of residential lots and commercial land within the master-planned communities that Johnson manages (regardless of whether they are owned by Tricon or managed on behalf of third-party investors), thereby enhancing its investment returns.

Tricon American Homes

Our single-family rental home investment vertical, Tricon American Homes, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 410 employees that oversee all aspects of TAH's day-to-day business activities.

TAH's investment objective is to generate a recurring cash flow stream from its portfolio of single-family rental homes and capture home price appreciation within attractive U.S. housing markets. TAH adheres to specific investment criteria for each of its target markets and has local on-the-ground staff who are responsible for underwriting, acquiring and overseeing the renovation of single-family rental homes. Homes are acquired through multiple channels, including the Multiple Listing Service, trustee sales and foreclosures, and selective portfolio acquisitions.

TAH is focused on providing high-quality rental homes to the broad middle market demographic, which management defines as working class households earning between $50,000 and $95,000 per year, with stable jobs and who may face difficulties in buying a home for a variety of reasons. TAH offers these middle market families a compelling value proposition of living in a high-quality, renovated home at a fixed monthly price without other costly overhead expenses such as maintenance and property taxes and with a high level of customer service. Targeting qualified middle market families who are likely to be long-term renters generally results in lower turnover rates, thereby reducing turn costs and providing stable cash flow for TAH.

TAH's growing institutional-quality portfolio may in time garner the interest of third-party investors, which could provide the Company with an opportunity to wholly or partially exit its investment. Other potential exit strategies in the long term could include a public offering of TAH.

Tricon Lifestyle Rentals

Tricon Lifestyle Rentals, our multi-family "build to core" investment vertical, is focused on developing and managing a portfolio of Class A purpose-built rental apartments across Canada and the United States.

TLR's investment objective is to add value through the development and construction process and ultimately generate stable cash flow from its portfolio of rental apartment buildings. Tricon intends to leverage its expertise in multi-family development in assembling a high-yielding, institutional-quality portfolio of Class A rental apartments over time. Tricon currently expects to monetize its original investment in TLR properties within five to seven years from the stabilization of each property.

In Canada, TLR acts as the sponsor or general partner of each project and typically provides 15–50% of the project equity and intends to maintain this ownership stake in the projects. The remaining equity is provided by institutional investors or other strategic investment partners that pay Tricon development management fees, asset management fees and possibly performance fees, enabling the Company to enhance its return on investment.

In its existing U.S. investments (both in the Dallas-Fort Worth MSA), TLR has partnered with a local developer which acts as a general partner and developer for TLR's current U.S. portfolio. TLR is participating as a limited partner in each investment and has provided 90% of the project equity, with the balance being invested by the developer.

Tricon has announced that it will be pursuing an orderly exit from TLR's U.S. business by divesting its two current projects following completion of their development. Management has made this decision because the U.S. multi-family development industry is currently experiencing a number of headwinds, including cost inflation as well as tighter financing conditions and, as a result, management believes there are better return opportunities in Tricon's other investment verticals. Tricon plans to retain the Canadian TLR business as a core investment.

Tricon Lifestyle Communities (held for sale)

Tricon Lifestyle Communities is focused on enhancing and managing existing three- to four-star manufactured housing communities ("MHC") in the United States through its investment in a joint venture with its third-party operating partner, Cobblestone Real Estate LLC ("Cobblestone"), a vertically integrated asset and property manager.

Tricon's strategy for TLC has been to assemble a high-yielding, institutional-quality portfolio of largely age-restricted communities in a highly-fragmented market that is primarily dominated by private owners. Notwithstanding that TLC assembled a portfolio of 14 parks in Arizona and California in approximately two years, challenges to building sufficient scale remain and have been exacerbated by the recent influx of new capital into the industry. Accordingly, in an effort to simplify the overall business model and focus on housing sectors where Tricon can achieve scale and industry leadership, the Company announced in 2017 that it will be pursuing an orderly exit of the TLC manufactured housing business. In the interim, TLC has been executing on its existing value-added business plan, which includes implementing an ongoing capital expenditure program to enhance the quality of the parks and prepare them for sale. The Company launched a formal sale process for the TLC portfolio in January 2018 and entered into an agreement in April 2018 to dispose of the portfolio of 14 communities to an institutional investor (see Section 3.4).

Once Tricon has exited its U.S. multi-family developments in TLR and its TLC manufactured housing business, it will be left with three core investment verticals: single-family rental (TAH), land and homebuilding (THP) and Canadian multi-family development (TLR). It is management's intention to remain focused on its housing-centric investment strategy, but to simplify the overall business model and corporate structure, and focus only on sectors where Tricon can achieve sufficient scale and industry leadership, as mentioned above. Tricon believes that its THP and TAH businesses are well-positioned to capitalize on the large millennial cohort (those born between 1980 and 2000) who are in the early stages of forming families, having children and ultimately moving to the suburbs where they can find relatively affordable single-family housing and good schools. The more affluent are likely to continue to buy homes, benefiting Tricon's land and homebuilding investments, whereas the workforce may be more likely to rent single-family homes from institutional landlords such as TAH. In Canada, the Company believes that major housing affordability issues in cities such as Toronto and Vancouver will ultimately require more purpose-built rental supply, which TLR intends to capitalize on.

2. HIGHLIGHTS

Financial highlights

Selected financial information in thousands of U.S. dollars (except per share amounts which are in U.S. dollars, unless otherwise indicated)

For the three months ended March 31	2018	2017
Total revenue and investment income from continuing operations	$ 95,911	$ 25,612
Total investment income from discontinued operations	1,568	2,319
Net income	99,469	7,755
Basic earnings per share from:		
Continuing operations	0.72	0.05
Discontinued operations	0.02	0.02
Basic earnings per share	0.74	0.07
Diluted earnings per share from:		
Continuing operations	0.44	0.05
Discontinued operations	0.02	0.02
Diluted earnings per share	0.46	0.07
Dividends per share	C$ 0.07	C$ 0.065
Non-IFRS measures[1]		
Adjusted EBITDA	$ 115,309	$ 29,376
Adjusted net income	76,376	15,400
Adjusted basic EPS attributable to shareholders of Tricon	0.57	0.14
Adjusted diluted EPS attributable to shareholders of Tricon	0.49	0.13

As at March 31	2018	2017
Total assets	$ 1,565,396	$ 1,183,510
Total liabilities	544,454	436,130
Investments (including investments held for sale)	1,476,735	951,119
Debt	448,738	56,216
Assets under management ("AUM")[2]	$ 4,757,399	$ 3,034,115

(1) Non-IFRS measures including Adjusted EBITDA, Adjusted net income, Adjusted basic and diluted earnings per share are presented to illustrate a normalized picture of the Company's performance. Refer to Section 6, Non-IFRS measures and Section 7, Reconciliation of non-IFRS financial measures.

(2) See Section 8.2 for a description of AUM.

Investment highlights by vertical

The following table includes IFRS-measured investment income as well as non-IFRS measures, including key performance metrics for each investment vertical. Such metrics are further described in detail in Section 4 where we discuss the operational results in each vertical. The investment values shown below represent Tricon's equity investment in each vertical.

For the three months ended March 31 (in thousands of U.S. dollars, except for percentages and units)	2018	2017
TRICON HOUSING PARTNERS *(Refer to Sections 3.3 and 4.1)*		
Investments – THP	**$ 309,273**	**$ 297,512**
Investment income – THP	**2,885**	**5,668**
TRICON AMERICAN HOMES *(Refer to Sections 3.3 and 4.2)*		
Investments – TAH	**$ 1,012,757**	**$ 525,090**
Investment income – TAH	**86,442**	**12,269**
Net operating income (NOI)	35,580	16,362
Net operating income (NOI) margin	62.8%	61.6%
Core funds from operations	12,706	5,670
Total homes owned	15,584	7,821
Occupancy	95.3%	95.6%
Stabilized occupancy	96.9%	96.5%
Total number of homes in same home portfolio	6,634	6,634
Same home net operating income (NOI)	15,624	14,748
Same home net operating income (NOI) growth	5.9%	N/A
Same home net operating income (NOI) margin	62.2%	61.0%
TRICON LIFESTYLE RENTALS *(Refer to Sections 3.3 and 4.3)*		
Investments – TLR	**$ 90,759**	**$ 73,607**
Investment income – TLR	**1,017**	**1,931**
Units under development	1,296	1,316
TRICON LIFESTYLE COMMUNITIES *(Refer to Section 3.3)*		
Investments held for sale – TLC	**$ 63,946**	**$ 54,910**
Investment income from discontinued operations – TLC	**1,568**	**2,319**
PRIVATE FUNDS AND ADVISORY *(Refer to Section 4.4)*		
Third-party assets under management	$ 1,201,228	$ 1,155,899
Contractual fees and GP distributions	**5,559**	**5,741**
Performance fees	**8**	**3**

All metrics above are non-IFRS measures, except for investments, investment income, contractual fees, GP distributions and performance fees, and have been presented to illustrate the underlying performance of the Company's investments in each segment, which management believes is useful in understanding the value of these investments. Refer to Sections 7 and 8 for definitions and reconciliations to IFRS measures.

3. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2018.

3.1 Review of income statements

Consolidated statements of income

For the three months ended March 31
(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)

	2018	2017	Variance
Revenue			
Contractual fees	$ 5,203	$ 5,408	$ (205)
General partner distributions	356	333	23
Performance fees	8	3	5
	5,567	5,744	(177)
Investment income			
Investment income – Tricon Housing Partners	2,885	5,668	(2,783)
Investment income – Tricon American Homes	86,442	12,269	74,173
Investment income – Tricon Lifestyle Rentals	1,017	1,931	(914)
	90,344	19,868	70,476
Total revenue and investment income	**$ 95,911**	**$ 25,612**	**$ 70,299**
Expenses			
Compensation expense	9,723	5,212	4,511
General and administration expense	2,324	1,860	464
Interest expense	7,964	3,316	4,648
Other (income) expenses	(27,922)	6,504	(34,426)
Realized and unrealized foreign exchange (gain) loss	(1,688)	704	(2,392)
	(9,599)	17,596	(27,195)
Income before income taxes	**105,510**	**8,016**	**97,494**
Income tax expense – current	(981)	(1,118)	137
Income tax expense – deferred	(8,585)	(1,144)	(7,441)
Net income from continuing operations	**95,944**	**5,754**	**90,190**
Net income from discontinued operations	**3,525**	**2,001**	**1,524**
Net income	**$ 99,469**	**$ 7,755**	**$ 91,714**
Attributable to:			
Shareholders of Tricon	$ 99,727	$ 7,871	$ 91,856
Non-controlling interest	(258)	(116)	(142)
Net income	**$ 99,469**	**$ 7,755**	**$ 91,714**
Basic EPS attributable to shareholders of Tricon			
Continuing operations	$ 0.72	$ 0.05	$ 0.67
Discontinued operations	0.02	0.02	–
Basic EPS attributable to shareholders of Tricon	**$ 0.74**	**$ 0.07**	**$ 0.67**
Diluted EPS attributable to shareholders of Tricon			
Continuing operations	$ 0.44	$ 0.05	$ 0.39
Discontinued operations	0.02	0.02	–
Diluted EPS attributable to shareholders of Tricon	**$ 0.46**	**$ 0.07**	**$ 0.39**
Weighted average shares outstanding – basic	**134,245,883**	**113,535,527**	**20,710,356**
Weighted average shares outstanding – diluted[1]	**162,013,381**	**115,914,567**	**46,098,814**

(1) For the three months ended March 31, 2018, both of the Company's convertible debentures are dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would have resulted in decreased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amounts for the three months ended March 31, 2018, the impact of the convertible debentures was included (2017 – excluded).

The following discussion is based on selected line items of the consolidated statements of income for the three months ended March 31, 2018.

Contractual fees

The following table provides further details regarding contractual fees for the three months ended March 31, 2018.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Management fees – private Investment Vehicles	$ 2,911	$ 2,788	$ 123
Development fees – TDG	534	389	145
Development fees – Johnson	1,758	2,231	(473)
Contractual fees	**$ 5,203**	**$ 5,408**	**$ (205)**

Contractual fees for the three months ended March 31, 2018 totaled $5.2 million, a decrease of $0.2 million from the same period in the prior year. The variance is attributable to:

- A decrease of $0.5 million in Johnson management fees, largely as a result of fewer bulk land sales at Johnson communities this quarter (see Section 4.4).
- An offsetting combined increase of $0.3 million in management fees and development fees as a result of (i) an overall increase in the investment balance of the separate accounts; and (ii) the advancement of the TLR development project at 57 Spadina.

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three months ended March 31, 2018.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
THP1 US	$ 258	$ 2,960	$ (2,702)
THP2 US	40	431	(391)
THP3 Canada[1]	(180)	(305)	125
Trinity Falls	2,380	1,822	558
Separate accounts[2]	445	588	(143)
Side-cars[3]	(58)	172	(230)
Investment income – THP	**$ 2,885**	**$ 5,668**	**$ (2,783)**

(1) Includes a foreign exchange loss of $0.3 million for the first quarter of 2018 compared to a $0.1 million gain in the first quarter of 2017.
(2) Includes Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2.
(3) Includes Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

Investment income for the three months ended March 31, 2018 was $2.9 million, a decrease of $2.8 million compared to $5.7 million for the same period in 2017. The variance is mainly attributable to:

- A decrease of $2.7 million in investment income from THP1 US largely for two reasons: (i) THP1 US made distributions of $26.6 million throughout 2017 which reduced the outstanding investment balance; and (ii) an unfavourable budget revision to the Atlanta portfolio investment within the fund, resulting from higher construction costs and demand for smaller, lower-margin homes as described further in Section 4.1.
- An offsetting increase of $0.6 million from Trinity Falls as a result of the acquisition of an additional 300 acres of adjacent land for future development in the fourth quarter of 2017 which increased expected future cash flow from the project, as well as overall progress made on the development of the master-planned community.

Investment income – Tricon American Homes

The following table provides details regarding the components of investment income from TAH for the three months ended March 31, 2018.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Total revenue	$ 56,685	$ 26,556	$ 30,129
Total operating expenses	(21,105)	(10,194)	(10,911)
Net operating income (NOI)[1]	**35,580**	**16,362**	**19,218**
Fair value gain[2]	76,096	9,935	66,161
Other expenses[3]	(6,765)	(7,261)	496
Interest expense	(18,469)	(6,767)	(11,702)
Investment income – TAH	**$ 86,442**	**$ 12,269**	**$ 74,173**

(1) KPI measure; see Section 8.1.

(2) Fair value gain is net of projected future disposition fees.

(3) Other expenses are comprised of:

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Corporate overhead	$ (4,691)	$ (4,708)	$ 17
Transaction costs and non-recurring costs	(1,343)	(3,323)	1,980
Depreciation of fixed assets	(733)	(185)	(548)
Deferred tax recovery	2	955	(953)
Other expenses	**$ (6,765)**	**$ (7,261)**	**$ 496**

TAH's investment income for the three months ended March 31, 2018 was $86.4 million, an increase of $74.2 million compared to $12.3 million for the same period in 2017. The increase is attributable to:

- An increase of $19.2 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description), as a result of homes acquired through the acquisition of Silver Bay Realty Trust Corp. ("Silver Bay") in the second quarter of 2017 and improved operating performance, including strong rent growth achieved across the portfolio and containment of controllable expenses (see Section 4.2).
- An increase of $66.2 million in fair value gain as a result of home price appreciation (determined by using Broker Price Opinions ("BPOs") on 2,674 homes and the Home Price Index ("HPI") methodology on the remaining homes (see Section 9.1)), net of capital expenditures. The HPI increase this quarter was 1.5% (6.0% annualized) compared to a 1.3% (5.2% annualized) increase in the first quarter of 2017, and was applicable to a larger portfolio given the inclusion of the Silver Bay homes.
- The aforementioned increases were offset by an $11.7 million increase in interest expense attributable to a higher outstanding debt balance, combined with an increase in the portfolio weighted average interest rate (3.7% for Q1 2018 versus 3.2% for Q1 2017). The higher interest rate was largely driven by an 88 basis point increase in LIBOR over the last twelve months, which serves as the base rate for TAH's floating rate debt instruments. TAH has been actively refinancing short-term floating rate debt instruments with longer-term fixed-rate instruments to reduce its exposure to LIBOR fluctuations, and currently has approximately 80% of its total debt locked in with fixed-rate financing (see Section 4.2, Subsequent events).

Investment income – Tricon Lifestyle Rentals

The following table provides details regarding investment income from TLR for the three months ended March 31, 2018.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Operating income	$ 244	$ 269	$ (25)
Other expenses[1]	(1,358)	(96)	(1,262)
Fair value gain	2,131	1,758	373
Investment income – TLR	**$ 1,017**	**$ 1,931**	**$ (914)**

(1) Other expenses are comprised of:

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Translation adjustment	$ (971)	$ 258	$ (1,229)
Non-controlling interests	(295)	(212)	(83)
Corporate overhead	(14)	(111)	97
Interest expense	(30)	(31)	1
Deferred tax expense	(43)	–	(43)
Transaction costs and non-recurring costs	(5)	–	(5)
Other expenses	**$ (1,358)**	**$ (96)**	**$ (1,262)**

For the three months ended March 31, 2018, investment income from TLR was $1.0 million, a decrease of $0.9 million from $1.9 million of investment income for the same period in 2017. The main drivers of this variance include:

- An increase of $1.3 million in other expenses, attributable to an unfavourable currency translation adjustment of $1.0 million in the first quarter compared to a favourable adjustment of $0.3 million in the comparative period in 2017 due to the weakening Canadian dollar.
- An offsetting increase of $0.4 million attributable to a fair value gain of $2.1 million in the first quarter compared to a fair value gain of $1.8 million in the comparative period in 2017 as a result of construction progress on TLR U.S. projects.

Compensation expense

The table below provides a breakdown of compensation expense.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Salaries and benefits	$ 3,608	$ 3,381	$ 227
Annual incentive plan ("AIP")	4,049	2,438	1,611
Long-term incentive plan ("LTIP")	2,066	(607)	2,673
Total compensation expense	**$ 9,723**	**$ 5,212**	**$ 4,511**

Compensation expense for the three months ended March 31, 2018 increased by $4.5 million compared to the same period in the prior year. The variance is primarily due to a $2.7 million increase in long-term incentive plan ("LTIP") expense as a result of several projects reaching an advanced vesting stage. Additionally, the Company incurred a higher estimated annual incentive plan ("AIP") expense, which is accrued in accordance with the AIP framework described in Section 9.6. Final bonuses are determined in the fourth quarter in accordance with the AIP based on Company, departmental and individual performance, with any differences between actual bonuses and the amount accrued over the course of the year adjusted accordingly. Lastly, the Company incurred an increase in payroll costs in the quarter attributable to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments.

General and administration expense

General and administration expense for the three months ended March 31, 2018 increased by $0.5 million compared to the same period in the prior year, in line with expectations given the growth of the Company.

Interest expense

The table below provides a summary of interest expense.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Credit facility interest	$ 2,822	$ 1,470	$ 1,352
Debentures interest	3,883	1,395	2,488
Debentures discount amortization	1,175	451	724
Mortgage interest	84	–	84
Total interest expense	**$ 7,964**	**$ 3,316**	**$ 4,648**

Interest expense was $8.0 million for the three months ended March 31, 2018 compared to $3.3 million for the same period last year, an increase of $4.6 million. The increase was primarily driven by a higher outstanding credit facility balance and incremental debentures interest expense of $2.5 million as well as debentures discount amortization of $0.7 million in respect of the 2022 convertible debentures issued on March 17, 2017 (refer to Section 3.2, Debt).

Other (income) expenses

The table below provides a breakdown of other (income) expenses.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Net change in fair value of derivative financial instruments	$ (29,253)	$ 4,167	$ (33,420)
Transaction costs	98	936	(838)
Amortization expense	1,233	1,401	(168)
Total other (income) expenses	**$ (27,922)**	**$ 6,504**	**$ (34,426)**

There was a net decrease in the fair value of the conversion feature of the Company's outstanding convertible debentures for the three months ended March 31, 2018 (2017 – net increase), which is reflected as income (2017 – expense) of the Company. The value of the conversion feature decreased largely because of a decrease in Tricon's share price on the Toronto Stock Exchange between December 31, 2017 and the valuation date of March 31, 2018. The share price of the Company is one of the key drivers affecting the value of the derivative.

Income tax expense

Income tax expense for the three months ended March 31, 2018 was higher than the same period in the prior year as a result of an increase in the deferred tax expense of $7.4 million, which was offset by a minor decrease in the current tax expense of $0.1 million. The increase in deferred tax expense compared to the same period in the prior year was primarily the result of the significant increase in investment income from TAH.

Net income from discontinued operations – Tricon Lifestyle Communities

The following table provides details of net income from TLC, which was presented as a discontinued operation for the three months ended March 31, 2018 because of the commencement of a formal sale process in the quarter (see Section 3.4).

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Total revenue	$ 4,071	$ 3,767	$ 304
Total operating expenses	(1,638)	(1,548)	(90)
Net operating income (NOI)	**2,433**	**2,219**	**214**
Other expenses	(7,432)	(340)	(7,092)
Fair value gain	7,364	1,261	6,103
Interest expense	(797)	(821)	24
Investment income from discontinued operations – TLC	**1,568**	**2,319**	**(751)**
Income tax recovery (expense) from discontinued operations – deferred	1,957	(318)	2,275
Net income from discontinued operations	**$ 3,525**	**$ 2,001**	**$ 1,524**

For the three months ended March 31, 2018, net income from discontinued operations of TLC was $3.5 million compared to $2.0 million for the same period in the prior year. The overall $1.5 million variance was primarily attributable to:

- An increase of $6.1 million in fair value gain as a result of rental rate increases and occupancy improvements following successful capital enhancement programs at the existing communities.
- An increase of $2.3 million in corporate-level tax savings, resulting from the reversal of a tax liability previously recognized. The Company had anticipated incurring tax expense upon exiting the TLC business through a sale of shares, which is no longer applicable given the prospective sale of the underlying assets instead.
- An increase of $0.2 million in net operating income, resulting from improved seasonal occupancy and rental rate increases across the portfolio.
- An offsetting increase of $7.1 million in other expenses, driven by a $3.6 million increase in vertical-level income tax expense related to the reversal of a deferred tax asset, a $2.3 million increase in accrued transaction costs related to the anticipated sale, and a $1.1 million increase in income allocable to the non-controlling interest.

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Assets					
Cash	$ 11,809	$ 14,813	$ 9,687	$ 7,206	$ 22,680
Amounts receivable	13,465	13,506	11,148	18,181	18,801
Prepaid expenses and deposits	674	622	5,280	4,191	3,660
Cash held in escrow	–	–	–	–	148,310
Investments – Tricon Housing Partners	309,273	306,637	305,118	301,378	297,512
Investments – Tricon American Homes	1,012,757	884,115	818,407	766,364	525,090
Investments – Tricon Lifestyle Rentals	90,759	89,225	82,706	79,250	73,607
Investments held for sale – Tricon Lifestyle Communities	63,946	62,074	59,994	56,929	54,910
Intangible assets	18,893	20,016	21,214	22,410	23,626
Deferred income tax assets	26,787	23,937	22,390	19,330	13,969
Other assets	17,033	15,778	1,267	1,246	1,345
Total assets	**$ 1,565,396**	**$ 1,430,723**	**$ 1,337,211**	**$ 1,276,485**	**$ 1,183,510**
Liabilities					
Amounts payable and accrued liabilities	$ 6,432	$ 11,273	$ 18,315	$ 20,903	$ 10,965
Dividends payable	7,251	6,906	6,988	6,702	5,524
Long-term incentive plan	16,145	15,224	13,522	13,246	12,509
Debt	448,738	383,604	315,898	301,680	56,216
Other liabilities	–	–	–	–	313,260
Deferred income tax liabilities	57,647	47,927	41,777	34,103	33,461
Derivative financial instruments	8,241	37,494	24,081	37,534	4,195
Total liabilities	**544,454**	**502,428**	**420,581**	**414,168**	**436,130**
Equity					
Share capital	715,288	713,553	716,461	713,428	569,552
Contributed surplus	16,426	16,754	19,568	16,574	15,682
Cumulative translation adjustment	20,420	19,184	17,063	18,408	19,316
Retained earnings	258,907	167,849	152,373	101,702	130,047
Total shareholders' equity	1,011,041	917,340	905,465	850,112	734,597
Non-controlling interest	9,901	10,955	11,165	12,205	12,783
Total equity	**1,020,942**	**928,295**	**916,630**	**862,317**	**747,380**
Total liabilities and equity	**$ 1,565,396**	**$ 1,430,723**	**$ 1,337,211**	**$ 1,276,485**	**$ 1,183,510**

Investments – Tricon Housing Partners

As shown in the table below, investments in THP increased by $2.6 million to $309.3 million as at March 31, 2018, from $306.6 million as at December 31, 2017. The increase is a result of investment income of $2.9 million combined with aggregate advances to Investment Vehicles of $1.4 million across the portfolio. These increases were partially offset by distributions of $1.7 million, of which $0.9 million was distributed from THP1 US.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income (loss)	Distributions	As at March 31, 2018
THP1 US	$ 92,731	$ 179	$ 258	$ (862)	$ 92,306
THP2 US	26,983	290	40	–	27,313
THP3 Canada	9,651	–	(180)	–	9,471
Trinity Falls	95,301	–	2,380	–	97,681
Separate accounts[1]	69,135	–	445	(638)	68,942
Side-cars[2]	12,836	980	(58)	(198)	13,560
Investments – THP	**$ 306,637**	**$ 1,449**	**$ 2,885**	**$ (1,698)**	**$ 309,273**

(1) Includes Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2.

(2) Includes Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

Investments – Tricon American Homes

Investments in TAH increased by $128.6 million to $1.0 billion as at March 31, 2018, from $884.1 million as at December 31, 2017. The increase was driven by advances of $46.5 million, primarily for the acquisition of rental homes, and investment income of $86.4 million (consisting of $76.1 million of fair value gains and $35.6 million of NOI, offset by $18.5 million of interest expense, $1.3 million of non-recurring transaction costs, and $5.5 million of other expenses). This increase was partly offset by cash distributions of $4.3 million.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at March 31, 2018
Investments – TAH	**$ 884,115**	**$ 46,500**	**$ 86,442**	**$ (4,300)**	**$ 1,012,757**

Investments – Tricon Lifestyle Rentals

Investments in TLR increased by $1.5 million to $90.8 million as at March 31, 2018, from $89.2 million as at December 31, 2017. The investment balance is comprised of $34.9 million invested in TLR Canada and $55.9 million invested in TLR U.S. The overall increase during the three months ended March 31, 2018 was mainly driven by investment income of $1.0 million (consisting of $2.1 million of fair value gains offset by $1.1 million of other expenses – see Section 3.1) and by advances made to existing projects.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at March 31, 2018
Investments – TLR	**$ 89,225**	**$ 517**	**$ 1,017**	**$ –**	**$ 90,759**

Investments held for sale – Tricon Lifestyle Communities

Investments held for sale, reflecting the TLC investment vertical, increased by $1.9 million to $63.9 million as at March 31, 2018, from $62.1 million as at December 31, 2017, primarily as a result of net operating income and fair value gains (see Section 3.1), along with $0.3 million of advances for ongoing capital enhancement initiatives.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at March 31, 2017
Investments held for sale – TLC	**$ 62,074**	**$ 304**	**$ 1,568**	**$ –**	**$ 63,946**

Debt

The following table summarizes the consolidated debt position of the Company.

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total principal amount	Maturity date	Interest rate terms	March 31, 2018	December 31, 2017
Revolving term credit facility	USD	$ 365,000	June 2020	LIBOR+3.25%	$ 227,050	$ 161,500
2020 convertible debentures	CAD	$ 85,693	March 2020	5.60%	59,839	60,951
2022 convertible debentures	USD	$ 172,500	March 2022	5.75%	154,151	153,196
Mortgage	CAD	$ 9,925	November 2024	4.38%	7,698	7,957
					$ 448,738	**$ 383,604**

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other (income) expenses). The 2020 convertible unsecured subordinated debentures are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at March 31, 2018: 1.2894 and at December 31, 2017: 1.2545.

The Company has access to a $365.0 million corporate revolving credit facility provided by a syndicate of lenders. As of March 31, 2018, $227.1 million was drawn from the facility.

As of March 31, 2018, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "2020 convertible debentures") which, in the aggregate, are convertible into 8,744,184 common shares of the Company at a conversion price of C$9.80 per common share. The 2020 convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met. In the first quarter of 2018, there were no conversions of the 2020 convertible debentures.

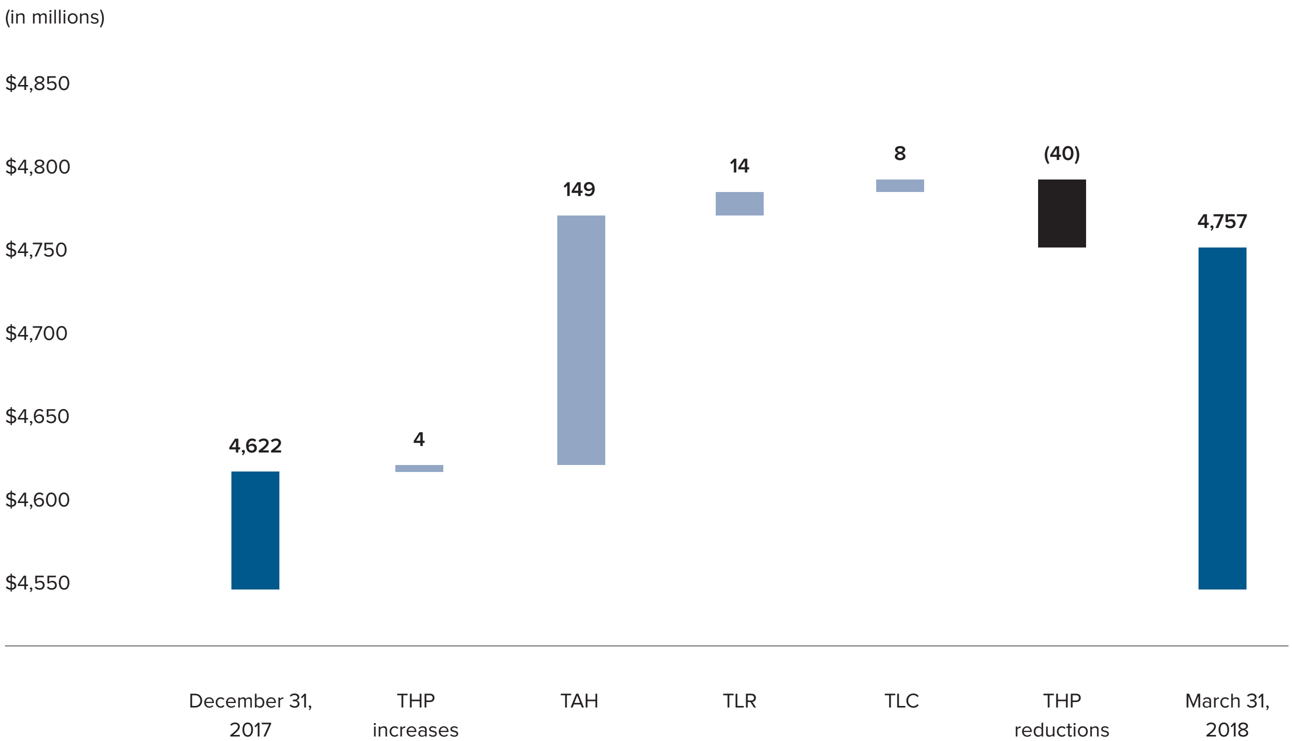
As of March 31, 2018, there was $172.5 million in outstanding aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Company (the "2022 convertible debentures"). The 2022 convertible debentures bear interest at 5.75% per annum and are convertible into 16,491,397 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$13.49 as of March 31, 2018). In the first quarter of 2018, there were no conversions of the 2022 convertible debentures.

As of March 31, 2018, there was a mortgage loan of C$9.9 million outstanding, used to finance the acquisition of the Company's new head office in Toronto. The mortgage carries a fixed interest rate of 4.38% and matures on November 22, 2024.

3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $4.8 billion as at March 31, 2018, representing an increase of $135.1 million since December 31, 2017. Refer to Section 8.2 for a detailed description of AUM.

CHANGES IN ASSETS UNDER MANAGEMENT



As shown in the chart above, which summarizes the changes in AUM over the period on a vertical-by-vertical basis, the changes in AUM since December 31, 2017 were:

- A $3.7 million increase in THP AUM mainly as a result of positive investment income of $2.4 million from Trinity Falls.
- An increase of $148.9 million in TAH AUM driven by $70.8 million of new investments as a result of the resumption of the ordinary course home acquisition program and renovations during the quarter, and $78.1 million of fair value adjustments related to home price appreciation in the portfolio (which excludes projected future disposition fees).
- An increase of $14.2 million in TLR AUM resulting from additional construction expenditures and fair value gains recognized.
- An increase of $8.2 million in TLC AUM primarily due to a $7.4 million fair value gain recognized during the quarter and ongoing capital enhancement initiatives.
- A decrease of $39.9 million in THP AUM, predominantly as a result of $33.6 million of capital distributions from THP2 US, separate accounts, and other investments. The remaining decrease is attributable to foreign exchange and fair value adjustments on THP principal investments.

The following table provides a further breakdown of the components of principal investment and Private Funds and Advisory AUM.

(in thousands of U.S. dollars)	March 31, 2018	December 31, 2017[1]	September 30, 2017[1]	June 30, 2017[1]	March 31, 2017[1]
PRINCIPAL INVESTMENTS					
Tricon Housing Partners					
THP1 US	$ 103,102	$ 103,706	$ 108,972	$ 109,229	$ 112,208
THP2 US	30,898	30,858	31,831	31,452	30,895
THP3 Canada	15,444	15,790	15,687	15,905	15,324
Trinity Falls	107,882	105,502	100,544	98,723	96,902
Separate accounts	77,306	77,499	74,393	75,703	74,261
Side-cars	17,714	17,970	26,124	25,945	20,042
Tricon Housing Partners	**352,346**	**351,325**	**357,551**	**356,957**	**349,632**
Tricon American Homes[2]	**2,866,838**	**2,717,987**	**2,778,057**	**2,691,329**	**1,271,996**
Tricon Lifestyle Rentals					
U.S.	119,697	104,515	94,529	81,811	66,443
Canada	71,290	71,918	64,878	60,876	57,739
Tricon Lifestyle Rentals	**190,987**	**176,433**	**159,407**	**142,687**	**124,182**
Tricon Lifestyle Communities[2,3]	**146,000**	**137,780**	**136,371**	**134,310**	**132,406**
Principal investments	**$ 3,556,171**	**$ 3,383,525**	**$ 3,431,386**	**$ 3,325,283**	**$ 1,878,216**
PRIVATE FUNDS AND ADVISORY					
Tricon Housing Partners					
THP1 US	$ 26,711	$ 26,729	$ 29,168	$ 29,428	$ 31,413
THP2 US	200,171	226,524	232,039	233,741	226,642
THP1 Canada	626	634	638	643	726
THP2 Canada	23,603	24,257	24,304	23,374	22,544
THP3 Canada	105,284	108,203	108,774	104,115	101,589
Separate accounts	431,460	435,790	429,750	444,562	441,100
Side-cars	212,517	212,517	212,517	212,516	160,916
Syndicated investments	22,301	25,268	26,003	26,182	25,546
Tricon Housing Partners	**1,022,673**	**1,059,922**	**1,063,193**	**1,074,561**	**1,010,476**
Tricon Lifestyle Rentals	**178,555**	**178,862**	**170,819**	**156,419**	**145,423**
Private Funds and Advisory	**$ 1,201,228**	**$ 1,238,784**	**$ 1,234,012**	**$ 1,230,980**	**$ 1,155,899**
Total assets under management	**$ 4,757,399**	**$ 4,622,309**	**$ 4,665,398**	**$ 4,556,263**	**$ 3,034,115**

(1) USD/CAD exchange rates used at each balance sheet date are: at Mar 31, 2018: 1.2894; Dec 31, 2017: 1.2545; Sep 30, 2017: 1.2480; Jun 30, 2017: 1.2977; Mar 31, 2017: 1.3299.

(2) Tricon American Homes and Tricon Lifestyle Communities assets under management are equal to the aggregate fair value of investment properties and investment properties held for sale before projected future disposition fees and therefore may differ from total capitalization in the verticals.

(3) Tricon Lifestyle Communities assets under management are held for sale as at March 31, 2018.

3.4 Subsequent events

On April 9, 2018, the Company announced that TLC entered into an agreement to sell its portfolio of 14 manufactured housing communities to an institutional investor. Completion of the sale is expected in the third quarter of 2018, subject to customary closing conditions including lender consents.

On April 18, 2018, TAH completed the single-family rental securitization transaction described in Section 4.2, Subsequent events.

On April 27, 2018, TLR Canada announced its participation in a partnership, which includes Tricon/TLR, Dream Unlimited Corp. and Kilmer Group on an equal ownership basis, to develop and manage a new rental apartment community in Toronto's West Don Lands. Refer to Section 4.3, Subsequent events.

On May 7, 2018, Tricon announced a complete redesign of its compensation plan beginning in 2018 to better align executive compensation with its current business plan and shareholders' long-term interests.

On May 8, 2018, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after July 15, 2018 to shareholders of record on June 30, 2018.

4. OPERATIONAL REVIEW OF INVESTMENT VERTICALS AND PRIVATE FUNDS AND ADVISORY BUSINESS

Management believes that information concerning the underlying activities within each of the Company's investment verticals is useful for investors in understanding the Company's overall performance, and this section presents key operating highlights for the quarter on a vertical-by-vertical basis. Although the Company's performance is primarily measured by investment income and changes in fair value of its various investments, management also monitors the underlying activities within those investments using key performance indicators to provide a better understanding of the performance of the Company's investments. A list of these key performance indicators, together with a description of what information each measure reflects and the reasons why management believes the measure to be useful or relevant in evaluating the underlying performance of the Company's investments, is set out in Section 8.1, Key performance indicators. The supplemental measures presented herein are not recognized under IFRS and should not be construed as alternatives to investment income determined in accordance with IFRS as indicators of Tricon's financial performance. Tricon's method of calculating these measures may differ from other issuers' methods and, accordingly, these measures may not be comparable to similar measures presented by other publicly-traded entities.

4.1 Tricon Housing Partners

A summary of THP's principal investments is presented in the following table with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2). The table also summarizes historical and projected cash flows to Tricon arising from the sale of finished lots, homes and condominium units from THP's projects generally over the next eight to ten years (forward-looking information; refer to page 1).

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 56,443	$ 92,306	$ 10,796	$ 103,102	$ 269,855	$ 276,336	$ 119,615
THP2 US	7.5%	21,358	27,313	3,585	30,898	21,415	28	26,881
THP3 Canada	10.2%	9,539	9,471	5,973	15,444	9,539	3,411	11,488
Trinity Falls	100.0%	81,219	97,681	10,201	107,882	81,549	–	288,017
Separate accounts[2]	12.9%	58,360	68,942	8,364	77,306	71,978	24,315	132,350
Side-cars[3]	7.5%	19,404	13,560	4,154	17,714	19,459	627	26,650
Total		**$ 246,323**	**$ 309,273**	**$ 43,073**	**$ 352,346**	**$ 473,795**	**$ 304,717**	**$ 605,001**

Investment income – Q1 2018 (3 months)	$ 2,885
Annualized as a % of invested capital at March 31, 2018	4.7%

(1) Distributions include repayments of preferred return and capital.
(2) Separate accounts include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2.
(3) Side-cars include Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

For the three months ended March 31, 2018, investment income of $2.9 million represented an annualized 4.7% net return on outstanding invested capital. During the quarter, THP projects encountered higher construction costs, labour constraints, changes in preferences for active-adult housing and lengthened project timelines. These pressures have temporarily constrained investment income as cash flows have been extended and budgets are revised downwards. THP expects that these budget pressures will persist over the coming quarters, but anticipates that investment income as a percentage of invested capital at cost will return to the target range of 9% – 11% in 2019.

From an operational perspective, highlights for THP's principal investments include:

THP1 US

Over the first quarter of 2018, THP1 US distributed $1.3 million to its investors, including $0.9 million to Tricon. Of the total distributions, $0.7 million was generated from the final proceeds from the Rockwell condominium project in San Francisco which is now fully sold. Additionally, $0.6 million was generated from Eskaton Placerville, an age-restricted community in Sacramento, California which is now complete.

THP1 US investment income declined year-over-year as the result of lower and delayed expected cash flows at its active-adult project in Atlanta, Georgia. As noted in the discussion of two other active-adult projects (Trilogy Vistancia West and Trilogy Lake Norman) in the Company's 2017 annual MD&A (available on SEDAR at www.sedar.com), preferences for active-adult housing appear to be changing, and the project in Atlanta is seeing a similar reduction in demand for larger, higher-margin homes and an increase in demand for smaller, lower-margin homes. The challenge of this changing demand is exacerbated by rising construction costs as a result of intensified labour constraints and a lengthening development cycle which is also reducing overall profitability. Despite such challenges, THP1 US is expected to continue to generate meaningful cash distributions of approximately $120 million to Tricon through 2020.

THP2 US

THP2 US made distributions of $25.1 million to its investors in the first quarter of 2018. Of the distributions, $14.7 million was received from 1101 El Camino, a condominium development in Mountain View, California; $6.0 million was realized from Calabasas Village, a condominium development in Calabasas, California; and $2.7 million in total was generated from Smyrna Grove, Trilogy at Vistancia West and The Michael.

While distributions received were in line with expectations, THP2 US investment income declined year-over-year as a result of revisions in the timing of expected cash flows from investments in The Kathryn and Calabasas Village related to slower leasing activity and condominium sales, respectively.

THP3 Canada

THP3 Canada distributed $4.6 million (C$6.0 million) to its investors during the first quarter of 2018, mainly from the Mahogany master-planned community development in Calgary, Alberta. This project has continued to perform as expected, with 90 home sales recorded during the quarter. Other projects in THP3 Canada also continued to perform in accordance with their budgets.

Trinity Falls

At the Trinity Falls master-planned community in Dallas-Fort Worth, Texas, a total of 43 lots were sold to homebuilders and 47 homes were sold by homebuilders to end consumers in the first quarter of 2018 compared to 48 lots and 70 homes sold in the first quarter of 2017. Home sales are expected to remain tempered until the project implements changes to the product mix to deliver smaller and more affordable lots to homebuilders in the second half of 2018. Trinity Falls opened the first set of new model homes during the quarter, with additional model home openings planned in the next two quarters which are expected to drive future home sales.

Separate accounts

The Viridian master-planned community in Dallas-Fort Worth, Texas continued to perform as expected, with strong home sales registered during the quarter. A total of 36 lots were sold to homebuilders and 112 homes were sold by homebuilders to end consumers in the first quarter of 2018 compared to 74 lot sales and 64 home sales in the same period in 2017. Lot sales during the quarter were impacted by delays in finalizing lot takedown contracts that were expected to be signed during the quarter; however, the delayed sales are expected to occur later this year and total projected lot sales for 2018 are not expected to be impacted.

Cross Creek Ranch continued to register positive results with 115 homes sold in the first quarter of 2018 compared to 116 in the same period in the prior year. Given the strong velocity of home sales, homebuilders continued to acquire lots with 74 lots closed in the first quarter of 2018 compared to 78 lot closings in the first quarter of 2017. Additionally, Cross Creek Ranch expanded its amenity base and commercial offering with H-E-B, a Texas-based grocer, which opened a new on-site store in February 2018. The expansion of amenities and commercial offerings is expected to support continued strong home sales and lot takedowns at this project in the coming quarters.

The Grand Central Park project in Houston, Texas remains in its early stages with 36 lots sold to homebuilders during the first quarter of 2018 compared to 49 lots sold in the first quarter of 2017. The project also sold 30 homes to homeowners during the first quarter of 2018 compared to 21 homes in the same period in the prior year. The community recently introduced new product offerings, including smaller entry-level townhome lots, and is assessing opportunities to improve the existing amenities to drive additional sales. In January 2018, Kroger opened a large-format grocery store in the project's retail centre, with additional national retailers expected to open in the second quarter of 2018, which in turn is expected to improve sales at the project.

Trilogy at Verde River, an active-adult development in Phoenix, Arizona, sold 33 homes in the first quarter of 2018 compared to 26 homes in the first quarter of 2017. Sales absorption exceeded expectations as a result of the recently opened amenity centre.

Side-cars

In the first quarter of 2018, Trilogy Vistancia West distributed $2.7 million including $0.2 million to Tricon. Notwithstanding the fair value declines to THP's active-adult communities in the fourth quarter of 2017, sales absorption in the quarter was better than expected as a result of recently opened amenity centres and improved overall performance in the active-adult market. Specifically, Trilogy Vistancia West recorded 74 home sales compared to 24 in the same period in the prior year, and Trilogy Lake Norman recorded 36 home sales compared to 33 in the same period in the prior year. THP continues to work with the developer to undertake a number of remedial steps to further improve the performance of these projects, including common area improvements at Trilogy Vistancia West and a redesign of the product offering at Trilogy Lake Norman to match evolving consumer demands.

At Arantine Hills (Bedford Ranch) in Corona, California, builders commenced construction of model homes during the quarter. With construction progressing as expected on infrastructure, amenities and model homes, lot closings are expected in the second quarter of 2018 and initial home closings are anticipated in late 2018 or early 2019.

4.2 Tricon American Homes

TAH continued to generate strong operating metrics in the first quarter of 2018 driven by its technology-enabled operating enhancements and internalization of maintenance. Highlights for the quarter include a 62.8% NOI margin, 62.2% same home NOI margin, 5.9% year-over-year same home NOI growth, and 5.0% blended rent growth (4.4% for the same home portfolio).

With the Silver Bay integration largely completed, TAH resumed its organic acquisition program, purchasing 396 homes (366 homes net of dispositions) to end the quarter with a portfolio of 15,495 rental homes (15,584 total homes, including homes held for sale). TAH's leased occupancy and stabilized occupancy rates remained strong at 95.3% and 96.9%, respectively, even as TAH increased its portfolio size by 2.6% during the quarter. TAH plans to continue growing the portfolio by acquiring approximately 400 to 500 homes per quarter (or approximately 1,600 to 2,000 per year).

TAH realized rent appreciation of 5.0% during the quarter, with average growth of 6.3% on new leases and 4.3% on renewals. TAH believes that this rent growth reflects sustained strong demand for high-quality, well-located middle market rental homes, as well as particularly strong growth on new leases for the legacy Silver Bay homes, many of which were acquired with under-market leases in place and are subsequently being re-leased at market rates. In addition, in the first quarter, TAH began to implement an enhanced revenue management program with the goal of optimizing rent growth for the portfolio. TAH's annualized turnover rate in the first quarter of 2018 decreased to 24.9% from 27.6% recorded in the fourth quarter of 2017, partly due to strong demand for TAH's product as described above and to seasonal factors, as residents are less inclined to move out during the winter months.

The tables in this section provide a summary of certain operating metrics for TAH's rental home portfolio that management uses to evaluate the performance of TAH over time and relative to industry peers. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total homes owned	15,584	15,218	16,594	16,660	7,821
Less homes held for sale	89	109	1,613	153	322
Rental homes	15,495	15,109	14,981	16,507	7,499
Homes acquired	396	160	–	9,054	168
Less homes disposed	(30)	(1,536)	(66)	(215)	(112)
Net homes acquired (disposed) during the quarter	366	(1,376)	(66)	8,839	56
Occupancy	95.3%	95.8%	96.1%	96.9%	95.6%
Stabilized occupancy	96.9%	96.7%	96.7%	97.2%	96.5%
Annualized turnover rate	24.9%	27.6%	31.4%	31.2%	25.6%
Average monthly rent	$ 1,296	$ 1,283	$ 1,256	$ 1,243	$ 1,247
Average quarterly rent growth – renewal	4.3%	4.0%	4.0%	4.4%	4.3%
Average quarterly rent growth – new move-in	6.3%	5.0%	5.6%	5.7%	6.0%
Average quarterly rent growth – blended	5.0%	4.4%	4.6%	4.9%	5.0%

The above metrics are key drivers of TAH revenue and ultimately its net operating income (KPI measure; refer to Section 8.1). Net operating income and fair value gains from home price appreciation are the main contributors to investment income – TAH (per Tricon's income statement). The table below presents a breakdown of TAH net operating income and a reconciliation to investment income – TAH on Tricon's income statement. The financial information presented in this table and throughout this section is an aggregation of all entities and balances within the TAH vertical on a standalone basis and does not necessarily reflect the audited financial information of any particular TAH entity.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Total revenue[1]	$ 56,685	$ 26,556	$ 30,129
Property taxes	9,096	4,006	5,090
Repairs, maintenance and turnover	5,395	2,794	2,601
Property management fees	4,027	1,886	2,141
Property insurance	967	670	297
Homeowners' association (HOA) costs	741	357	384
Other direct expenses	879	481	398
Total operating expenses	21,105	10,194	10,911
Net operating income (NOI)	**$ 35,580**	**$ 16,362**	**$ 19,218**
Net operating income (NOI) margin	**62.8%**	**61.6%**	
Fair value gain	76,096	9,935	66,161
Other expenses[2]	(6,765)	(7,261)	496
Interest expense[2]	(18,469)	(6,767)	(11,702)
Investment income – TAH (per Tricon income statement)	**$ 86,442**	**$ 12,269**	**$ 74,173**

	2018	2017	Variance
Warehouse credit facility interest	$ 2,373	$ 885	$ 1,488
Securitization debt 2015-1 interest	–	2,525	(2,525)
Securitization debt 2016-1 interest	3,374	3,357	17
Securitization debt 2017-1 interest	4,169	–	4,169
Securitization debt 2017-2 interest	3,424	–	3,424
Silver Bay acquisition warehouse facility interest	1,907	–	1,907
Term loan interest	3,222	–	3,222
Other debt interest	–	–	–
Interest expense	$ 18,469	$ 6,767	$ 11,702
Weighted average interest rate	3.7%	3.2%	

(1) Includes bad debt expense of $439 for the three months ended March 31, 2018 (2017 – $422).

(2) Refer to Section 3.1 for a discussion of other expenses and interest expense.

Total portfolio

During the first quarter of 2018, TAH total revenue increased by $30.1 million or 113% to $56.7 million compared to $26.6 million in the same period in 2017. This is mainly attributable to additional revenue earned from Silver Bay homes acquired in the second quarter of 2017 and rent growth achieved in the legacy TAH portfolio. The combination of a larger portfolio and a 1.2% NOI margin increase (as discussed below) contributed to a 117% increase in NOI in the first quarter of 2018 to $35.6 million compared to $16.4 million in the same period in 2017.

TAH's NOI margin increased to 62.8% compared to 61.6% for the same period in the prior year. The increase is attributable to strong rent growth and relatively lower repairs and maintenance expenses, which benefited from TAH's ongoing internalization program.

TAH's fair value gain in the three months ended March 31, 2018 was $76.1 million compared to $9.9 million in the three months ended March 31, 2017. The gain was caused by BPO updates on 2,674 homes as well as HPI valuations (see Section 9.1) on the remaining homes, reflecting ongoing home price appreciation supported by strong demand fundamentals in TAH's target markets. The HPI increase this quarter was 1.5% (6.0% annualized) compared to a 1.3% HPI increase in the first quarter of 2017 (5.2% annualized), applied to a larger portfolio of homes.

Funds from operations and core funds from operations

Funds from operations ("FFO") and core funds from operations ("Core FFO") (KPI measures; refer to Section 8.1) are metrics that management believes to be helpful in evaluating TAH's business and comparing its performance to industry peers. FFO represents investment income excluding the impact of fair value adjustments and other non-cash items. Core FFO presents FFO as a normalized figure, adjusting for transaction costs and non-recurring items. The table below provides a reconciliation of investment income – TAH (as presented on Tricon's income statement) to FFO and Core FFO.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Investment income – TAH	$ 86,442	$ 12,269	$ 74,173
Fair value gain[1]	(76,096)	(9,935)	(66,161)
Non-controlling interests	–	422	(422)
Depreciation of fixed assets	733	185	548
Deferred tax recovery	(2)	(955)	953
Deferred financing costs	286	361	(75)
Funds from operations (FFO)	**$ 11,363**	**$ 2,347**	**$ 9,016**
Transaction costs and non-recurring costs[2]	1,343	3,323	(1,980)
Core funds from operations (Core FFO)	**$ 12,706**	**$ 5,670**	**$ 7,036**

(1) Fair value gain is presented net of change in projected future disposition fees.

(2) Q1 2018 includes Silver Bay integration-related expenses of $717; restructuring-related expenses of $172; and other non-recurring costs of $454. Q1 2017 includes transaction costs of $3,066 related to the Silver Bay acquisition; internalization-related expenses of $84; and non-recurring costs of $173.

For the first quarter of 2018, Core FFO increased by $7.0 million or 124% compared to the same period in the prior year. This variance was driven by a larger portfolio of homes and concurrent growth in NOI, offset by higher interest expense on the higher outstanding debt balance used to finance the additional homes.

Same home portfolio

"Same home" or "same home portfolio" includes homes that were stabilized 90 days prior to the first day of the prior-year comparative period as per the guidelines of the National Rental Home Council. It excludes homes that have been sold and homes that have been designated for sale. This same home portfolio is defined on January 1 of each reporting year. Based on this definition, any home included in the same home portfolio will have satisfied the conditions described above prior to September 30, 2016, and those homes are held in operations throughout the full periods presented in both 2017 and 2018.

For the three months ended March 31 (in thousands of U.S. dollars, except per home data)	2018	2017	Variance
Operating metrics – same home			
Rental homes	6,634	6,634	–
Occupancy	96.5%	96.3%	0.2%
Annualized turnover rate	23.8%	26.5%	2.7%
Average monthly rent	$ 1,308	$ 1,271	$ 37
Average quarterly rent growth – renewal	4.0%	4.3%	(0.3%)
Average quarterly rent growth – new move-in	5.2%	6.0%	(0.8%)
Average quarterly rent growth – blended	4.4%	5.0%	(0.6%)

For the 6,634 homes comprising the same home portfolio, occupancy was 96.5% in the first quarter of 2018, which is on par with the 96.3% recorded in the same period in 2017. This portfolio's annualized turnover in the three months ended March 31, 2018 was 23.8%, a decrease of 2.7% from the annualized turnover of 26.5% in the same period in 2017 for the reasons discussed earlier.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
Income statement – same home			
Rental revenue	$ 24,570	$ 23,653	$ 917
Fees and other revenue	814	907	(93)
Bad debt	(248)	(378)	130
Total revenue	25,136	24,182	954
Property taxes	4,034	3,696	338
Repairs, maintenance and turnover	2,436	2,667	(231)
Property management fees	1,795	1,719	76
Property insurance	477	603	(126)
Homeowners' association (HOA) costs	329	336	(7)
Other direct expenses	441	413	28
Total operating expenses	9,512	9,434	78
Net operating income (NOI)	**$ 15,624**	**$ 14,748**	**$ 876**
Net operating income (NOI) growth			**5.9%**
Net operating income (NOI) margin	**62.2%**	**61.0%**	

For the three months ended March 31, 2018, the same home NOI margin increased to 62.2% from 61.0% as a result of an increase in total revenue, offset by a smaller increase in operating expenses. Total revenue from the same home portfolio increased by $1.0 million or 4% to $25.1 million in the first quarter of 2018 compared to $24.2 million for the same period in the prior year primarily due to increases in the average monthly rent of 4.4%. Operating expenses increased by $0.1 million or 1% to $9.5 million in the first quarter of 2018 from $9.4 million in the same period in 2017 as a result of 9.1% higher property tax expenses, driven by greater home price appreciation in TAH's target markets, partially offset by reduced property insurance expense and repairs, maintenance and turnover expenses as a result of ongoing initiatives related to internalized maintenance. Higher revenues along with the containment of controllable expenses resulted in same home NOI growth of 5.9% year-over-year to $15.6 million compared to $14.7 million in the first quarter of 2017.

Subsequent events

Subsequent to quarter-end, TAH closed a new securitization loan, TAH 2018-1, which involved the issuance and sale of six classes of fixed-rate pass-through certificates with a weighted average coupon of 3.86% and a term to maturity of seven years. The gross transaction proceeds represent approximately 61% of the value of the securitized portfolio and approximately 81% of its all-in cost. The certificates have an aggregate face amount of $314 million and approximately $280 million of the gross transaction proceeds was used to repay existing TAH debt. TAH has now refinanced substantially all of the $1.2 billion floating rate loan facility used to finance the Silver Bay acquisition with three securitization transactions and a term loan, fixed the interest rate on approximately 80% of its debt, and laddered out and extended the maturity schedule to an average maturity of 4.9 years. These transactions anticipate annual interest savings of approximately $18 million under the proforma debt structure as compared to the debt structure in place at the time of the Silver Bay acquisition in the second quarter of 2017.

The impact of the recent financing initiatives on TAH's debt structure is presented below:

			Debt balance		
(in thousands of U.S. dollars)	Effective interest rates	Maturity dates (including extension options)	Proforma[1]	March 31, 2018	December 31, 2017
Silver Bay acquisition warehouse facility	LIBOR+3.28%	May 2019	$ 27,437	$ 154,570	$ 155,828
Warehouse credit facility	LIBOR+3.00%	October 2020	63,464	216,251	184,167
Securitization debt 2016-1	3.59% fixed	November 2021	362,470	362,470	362,601
Securitization debt 2017-1	3.50% fixed	September 2022	462,594	462,594	462,594
Term loan	LIBOR+2.00%	October 2022	347,582	347,582	347,582
Securitization debt 2017-2	3.58% fixed	January 2024	365,000	365,000	365,000
Securitization debt 2018-1[1]	3.86% fixed	May 2025	314,000	–	–
Total debt			**$ 1,942,547**	**$ 1,908,467**	**$ 1,877,772**

(1) Proforma debt balances are presented as if the 2018-1 securitization transaction had closed on March 31, 2018.

Assets under management and investment balance

TAH's AUM (KPI measure; refer to Section 8.2) is based on the fair value of the homes in the portfolio, which is determined via the HPI or BPO methodologies discussed in Section 9.1. The residual equity value (after deducting debt and minority interest at TAH) determines the value of Tricon's investment in TAH on its balance sheet, as summarized below.

(in thousands of U.S. dollars)		Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Purchase price of homes		$ 2,180,878	$ 2,122,574	$ 2,095,693	$ 2,237,442	$ 830,501
Cumulative capital expenditures[1]		220,058	208,764	222,347	207,927	199,282
Total cost basis of rental homes		$ 2,400,936	$ 2,331,338	$ 2,318,040	$ 2,445,369	$ 1,029,783
Cost of homes held for sale		11,904	10,779	166,973	15,901	31,920
Cumulative fair value adjustment[2]		453,998	375,870	293,044	230,059	210,293
Portfolio home price appreciation during the quarter		1.5%	1.4%	1.2%	1.2%	1.3%
Fair value of homes (AUM)		**$ 2,866,838**	**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**
Less projected future disposition fees		29,303	27,793	28,160	14,205	14,221
Fair value of homes, net	A	2,837,535	2,690,194	2,749,897	2,677,124	1,257,775
Add:						
Other net assets[3]	B	83,689	71,693	52,216	62,962	45,633
Less:						
Warehouse credit facility (LIBOR+3.00%)		216,251	184,167	42,376	73,608	68,626
Securitization debt 2015-1 (LIBOR+1.96%)		–	–	337,220	339,611	347,091
Securitization debt 2016-1 (3.59% fixed)		362,470	362,601	362,601	362,601	362,601
Securitization debt 2017-1 (3.50% fixed)		462,594	462,594	462,594	–	–
Securitization debt 2017-2 (3.58% fixed)		365,000	365,000	–	–	–
Silver Bay acquisition warehouse facility (LIBOR+3.28% blended)		154,570	155,828	778,915	1,197,902	–
Term loan (LIBOR+2.00%)		347,582	347,582	–	–	–
Other debt		–	–	–	–	–
Total debt	C	1,908,467	1,877,772	1,983,706	1,973,722	778,318
Partner equity (minority interest)	C	–	–	–	–	–
Investments – TAH (per Tricon balance sheet)	**A + B – C**	**$ 1,012,757**	**$ 884,115**	**$ 818,407**	**$ 766,364**	**$ 525,090**
Cash		84,499	88,704	87,797	91,709	41,559
Debt-to-cost (net of cash)		75.6%	76.4%	76.3%	76.5%	69.4%
Debt-to-value (net of cash)		63.6%	65.8%	68.2%	69.9%	57.9%

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.

(2) Cumulative fair value adjustment is net of capital expenditures and third-party operator performance fees.

(3) Other net assets include working capital.

As at March 31, 2018, TAH's rental portfolio is diversified across 16 target markets. Market-level details are presented below.

Geography	Total homes owned[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or renovation	Occupancy	Stabilized occupancy
Atlanta	3,779	3,765	3,545	101	119	94.2%	96.6%
Phoenix	1,793	1,792	1,775	5	12	99.1%	99.1%
Charlotte	1,537	1,510	1,404	55	51	93.0%	95.5%
Tampa	1,474	1,470	1,412	32	26	96.1%	96.2%
Dallas	1,162	1,160	1,103	18	39	95.1%	97.4%
Northern California	1,008	1,008	998	4	6	99.0%	99.0%
Houston	881	881	825	25	31	93.6%	96.4%
Southeast Florida	742	736	712	7	17	96.7%	96.7%
Las Vegas	585	585	567	12	6	96.9%	96.9%
Columbia	502	484	409	42	33	84.5%	90.6%
Jacksonville	444	444	421	4	19	94.8%	96.5%
Indianapolis	443	443	414	18	11	93.5%	96.7%
Orlando	434	433	426	3	4	98.4%	98.4%
Southern California	279	276	273	2	1	98.9%	98.9%
San Antonio	260	257	229	10	18	89.1%	94.9%
Reno	251	251	250	–	1	99.6%	99.6%
Tucson[2]	8	–	–	–	–	N/A	N/A
Columbus[2]	2	–	–	–	–	N/A	N/A
Total/Weighted average	**15,584**	**15,495**	**14,763**	**338**	**394**	**95.3%**	**96.9%**

Geography	Average purchase price per home	Average capital expenditures per home[3]	Average total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 123,000	$ 10,000	$ 133,000	1,778	$ 1,186	$ 0.67
Phoenix	166,000	5,000	171,000	1,700	1,179	0.69
Charlotte	113,000	19,000	132,000	1,596	1,165	0.73
Tampa	151,000	15,000	166,000	1,535	1,436	0.94
Dallas	134,000	11,000	145,000	1,557	1,362	0.87
Northern California	197,000	18,000	215,000	1,306	1,630	1.25
Houston	120,000	21,000	141,000	1,607	1,297	0.81
Southeast Florida	121,000	36,000	157,000	1,406	1,602	1.14
Las Vegas	164,000	11,000	175,000	1,652	1,264	0.77
Columbia	93,000	22,000	115,000	1,440	1,079	0.75
Jacksonville	141,000	2,000	143,000	1,519	1,240	0.82
Indianapolis	114,000	18,000	132,000	1,564	1,182	0.76
Orlando	172,000	3,000	175,000	1,506	1,330	0.88
Southern California	150,000	29,000	179,000	1,306	1,606	1.23
San Antonio	105,000	27,000	132,000	1,620	1,271	0.78
Reno	150,000	22,000	172,000	1,541	1,469	0.95
Tucson[2]	N/A	–	N/A	N/A	N/A	N/A
Columbus[2]	N/A	–	N/A	N/A	N/A	N/A
Total/Weighted average	**$ 138,000**	**$ 14,000**	**$ 152,000**	**1,602**	**$ 1,296**	**$ 0.81**

(1) Includes 89 homes held for sale.

(2) The homes in the Tucson and Columbus markets are classified as for sale and are not part of the rental portfolio in the occupancy and cost per home calculations.

(3) Average capital expenditures per home only reflects capital expenditures incurred by TAH and not by prior institutional owners, where applicable.

4.3 Tricon Lifestyle Rentals

TLR's active projects under development continued to advance well in accordance with their underlying business plans during the first quarter of 2018. A summary of TLR's principal investments is presented below with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2).

		TLR principal investments					
(in thousands of U.S. dollars)	Location	TLR's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
The Selby (592 Sherbourne)	Toronto, ON	15%	$ 6,337	$ 12,048	$ 8,314	$ –	$ 20,362
57 Spadina	Toronto, ON	20%	6,628	6,628	3,692	–	10,320
Scrivener Square	Toronto, ON	50%	8,998	9,771	10,083	10,397	30,251
Shops of Summerhill	Toronto, ON	25%	4,898	7,025	3,332	–	10,357
The McKenzie	Dallas, TX	90%	33,809	44,760	28,553	2,692	76,005
The Maxwell	Frisco, TX	90%	21,451	27,651	14,159	1,882	43,692
Total			**$ 82,121**	**$ 107,883**	**$ 68,133**	**$ 14,971**	**$ 190,987**

(1) Investments – TLR per Tricon balance sheet of $90,759 includes the principal investments above of $107,883 as well as net liabilities and non-controlling interest of $17,124.

Operational highlights include the following:

Tricon Lifestyle Rentals – Canada

TLR Canada's first project in Toronto, The Selby, is in advanced stages of development, with the project tracking several weeks ahead of schedule and over 97% of trades now under contract. TLR Canada's operations and marketing teams are working towards a formal building launch in the second half of 2018, with first occupancy expected later in the year. The building's splash page was launched in the fourth quarter of 2017, and the full website is expected to go live this summer. The Selby is well-positioned to capitalize on its central transit-oriented location while providing the market with a high-quality and highly amenitized rental living accommodation. Other competitive buildings, albeit of a lower quality than The Selby, continue to achieve rental rates in excess of The Selby's business plan, thus boding well for its lease-up, which will commence later this year.

At 57 Spadina, design development is substantially complete and on-site demolition of the existing building exterior is 75% complete, with shoring and excavation having started in April. The Entertainment District submarket continues to be one of the most sought-after neighbourhoods in Toronto, and rental growth continues to trend strongly upward.

Scrivener Square remains in the design stage, with the application for official plan and zoning by-law amendments submitted for approval in the second quarter of 2017. The development site is owned on a 50/50 basis with Diamond Corp. and is adjacent to The Shops of Summerhill, where TLR holds a 25% interest through a joint venture with RioCan REIT. TLR Canada and Diamond Corp. are working with COBE, award-winning architects from Copenhagen, Denmark, and recently received positive feedback at a design review panel meeting with City of Toronto staff.

TLR Canada continues to explore further development opportunities in Toronto. While competition for openly marketed zoned sites remains fierce, in large part driven by the recent changes to the Ontario Municipal Board and uncertainty surrounding approvals for unzoned sites, TLR Canada is focusing its attention on strategic partnerships to secure a growth pipeline. These strategic partnerships include potential joint ventures with government agencies mandating rental-only uses on large-scale sites and private land owners interested in generational long-term rental cash flows, who are willing to contribute land into joint ventures. This focus allows TLR Canada to avoid brokered processes, which are typically won by condominium developers paying aggressive prices for land. The market fundamentals underpinning TLR Canada's rental strategy remain very compelling, with average monthly rents continuing to increase year-over-year and vacancy remaining exceptionally tight in the first quarter of 2018.

Subsequent events

Subsequent to quarter-end, TLR Canada announced its participation in a partnership (the "Partnership") to develop and manage a new rental apartment community in Toronto's West Don Lands. The Partnership, which includes Tricon/TLR, Dream Unlimited Corp. and Kilmer Group on an equal ownership basis, has been selected to enter into 99-year land leases for land parcels that will be developed into approximately 1,500 rental units as well as ancillary retail and potential office space.

The West Don Lands project adds immediate scale to TLR's multi-family development and rental business in Canada, which now has approximately 2,500 units under active development and a path towards approximately C$1.2 billion in total expected assets under management upon completion over the next five years. TLR currently holds approximately 30% of the equity interest in this portfolio, with the balance held by institutional and strategic partners in TLR's various projects.

Tricon Lifestyle Rentals – U.S.

At The McKenzie, adjacent to Dallas' affluent Highland Park neighbourhood, above-grade construction of the 183-unit rental building continues as planned, with substantially all trades now under contract. Interior finishes are well underway, and construction is expected to be completed in late 2018. Pre-leasing commenced during the quarter, with first occupancy expected in mid-2018 and stabilization projected in mid-2019.

At The Maxwell in Frisco, Texas, construction and site work on the 325-unit rental building continues as planned, with substantially all trades now under contract. Suites are currently being built out, and construction completion is expected in late 2018. Pre-leasing is expected to commence in June 2018, with first occupancy expected in mid-2018 and stabilization projected in mid-2019. The Frisco rental market remains strong, supported by continued demand from employees relocating to the nearby Legacy West business park where Toyota, JP Morgan, and Liberty Mutual continue to move in the first of thousands of employees.

Additional details pertaining to TLR's development projects are presented below:

	Projected construction		Projected total cost ($000)	Projected rental units	Projected retail/office (sq. feet)	Projected development yield[1]
	Start	End				
The Selby (592 Sherbourne)	Q1 2015	Q4 2018	$ 140,800	502	–	5.25–5.75%
57 Spadina	Q1 2018	Q1 2021	117,100	286	44,762	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	N/A
The McKenzie	Q4 2015	Q3 2018	92,700	183	–	5.50–6.00%
The Maxwell	Q2 2016	Q4 2018	58,600	325	–	6.00–6.50%
Total			**$ 409,200**	**1,296**		

(1) Projected development yield is a forward-looking statement. Refer to page 1, Non-IFRS measures and forward-looking statements.

4.4 Private Funds and Advisory

During the first quarter of 2018, the Private Funds and Advisory business continued to generate contractual fees in its various Investment Vehicles. Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, and development fees earned from Johnson.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017	Variance
THP1 US	$ 202	$ 273	$ (71)
THP2 US	746	695	51
Separate accounts	1,050	908	142
Side-cars	351	392	(41)
U.S. syndicated investments	4	(2)	6
Trinity Falls	204	185	19
THP1 Canada	3	4	(1)
THP2 Canada	86	82	4
Canadian syndicated investments	54	66	(12)
TLR Canada	120	111	9
TLR U.S.	91	74	17
Management fees – private Investment Vehicles	2,911	2,788	123
Development fees – TDG	534	389	145
Development fees – Johnson	1,758	2,231	(473)
Contractual fees	**$ 5,203**	**$ 5,408**	**$ (205)**

The table below provides a summary of Investment Vehicles in which Tricon manages third-party capital, along with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2). The table also includes projected performance fees that Tricon could earn over time based on current business plans.

	Third-party investments				Projected returns[2]				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 21,988	$ –	$ 4,723	$ 26,711	2.2x	14%	1.7x	11%	$ 12,732
THP2 US	160,870	–	39,301	200,171	1.7x	14%	1.5x	11%	7,112
Separate accounts[3]	368,554	–	62,906	431,460	2.2x	15%	2.2x	14%	28,384
Side-cars[4]	174,635	–	37,882	212,517	1.4x	5%	1.4x	5%	–
THP1 Canada	626	–	–	626	2.0x	15%	1.6x	12%	6,890
THP2 Canada	22,509	–	1,094	23,603	1.6x	13%	1.4x	9%	–
THP3 Canada	82,058	–	23,226	105,284	1.8x	12%	1.5x	8%	–
Canadian syndicated investments[5]	17,022	–	5,279	22,301	2.0x	11%	1.9x	10%	1,684
Total – THP	**$ 848,262**	**$ –**	**$ 174,411**	**$ 1,022,673**					**$ 56,802**
TLR Canada[6]	65,828	81,940	30,787	178,555	2.5x	13%	2.3x	12%	10,431
Total	**$ 914,090**	**$ 81,940**	**$ 205,198**	**$ 1,201,228**					**$ 67,233**

(1) Commitments to projects include guarantees made under loan agreements plus reserves. Project commitments can exceed total capitalization as a result of reinvestment rights.

(2) ROI, IRR and estimated performance fees are based on Tricon's analysis of projected cash flows for incomplete projects in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and annual budgets and cash flow projections prepared by developers for all incomplete projects. Refer to page 1. Projected returns are updated in the fourth quarter for projects that undergo third-party appraisals. Net ROI and IRR are based on cash flow estimates after all Investment Vehicle expenses (including contractual and performance fees). Net returns presented reflect all fees paid by all investors. The net return to any given investor will vary depending on the individual investor's management fee and carried interest rate.

(3) Separate accounts include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2.

(4) Side-cars include Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

(5) Canadian syndicated investments include Heritage Valley, 5 St. Joseph and Mahogany.

(6) TLR Canada includes The Selby, 57 Spadina, and Scrivener Square/Shops of Summerhill.

Third-party AUM decreased by $37.6 million from the fourth quarter of 2017 primarily as a result of distributions from THP2 US of $25.1 million, distributions from separate accounts and Canadian syndicated investments of $4.3 million and $2.3 million, respectively, as well as distributions across other investments and a decline in the Canadian dollar.

The following table outlines total units and total units sold (since inception of the Investment Vehicles included below) by market and by type.

	Total units[2]					Total units sold				
As of March 31, 2018[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots[3]	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,090	26,474	6,141	1,556	46,053	321	6,547	3,662	1,328	32,373
Canada	268	3,699	1,035	5,384	195,060	202	2,701	748	5,068	181,860
Total units	**1,358**	**30,173**	**7,176**	**6,940**	**241,113**	**523**	**9,248**	**4,410**	**6,396**	**214,233**
As of December 31, 2017[1]										
U.S.	1,097	26,477	6,138	1,556	46,053	309	6,358	3,447	1,260	32,373
Canada	267	3,691	1,045	5,384	195,060	197	2,656	718	5,066	181,860
Total units	**1,364**	**30,168**	**7,183**	**6,940**	**241,113**	**506**	**9,014**	**4,165**	**6,326**	**214,233**

(1) Total units and total units sold shown above include all projects in private Investment Vehicles under the THP investment vertical (THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Trinity Falls, separate accounts and side-cars).

(2) Total units are based on the developers' current business plans for all projects and may change as a result of business plan updates.

(3) Single-family lots sold as of December 31, 2017 was adjusted from 7,171 (previously reported) to 6,358 to exclude lots sold prior to THP's acquisition of the Cross Creek Ranch project.

The Johnson Companies LP ("Johnson")

The following table provides a summary of Johnson's development advisory fees, as well as unit sales of lots and land parcels to homebuilders which generate fee revenue for Johnson. In addition, the table provides total third-party home sales at Johnson's active communities as an indicator of end-consumer demand, which should ultimately drive homebuilder demand for future lot inventory within Johnson communities. Note that the table below includes sales data for THP-owned projects, as well as those in which Tricon holds no ownership interest but does receive lot development and/or commercial brokerage fees resulting from its majority ownership interest in Johnson.

For the three months ended March 31 (in thousands of U.S. dollars, except for land, lot and home sales)	2018	2017	Variance
Development fees – Johnson	$ 1,758	$ 2,231	$ (473)
Land sales (acres)	16	128	(112)
Lot sales	455	528	(73)
Third-party home sales	1,031	964	67

Development fees decreased during the quarter compared to the same period in the prior year as a result of lower land sales, largely owing to one sizeable land parcel sold in the first quarter of 2017. While lot sales decreased compared to the same period in 2017, total fee revenue from lot sales increased due to a higher share of lot sales from projects with more favourable fee terms compared to the first quarter of 2017.

Third-party home sales in Johnson communities improved to 1,031 for the first quarter of 2018 compared to 964 during the same period in 2017, an increase of 7%. Lot sales continued to trend positively at established and early-stage communities, but were offset by fewer lot sales at the more mature communities currently winding down.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 Financing strategy

The Company seeks to maintain financial strength and flexibility by lowering its cost of debt and equity capital and minimizing interest rate fluctuations over the long term. Some key elements of Tricon's financing strategy are:

- Using various forms of debt such as floating rate bank financing and unsecured debentures with conversion features, and attempting to stagger the maturity of its obligations.
- Using convertible debentures where the principal can be redeemed by the issuance of common shares at the Company's option.
- Redeploying capital as its interests in investments are liquidated to capitalize on further investment opportunities with attractive returns.
- Where appropriate, raising equity through the public markets to finance its growth and strengthen its financial position.

5.2 Liquidity

Tricon generates substantial liquidity through:

- Cash distributions generated from the turnover of assets with shorter investment horizons.
- Syndicating investments to private investors and thereby extracting Tricon capital invested.
- Stable cash flow received from our income-generating TAH investment vertical.
- Repatriation of equity extracted through refinancings within TAH.
- Fee income from our Private Funds and Advisory business.

To enable us to react to attractive investment opportunities and deal with contingencies when they arise, we typically maintain sufficient liquidity at the corporate level and within our key investment platforms. Our primary sources of liquidity consist of cash and a corporate credit facility.

Working capital

As at March 31, 2018, Tricon had a net working capital surplus of $12.1 million, reflecting current assets of $25.9 million, offset by payables and accrued liabilities of $13.8 million.

5.3 Capital resources

Debt structure

Management mitigates interest rate risk by maintaining the majority of its debt at fixed rates. The impact of variable interest rate increases or decreases is discussed in the Company's annual consolidated financial statements. Management also mitigates its exposure to fixed-rate interest risk by staggering maturities with the objective of achieving even, annual maturities over a ten-year time horizon to reduce Tricon's exposure to interest rate fluctuations in any one period. The Company's long-term debt structure is summarized in Section 3.2.

The Company provides non-recourse guarantees for certain TAH and TLC indebtedness and provides limited financial guarantees for all construction financing under TLR.

As at March 31, 2018, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

The Company's Dividend Reinvestment Plan ("DRIP") provides eligible holders of common shares with the opportunity to reinvest their cash dividends paid on the Company's common shares to purchase additional common shares at a price equal to the average market price (as defined in the DRIP) on the applicable dividend payment date, less an applicable discount of up to 5% determined by the Board from time to time.

On October 4, 2017, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid to repurchase up to 2,700,000 of its common shares during the twelve-month period commencing October 6, 2017 (the "NCIB"). To date, the Company has repurchased 1,414,831 of its common shares for C$15.0 million under the NCIB, of which 431,931 common shares were repurchased in the first quarter of 2018 for $3.7 million (C$4.6 million). Common shares that are purchased under the NCIB are cancelled by the Company.

As of March 31, 2018, there were 133,556,334 common shares of the Company issued and outstanding.

6. NON-IFRS MEASURES

The Company has included in this MD&A certain supplemental measures of performance, including those described below. We utilize these measures in managing the business and evaluating its performance. Management believes that adjusted EBITDA in particular (and the other non-IFRS measures listed below) is an important indicator of the Company's ability to generate liquidity through operating cash flows to fund future working capital needs, service outstanding debt, and fund future capital expenditures. We believe that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. Refer to the discussion of our use of non-IFRS measures on page 1.

In preparing the adjusted financial information presented in this section, management has eliminated both non-recurring and non-cash items to present a normalized picture of the Company's financial performance. The measures used include:

- Adjusted EBITDA is defined as net income (loss) from continuing and discontinued operations attributable to shareholders of Tricon before income tax (from both consolidating and investment entities), interest (from both consolidating and investment entities), amortization, stock option expense, transaction costs and non-recurring and non-cash expenses.
- Adjusted net income is defined as net income (loss) from continuing and discontinued operations attributable to shareholders of Tricon before transaction costs and non-recurring and non-cash expenses.
- Adjusted basic EPS is defined as adjusted net income divided by the weighted average basic common shares outstanding in the period. Adjusted diluted EPS is defined as adjusted net income, plus the interest expense recognized on any dilutive convertible debt (net of the tax impact of that interest), divided by the weighted average diluted common shares outstanding in the period, assuming the conversion of all dilutive convertible debt. See the notes to the table entitled Consolidated statements of income in Section 3.1 for a description of the potential dilutive impact of outstanding convertible debt.

The table below provides a breakdown of Adjusted EBITDA and Adjusted net income.

For the three months ended March 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		2018	2017	Variance
THP Adjusted EBITDA	A	$ 3,172	$ 5,424	$ (2,252)
TAH Adjusted EBITDA	B	106,985	21,589	85,396
TLR Adjusted EBITDA	C	2,066	1,704	362
TLC Adjusted EBITDA	D	8,182	3,051	5,131
Fee income net of adjusted non-controlling interest	E	5,306	5,251	55
Adjusted EBITDA before corporate overhead		125,711	37,019	88,692
Adjusted compensation expense	F	(8,078)	(5,783)	(2,295)
General and administration expense		(2,324)	(1,860)	(464)
Adjusted EBITDA		**115,309**	**29,376**	**85,933**
Stock option expense		(316)	(400)	84
Adjusted interest expense	G	(26,085)	(10,484)	(15,601)
Adjusted amortization expense	H	(714)	(792)	78
Adjusted net income before taxes		**88,194**	**17,700**	**70,494**
Adjusted income tax expense	I	(11,818)	(2,300)	(9,518)
Adjusted net income		**$ 76,376**	**$ 15,400**	**$ 60,976**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.57**	**$ 0.14**	**$ 0.43**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.49**	**$ 0.13**	**$ 0.36**
Weighted average shares outstanding – basic		**134,245,883**	**113,535,527**	**20,710,356**
Weighted average shares outstanding – diluted		**162,013,381**	**124,662,628**	**37,350,753**

Refer to Section 7 for detailed reconciliations of the non-IFRS measures marked "A" to "I" in the table above to net income determined under IFRS.

- For the three months ended March 31, 2018, Adjusted EBITDA increased by $85.9 million or 293% to $115.3 million compared to $29.4 million in the same period in the prior year. This increase was mainly attributable to significant growth in TAH Adjusted EBITDA driven by a $66.2 million increase in fair value gain and a $19.2 million increase in NOI due to the acquisition of Silver Bay as well as NOI growth achieved in the legacy TAH portfolio.
- Adjusted net income, which excludes non-recurring items, increased by $61.0 million or 396% to $76.4 million for the three months ended March 31, 2018 compared to $15.4 million for the same period in the prior year. The increase is attributable to higher Adjusted EBITDA, as described above, partially offset by: (i) higher adjusted interest expense as a result of a higher outstanding debt balance at TAH with respect to the Silver Bay acquisition financing and the new 2022 convertible debentures; and (ii) higher adjusted income tax expense which corresponds with higher earnings.
- Adjusted basic EPS increased by $0.43 or 307% to $0.57 for the three months ended March 31, 2018 compared to $0.14 in the same period in the prior year. Adjusted diluted EPS increased by $0.36 or 277% to $0.49 for the three months ended March 31, 2018 compared to $0.13 in the same period in the prior year. The increase in Adjusted basic and diluted EPS is attributable to significantly higher Adjusted net income for the reasons noted above, offset by a higher weighted average share count primarily as a result of the common shares issued in May 2017, along with the inclusion of the dilutive impact of all outstanding convertible debentures (2017 – only the 2020 convertible debentures were included).

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's consolidated financial statements for the three months ended March 31, 2018.

For the three months ended March 31 (in thousands of U.S. dollars)	2018	2017
Net income	**$ 99,469**	**$ 7,755**
Non-recurring adjustments:		
Transaction costs at investment level	4,363	3,509
Transaction costs and formation costs	98	936
Non-cash adjustments:		
Non-controlling interest	258	116
Unrealized foreign exchange loss (gain) at investment level	1,229	(354)
Accrued LTIP expense (recovery)[1]	1,329	(971)
Debentures discount amortization	1,175	451
Net change in fair value of derivative financial instrument	(29,253)	4,167
Realized and unrealized foreign exchange (gain) loss	(1,688)	704
Tax effect of above adjustments (expense)	(604)	(913)
Adjusted net income[2]	**$ 76,376**	**$ 15,400**
Add:		
Stock option expense	$ 316	$ 400
Adjusted interest expense[2]	26,085	10,484
Adjusted amortization expense[2]	714	792
Adjusted income tax expense[2]	11,818	2,300
Adjusted EBITDA[2]	**$ 115,309**	**$ 29,376**

(1) Includes the estimate of the potential LTIP expense based on the fair value of assets within the managed private funds as required by IFRS.

(2) Non-IFRS measure; see further details in the following table, which describes reconciliation.

For the three months ended March 31 (in thousands of U.S. dollars)		2018	2017
Investment income – THP per financial statements		**$ 2,885**	**$ 5,668**
Tax expense (recovery)		29	(148)
Unrealized foreign exchange loss (gain)		258	(96)
THP Adjusted EBITDA[1]	A	**$ 3,172**	**$ 5,424**
Investment income – TAH per financial statements		**$ 86,442**	**$ 12,269**
Interest expense		18,469	6,767
Transaction costs, non-recurring and non-cash expenses		2,076	3,508
Tax recovery		(2)	(955)
TAH Adjusted EBITDA[1]	B	**$ 106,985**	**$ 21,589**
Investment income – TLR per financial statements		**$ 1,017**	**$ 1,931**
Interest expense		30	31
Translation adjustment		971	(258)
Transaction costs, non-recurring and non-cash expenses		5	–
Tax expense		43	–
TLR Adjusted EBITDA[1]	C	**$ 2,066**	**$ 1,704**
Net income from discontinued operations – TLC per financial statements		**$ 3,525**	**$ 2,001**
Interest expense		797	821
Transaction costs and non-cash expenses		2,282	1
Tax expense		1,578	228
TLC Adjusted EBITDA[1]	D	**$ 8,182**	**$ 3,051**
Contractual fees, GP distributions and performance fees per financial statements		**$ 5,567**	**$ 5,744**
NCI change per financial statements		258	116
NCI portion of amortization		(519)	(609)
Fee income net of adjusted non-controlling interest	E	**$ 5,306**	**$ 5,251**
Compensation expense per financial statements		**$ (9,723)**	**$ (5,212)**
Accrued LTIP expense (recovery)		1,329	(971)
Stock option expense		316	400
Adjusted compensation expense[1]	F	**$ (8,078)**	**$ (5,783)**
Interest expense per financial statements		**$ (7,964)**	**$ (3,316)**
TAH interest expense		(18,469)	(6,767)
TLR interest expense		(30)	(31)
TLC interest expense		(797)	(821)
Debentures discount amortization		1,175	451
Adjusted interest expense[1]	G	**$ (26,085)**	**$ (10,484)**
Amortization expense per financial statements		**$ (1,233)**	**$ (1,401)**
NCI portion of Johnson's amortization expense		519	609
Adjusted amortization expense[1]	H	**$ (714)**	**$ (792)**
Tax expense per financial statements		**$ (9,566)**	**$ (2,262)**
THP tax (expense) recovery		(29)	148
TAH tax recovery		2	955
TLR tax expense		(43)	–
TLC tax expense		(1,578)	(228)
Tax expense on non-recurring and non-cash expenses		(604)	(913)
Adjusted income tax expense[1]	I	**$ (11,818)**	**$ (2,300)**

(1) Items A to I are first presented in the table in Section 6, above, and are non-IFRS measures. Refer to page 1 for a discussion of our use of non-IFRS measures.

8. OPERATIONAL KEY PERFORMANCE INDICATORS

8.1 Key performance indicators

The key performance indicators discussed throughout Section 4, above, for each of the Company's investment verticals are defined as follows:

Tricon Housing Partners

Gross IRR represents an aggregate, annual, compounded, gross internal rate of return after taking into account the effects of investment-level debt financing. IRRs are based in part on Tricon's projected cash flows for incomplete projects in its Investment Vehicles. Such figures are derived through a process where the developers for projects in Tricon's Investment Vehicles prepare for Tricon detailed quarterly and annual budgets and cash flow projections for all incomplete projects, which are based on current market information and local market knowledge and, upon receipt of such information, Tricon reviews the information and makes necessary adjustments based on its experience, including making provisions for necessary contingencies or allowances when appropriate. Management believes IRRs are important measures in assessing the financial performance of its Investment Vehicles. Without such measures, investors may receive an incomplete overview of the financial performance of such Investment Vehicles. Investors are, however, cautioned that these measures are not appropriate for any other purpose.

Tricon American Homes

The Company reflects ongoing performance through investment income for TAH and reports changes in the underlying fair value of the investments through TAH fair value adjustment, which includes the fair value of properties calculated based on Broker Price Opinion and Home Price Index methodologies. However, the Company believes other information or metrics related to the net assets and operating results of TAH are relevant in evaluating the operating performance of the assets underlying its TAH investment.

- Net operating income (NOI) represents total rental revenue, less rental operating expenses and property management fees. NOI excludes overhead expenses such as general and administration expenses, professional fees (such as legal costs), as well as non-core income or expenses such as gains or losses on the disposition of homes.
- Net operating income (NOI) margin represents net operating income as a percentage of total revenue. Management believes NOI and NOI margin are helpful to investors in understanding the core performance of TAH's operations.
- Occupancy rate represents the number of homes in the portfolio that are leased, including those pending move-in with signed lease agreements, as a percentage of total rental homes in the portfolio (total homes owned less homes held for sale).
- Stabilized occupancy represents the number of homes in the portfolio that are leased, including those pending move-in with signed lease agreements, as a percentage of total rental homes, and excludes vacant rental homes that are currently under renovation or within 60 days of completion of renovation.
- Annualized turnover rate during the period represents the number of move-outs divided by average rental homes (total homes owned less homes held for sale) in the period, annualized for a twelve-month period.
- Average monthly rent represents average expected monthly rent on all leased homes.
- Average rent growth during the period represents the average of all the rent growth achieved on lease renewals and new leases. Management believes occupancy and TAH's ability to increase rent directly affect investment income available to Tricon and Tricon's shareholders.
- Funds from operations ("FFO") represents investment income – TAH excluding fair value gains and other non-cash items such as deferred taxes, amortization, gains or losses on dispositions and non-controlling interests. Core funds from operations ("Core FFO") represents FFO less transaction costs and non-recurring items. Management believes these metrics are helpful to investors in understanding TAH's business and comparing its performance to industry peers.

8.2 Assets under management

Management believes that monitoring changes in the Company's AUM is key to evaluating trends in revenue. Principal investment AUM and Private Funds and Advisory AUM are the main drivers for investment income and fee income. Growth in AUM is driven by principal investments and capital commitments to our managed Investment Vehicles by private investors.

For reporting purposes, AUM includes balance sheet capital invested in the Company's principal investment segment and capital managed on behalf of third-party investors in its Private Funds and Advisory business, and is calculated as follows:

ASSETS UNDER MANAGEMENT	
Principal Investments	
Tricon Housing Partners	• Fair value of invested capital plus unfunded commitment
Tricon American Homes	• Fair value of investment properties and investment properties held for sale before projected future disposition fees
Tricon Lifestyle Rentals	• Fair value of development/investment properties plus unfunded commitment
Tricon Lifestyle Communities (held for sale)	• Fair value of assets including in-place leases and park assets
Private Funds and Advisory	
Commingled funds	• During the investment period, AUM = capital commitment • After the investment period, AUM = outstanding invested capital
Separate accounts/side-cars/ syndicated investments	• THP – Outstanding invested capital and unfunded commitment less return of capital • TLR Canada – Outstanding invested capital and unfunded commitment less return of capital

9. ACCOUNTING ESTIMATES AND POLICIES, CONTROLS AND PROCEDURES, AND RISK ANALYSIS

9.1 Revenue, investments and fair value determination

The following table summarizes the investment income and revenue earned from the Company's investments and activities.

TOTAL REVENUE AND INVESTMENT INCOME	
Revenue	
Contractual fees	• Fees from managing capital invested through private Investment Vehicles within THP and TLR • Development management and advisory fees from The Johnson Companies LP • Management fees for services performed by Tricon Development Group Ltd.
General partner distributions	• Distributions from managing third-party capital within the THP3 Canada commingled fund
Performance fees	• Performance fees from private Investment Vehicles
Investment income	
Investment income – THP	• Realized cash distributions and interest earned from investments and co-investments in land and homebuilding private Investment Vehicles and direct investments into projects • Unrealized gains as a result of changes in the fair value of such investments based on expected cash flows
Investment income – TAH	• Realized rental income net of expenses from leasing single-family rental homes • Unrealized investment income from changes in the fair value of the single-family rental homes
Investment income – TLR	• Realized rental income net of expenses from leasing rental units within multi-family apartment/development projects • Unrealized investment income from changes in the fair value of the apartment/development projects
Investment income from discontinued operations – TLC	• Realized rental income net of expenses from leasing pads within manufactured housing communities • Unrealized investment income from changes in the fair value of the underlying properties

The Company manages an investment portfolio of residential real estate assets on behalf of third-party investors in the U.S. and Canada. Our objective in our Private Funds and Advisory business is to earn:

- Contractual fees, general partner distributions and performance fees from asset management of capital invested through private Investment Vehicles, including private commingled funds, separate accounts, side-cars and syndicated investments. Refer to Section 1.1 for a list of active investments.
- Development management and related advisory fees through Tricon's subsidiary, Johnson, a developer of master-planned communities. We view these fees as a means of enhancing returns from certain THP investments.
- Management fees for services performed by Tricon Development Group Ltd. ("TDG") in respect of TLR projects in Canada. We view these fees as a means of enhancing returns from TLR Canada investments.

The Company also earns investment income through distributions and changes in the fair value of its investment verticals.

Tricon Housing Partners ("THP")

Investment income is earned from its share of the changes in the net asset value ("NAV") of each of the Investment Vehicles in which it invests. The NAV of a THP Investment Vehicle is based on the net amount advanced to the respective investment plus net earnings of one or more of the following types:

Investment income – Investment Vehicles make investments through both joint venture equity investments and participating debt investments. With respect to joint venture investments, investment income is comprised of realized cash distributions received from each project and unrealized gains as a result of changes in the fair value of the investment based on expected future net cash flows. Participating debt investments generate investment income comprised of interest earned at the stated rate of fixed interest, as well as unrealized fair value gains in respect of the "participating" or "contingent" portion of the loans, which is also valued based on the fair value of expected future cash flows (in excess of loan principal and accrued interest). Any amount of cash distribution received in excess of loan principal and accrued interest will be recognized as realized interest income.

Project-related fees – In the majority of its investments, an Investment Vehicle earns a combination of commitment/acquisition fees and asset management/loan maintenance fees from the respective project entity (e.g., a project-specific partnership entered into with the local developer). Commitment and acquisition fees are typically calculated on the basis of the Investment Vehicle's capital commitment and are payable upon closing of the investment. Asset management and loan maintenance fees are typically charged on the basis of the outstanding investment in a particular transaction at any given time and are typically paid quarterly over the life of the investment.

The reported fair value of the Company's THP investments is based on its ownership share of the net asset value in each Investment Vehicle in which it invests, and that is typically determined using a discounted cash flow ("DCF") methodology. The DCF analysis involves modelling developers' cash flows to determine the quantum and timing of project funding requirements and cash distributions to the Investment Vehicle. Estimates of developers' cash flows are based on detailed quarterly and annual budgets and are required to determine the Investment Vehicle's eventual returns on its investments and, for participating debt investments, may include contingent interest if the developers' projects generate returns that exceed the underlying contractual interest.

The developer may redeploy project cash flows into subsequent project phases and only distribute excess cash to the Investment Vehicle over the life of the project. In determining the discount rate to be utilized, the risks associated with entitlement, sales and construction are taken into account. Entitlement risk relates to the ability to obtain the entitlements necessary to develop the underlying project as underwritten. Sales risk correlates to the ability to generate the projected underwritten revenues and the time required to do so. Construction risk relates to determining the costs associated with developing the project and, if required, obtaining financing. Upon project entitlement, the discount rate used is the lower of 20% and the expected return for the project. Such discount rate is periodically updated to reflect the market conditions as well as stage of the development project. The initial discount rate is then reduced by 2.5% as each of the following development milestones is achieved: commencement of sales, commencement of construction, and achieving 75% of project sales. Therefore, the discount rate is generally reduced as the various risks are mitigated over time.

The Company's valuation committee evaluates other risk factors impacting each project, including market risks and risks relating specifically to the development partner, and may adjust the discount rate to reflect these additional risks if the valuation committee believes there is uncertainty that the project will generate the expected returns.

Tricon American Homes ("TAH")

Investment income is comprised of realized rental income net of expenses from leasing single-family rental homes and investment income from changes in the fair value of single-family rental homes. The fair value of TAH homes is based on the Broker Price Opinion ("BPO") methodology and supplemented by the Home Price Index ("HPI") methodology. TAH typically obtains a BPO for a home once every three years. Once a BPO is obtained, the fair value of the home is adjusted using the HPI on a quarterly basis until it is replaced by a more recent BPO. Refer to Note 4 in the financial statements for specific details of these valuation methodologies.

Tricon Lifestyle Rentals ("TLR")

Investment income is comprised of realized rental income net of expenses from leasing multi-family units and investment income is derived from changes in the fair value of the projects in which it invests. Fair value changes are based on a discounted cash flow methodology. As TLR projects are still in the development phase, and similar to THP, the discount rate is adjusted downwards as development and construction milestones are achieved and the project is de-risked.

Tricon Lifestyle Communities ("TLC") – held for sale

Investment income is comprised of realized rental income net of expenses from leasing pads within manufactured housing communities and investment income from changes in the fair value of the underlying properties in the communities in which it invests. Fair value changes are based on a discounted cash flow methodology applied to the expected net cash flow from each property. Fair value gains are primarily a result of operational improvements and capital expenditures incurred to enhance such communities, which are expected to increase rent levels, occupancy rates, and therefore cash flow over time.

9.2 Accounting estimates and policies

Accounting estimates

The Company makes estimates and assumptions concerning the future that may differ from actual results. Refer to the notes to the annual consolidated financial statements for details on critical accounting estimates.

Accounting standards adopted in the current year

Effective January 1, 2018, the Company has adopted IFRS 15, Revenue from Contracts with Customers, on a modified retrospective basis. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. In applying IFRS 15, the Company used the practical expedient in the standard that permits contracts which were completed prior to the transition date to not be assessed. There were no adjustments to the balance sheet as at January 1, 2018 as a result of adopting IFRS 15. The accounting policies applied under the new standard are disclosed under Revenue from contracts with customers in the notes to the condensed interim consolidated financial statements.

IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and replaced IAS 39, Financial Instruments: Recognition and Measurement.

The Company performed an in-depth assessment of IFRS 9 to determine the impact of the adoption of the standard on the Company's consolidated financial statements. The Company's equity investments are required to be held at fair value through profit or loss under IFRS 9. There were no amounts recognized in relation to these assets from the adoption of IFRS 9 as the Company already held these instruments at fair value through profit or loss under IAS 39.

Under IFRS 9, accounts receivable are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, the Company estimates lifetime expected losses for its receivables at each balance sheet date based on available information. Given the short-term nature of the Company's accounts receivable, the history of default and the creditworthiness of the counterparties, there was no impact on the carrying value of the Company's accounts receivables on the adoption of IFRS 9.

Following the adoption of IFRS 9, the Company can no longer defer the recognition of a gain or loss from the refinancing of a borrowing during the interim period. Under the Company's previous accounting policies, the Company first assessed if the refinancing was treated as an extinguishment under IFRS 9 by determining whether the refinancing significantly changed the cash flows of the loan. If it was determined to be a modification, gains or losses would have been recognized over the remaining life of the borrowing by adjusting the effective interest rate, on the basis that the terms and conditions of the facility remained largely unchanged. No retrospective adjustments were required in relation to this change in accounting policy as none of the borrowings outstanding on January 1, 2018 had been refinanced in prior periods. No refinancing occurred during the first quarter of 2018.

IFRS 9 also introduces a new hedge accounting standard. The Company does not currently apply hedge accounting, and therefore is not impacted by this aspect of IFRS 9.

On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

The Company has also adopted IFRS 16 in its consolidated financial statements effective January 1, 2018, together with its adoption of IFRS 15. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements as the Company has no significant operating lease arrangements.

In November 2016, the IFRS Interpretations Committee issued IFRIC 22, Foreign Currency Transactions and Advance Consideration. The interpretation clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or liability arising from the payment or receipt of advance consideration. The adoption of IFRIC 22 did not have a material impact on the Company's consolidated financial statements as the Company has no significant foreign currency advance transactions with a third party.

Accounting standards and interpretations issued but not yet adopted

In June 2016, the IASB issued an amendment to IFRS 2, Share-Based Payments, addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019. The Company is currently reviewing the amendment to assess the impact it may have upon adoption.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company.

9.3 Controls and procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the period ended March 31, 2018. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the three months ended March 31, 2018, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 Transactions with related parties

Tricon has a ten-year sub-lease commitment on the Company's head office premises with Mandukwe Company Inc., a company owned and controlled by a director of the Company. The annual rental amount is $92,000 (C$119,000) plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

Senior management of the Company also own units, directly or indirectly, in the various Tricon private funds, as well as common shares and debentures of the Company.

Refer to the related party transactions and balances note in the condensed interim consolidated financial statements for further details.

9.5 Dividends

On May 8, 2018, the Board of Directors declared a dividend of seven cents per share in Canadian dollars payable on or after July 15, 2018 to shareholders of record on June 30, 2018.

9.6 Compensation incentive plan

The Company's annual compensation incentive plans include an annual incentive plan ("AIP") and a long-term incentive plan ("LTIP").

The Company's AIP has been amended beginning in 2018 and provides for an aggregate bonus pool based on the sum of all employees' individual AIP targets, which are market-benchmarked. This pool is then subject to an adjustment factor, subject to the Board's discretion, of between 50% and 150%, based on achievement of Company performance objectives determined by the Board at the beginning of each year. The final pool is then allocated among employees based on individual and collective performance. AIP awards will be made in cash and equity-based grants, with the proportion of equity-based awards being correlated to the seniority of an individual's role within the Company.

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from private funds and separate accounts, paid in cash when received, and (ii) a percentage equal to the AIP percentage of THP1 US investment income, payable in DSUs which vest over a five-year period.

Complete details concerning the Company's compensation plans are set out in the Company's most recent Management Information Circular dated April 18, 2018, available on SEDAR at www.sedar.com and on the Company's website at www.triconcapital.com.

9.7 Risk definition and management

There are certain risks inherent in the Company's activities and those of its investees, including the ones described below, which may impact the Company's performance, the value of its investments and the value of its securities. The Company's Annual Information Form dated February 27, 2018 and its MD&A for the year ended December 31, 2017, which are available on SEDAR at www.sedar.com and on the Company's website at www.triconcapital.com, contain detailed discussions of these risks.

10. HISTORICAL FINANCIAL INFORMATION

The following table shows selected IFRS measures for the past eight quarters.

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Financial statement results				
Total revenue and investment income from continuing operations	$ 95,911	$ 60,226	$ 69,408	$ 13,820
Total investment income from discontinued operations	1,568	1,187	2,262	1,613
Net income (loss)	95,944	25,724	57,512	(21,643)
Basic earnings (loss) per share	0.74	0.19	0.43	(0.17)
Diluted earnings (loss) per share	0.46	0.19	0.29	(0.17)

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Financial statement results				
Total revenue and investment income from continuing operations	$ 25,612	$ 20,114	$ 34,364	$ 24,811
Total investment income from discontinued operations	2,319	1,731	1,496	1,399
Net income	7,755	8,964	23,617	14,322
Basic earnings per share	0.07	0.21	0.21	0.13
Diluted earnings per share	0.07	0.17	0.17	0.11

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7 St. Thomas Street, Suite 801 Toronto, Ontario M5S 2B7
T 416 925 7228 **F** 416 925 5022 www.triconcapital.com