TRICON

# Annual Report 2019


WEST DON LANDS, TORONTO, ON

# About Us

Tricon is a residential real estate company primarily focused on rental housing in North America, with $8.0 billion (C$10.5 billion) of assets under management* and approximately 32,000 single-family and multi-family rental units in its portfolio. Since its inception in 1988, Tricon has made investments in residential real estate totalling approximately $20 billion. More information about Tricon is available at **www.TriconCapital.com**.

*Assets Under Management includes balance sheet capital and capital managed on behalf of third-party investors in the Company's Private Funds and Advisory business as at December 31, 2019.

This document contains forward-looking statements and information relating to expected future events and the Company's financial and operating results and projections. This document also presents key performance indicators used by the Company to measure its performance that are not recognized under International Financial Reporting Standards ("IFRS"). Please refer to the Management's Discussion and Analysis section of this report for further information and disclaimers concerning these forward-looking statements and non-IFRS measures.

> 2019 marked another period of strong operational results. The year will be remembered for Tricon's transformation to a rental company.

# Dear Shareholders,

While 2019 marked another period of strong operational results, the year will be remembered for our $1.3 billion acquisition of the Starlight U.S. multi-family portfolio and the introduction of a framework of financial priorities that taken together are designed to cement Tricon's transformation to a rental housing company and to usher in a new period of growth and predictability. To help put this shift into perspective, 80% of our balance sheet was invested in rental housing at the end of 2019, up from 51% five years ago, and zero when we went public in 2010. The addition of a major platform in U.S. multi-family, the largest investable asset class in rental housing, will ensure that this trend continues and provides us with the foundation to grow faster and manage more fee-bearing capital.

Tricon is laser focused on rental housing. We believe that structural changes to the economy after the Great Recession, demographic drivers and shifting preferences amongst younger generations, as well as immense investor demand for recurring cash flow, make rental housing an incredibly sought-after and attractive asset class. Following the sub-prime crisis and related 2007–2009 U.S. housing crash that engulfed the world economy, the U.S. Federal Reserve, in tandem with other central banks, orchestrated a massive monetary stimulus program that stoked asset values while surviving banks reduced credit, particularly to U.S. homeowners. This created a more permanent crisis in housing affordability. At the same time, an unprecedented increase in U.S. student debt (nearly $1 trillion over the last decade) has put home ownership permanently out of reach for many Americans. To make matters worse and complete what has become a perfect storm, U.S. government policies and increasingly difficult local land economics have significantly elevated construction costs and restricted homebuilding, particularly for smaller, affordable product. On a population-adjusted basis and some ten years after the Great Recession, new home construction is lower today than in 1982 and 1991, two of the worst real estate recessions on record.

In response to this affordability crisis in for-sale housing, Tricon realized an opportunity to fill the gap by acquiring single-family homes en masse and employing new technologies to efficiently rent them to the workforce. With painful memories of the foreclosure crisis and an increasing desire to accumulate experiences rather than assets, millennials represent a cohort of natural renters that has grown up in the sharing economy and opted to delay major life events like homeownership compared to previous generations. High-quality single-family rental housing has become the perfect antidote to the economic constraints clouding for-sale housing as it allows this new generation to live the American Dream, albeit by renting it. To consumers, the value proposition of well managed single-family rentals is particularly compelling as it offers residents "hotel ready" shelter with a convenient, maintenance-free lifestyle. Surely, that's an experience that even homeowners would consider if they had the option.

Tricon's business model and the overall market's shift to rental housing are highly complementary to the needs of large institutional investors seeking predictable cash flow streams to satisfy the needs of their pensioners or clients. Significant monetary stimulus since the Great Recession has increased asset prices and reduced available yields on equities and fixed income securities, requiring institutional investors to allocate more capital to higher yield alternatives, including real estate. These investors are particularly enamoured with rental housing – and increasingly workforce housing – as an asset class because it generates predictable income and has defensive characteristics since essential shelter is required in all phases of an economic cycle. In simple terms, people always need a place to live.

> "High-quality single-family rental housing has become the perfect antidote to the economic constraints clouding for-sale housing as it allows this new generation to live the American Dream, albeit by renting it."

Tricon is particularly well positioned to manage vastly larger amounts of capital for private investors seeking more exposure to rental housing, both single-family and multi-family, and in geographies that include the U.S. Sun Belt and Canada, where they may have less concentration. At the time of writing, we managed money for six of the 50 largest real estate investors in the world (according to the publication Private Equity Real Estate ("PERE")) and were in active conversations with approximately 20 others. We are also proud to report that PERE nominated us as Residential Investor of the Year in 2019. While investors are drawn to our uniquely residential focus, they also value our 30-year-plus track record, the rigour and institutional pedigree that come from being publicly listed, our fully integrated business model, our ability and desire to make major co-investments, our innovative and transparent culture, and our team of professionals who provide high-quality reporting and assiduous asset management.

Perhaps even more importantly, as a values-driven company, a business built around rental housing provides our employees with a platform to do good. Against a backdrop of constrained affordability and increasing isolation brought about by technology, Tricon has an opportunity and responsibility to address critical social issues by providing housing solutions that offer value, convenience and a sense of community. When our team is empowered to improve the quality of our residents' lives, they realize they can make a positive impact on local communities far beyond the often transactional nature of real estate. This adds critical meaning to their own jobs and lives. When our employees feel that their jobs have purpose, they tend to be happier and more productive, which has an immeasurable impact on our work culture and operational performance.

We are often asked why our operational metrics have been so strong, particularly in single-family rental. It has become clear that our work culture has been a major contributor to our outperformance. Our management team believes that the best way to run our business is to take care of our employees first, so they in turn can provide our residents with superior service. Imagine how a disgruntled employee, or one lacking in purpose or conviction, would treat a resident. When our residents are satisfied, they rent with us for longer, they are more likely to treat our properties as their own, and they are more willing to refer new customers. We have realized that the best way to safeguard our investors' capital and drive superior returns is to focus on our own team first, and then on our residents. The results speak for themselves – Tricon American Homes has the highest Glass Door rating for employee satisfaction, the highest Google rating for resident feedback, and leading same-store metrics for rent growth, retention and overall NOI growth, even though we have significantly less scale than our public market peers.

Our people first culture will also play a major role in the success of our multi-family business. In Toronto, our first purpose-built rental building, The Selby, was designed specifically to enhance the resident experience by fostering interconnectivity and community. The building features state-of-the-art amenities including a spa, outdoor pool, fitness facility and beautifully restored mansion that are on a level not typically found in Toronto apartment complexes. Residents of The Selby have priority access to local restaurants and events through our exclusive partnership with Toronto Life and are surrounded by art, music and caring staff. These are some of many examples that have made The Selby exceedingly popular amongst young professionals and help to explain why our team completed the lease-up of nearly 500 suites in one year, an unprecedented pace in Toronto. By all accounts, The Selby has been a smashing success, winning multiple local awards, including the Federation of Rental-Housing Providers of Ontario Residential Development of the Year, and generating approximately C$120 million of value appreciation for Tricon and our institutional investor. All of this bodes extremely well for the remainder of our Toronto-based build-to-core portfolio, an additional ~3,100 units that are under various stages of development, and which should be largely completed by 2023.

> "We are also proud to report that PERE nominated us as Residential Investor of the Year in 2019."

Although we often speak about our philosophy of managing people and serving our residents, there is another underrated part of our business that deserves increasing attention – our relentless approach to innovation. Over its 31-year history, Tricon was one of the first to i) invest institutional capital in for-sale housing, ii) capitalize on the distress in U.S. for-sale housing after the Great Recession, iii) enter into and institutionalize the U.S. single-family rental industry, iv) develop U.S.-style multi-family rental projects in downtown Toronto, and most recently, v) combine a significant single-family and multi-family rental operation under one roof to create a broader "pure play" on rental housing. The strong geographic overlap and middle market focus of our single-family business and the acquisition of the 7,289-unit Starlight portfolio that closed in June of 2019 enable us to create a much larger platform to better capture the life cycle of the resident, to harness operational synergies, and to raise additional third-party capital. We believe the similarities of collecting monthly rent from single-family and multi-family residents and the scale benefits that come from combining property management far outweigh any differences between the property types, and that the public markets will draw the same conclusion.

While we judge our success over the long term, the market's initial reaction to the Starlight transaction was decidedly negative. Some investors viewed this acquisition as a departure from our successful single-family rental strategy toward a more mature and efficient asset class in multi-family. Others struggled with the deal structure, which involved issuing 50.8 million shares to a broad and largely new group of shareholders under a 12-month share lock-up agreement. The uncertainty regarding their intentions to hold our shares after the lock-up expiry created a significant overhang on our stock. Not ones to stand by idly, we doubled down on our investor outreach and shared our vision with the key investment advisors controlling the newly-issued shares, and through these efforts found a supportive group of new shareholders. We subsequently released the lock-up ahead of schedule, leading to a very favourable share price reaction.

> "When our employees feel that their jobs have purpose, they tend to be happier and more productive, which has an immeasurable impact on our work culture and operational performance."

Another one of our key accomplishments over the course of 2019 was to establish an Environmental, Social and Governance ("ESG") roadmap and implementation plan that we formally adopted and released to the public in early 2020. Instead of simply checking the boxes, we strove to create an ESG roadmap that reflects our culture and core strengths and that identifies factors we believe truly differentiate us from our competitors. While we strive to meet a high standard of environmental and governance policies, it became clear through our ESG design process that social factors are what set us apart from other real estate companies, which is why our most important priorities and goals centre around our employees, our residents and our desire to innovate. We are pleased to report that one-third of our directors and 47% of all our employees are female, although we still have more work to do to increase the presence of women in senior management positions from 25% to 30%. We also seek to improve their representation in the real estate industry as a whole.

Our leadership in residential investment is complemented by our passionate pursuit of new technologies to drive efficiencies in our business and offer our residents better customer service. Venture capital firms marry capital and ideas on one hand, and people and technology on the other, often with mixed results. At Tricon, we have capital, ideas, people and technology under one roof, which helps to drive our innovation and operational success. For instance, we created our own acquisition underwriting software called TriAD to automate the buying of single-family rental homes using sophisticated screening algorithms. We employed data scientists to establish a proprietary single-family revenue maximization tool that assesses the trade-off between occupancy and rent growth so we can operate more profitably across seasons and economic cycles. TriForce, our operating platform that coordinates repairs and maintenance, has allowed us to automate workflows and better control expenditures. As we look forward, the rollout of smart home technology across our single-family rental portfolio will provide our residents with both convenience and utility savings through keyless entry, remotely controlled lighting and thermostats, and sensors that detect water leakage and monitor HVAC performance. What's more, we can apply many of these innovations to multi-family rental to redefine operations and resident services for what is commonly viewed as a mature asset class.

> “Tricon American Homes has the highest Glass Door rating for employee satisfaction, the highest Google rating for resident feedback, and leading same-store metrics for rent growth, retention and overall NOI growth”

We also spent considerable time in 2019 establishing a longer-term framework of financial priorities to simplify our business and make our company easier for investors to understand. One of the criticisms of Tricon over the years is that the company is complex. Multiple business lines, including private equity and REIT-like businesses, along with an operating subsidiary model that uses investment entity accounting is admittedly unwieldy compared to a REIT that reports under consolidated accounting. While we believe our transformation to a rental housing business (and de-emphasis of for-sale housing) will have a significant impact on our path to simplification, we recognized that meaningful changes to our financial disclosure and investment metrics were necessary if we are to look and feel more like a traditional real estate company.

As such, in our Q2 2019 earnings presentation we introduced key priorities that we believe will create substantial shareholder value and, over time, allow investors to compare Tricon to its residential peers from the perspective of operations and valuation. Our first priority was to adopt Funds from Operations ("FFO") per share as our key non-IFRS earnings metric, a widely accepted and easily understood proxy for cash flow, and to set an ambitious three-year growth target of 10% compounded annual growth. While most REITs tend to grow FFO per share at low single-digit rates, we were comfortable setting a higher target because we believe, barring a protracted economic downturn, that our core rental business will continue to benefit from strong demand for high-quality, relatively affordable housing. Further, our business is structured for growth such that we should be able to meaningfully increase the number of properties we manage, with a relatively smaller increase in overhead costs.

Our second priority is to raise substantially more third-party capital to scale our business faster and drive efficiencies in our operations. Specifically, we set a three-year goal of raising an additional $1.5 billion of fee-bearing equity capital from private institutional investors. In September 2019, we announced the closing of a $450 million landmark joint venture with the Arizona State Retirement System ("ASRS JV1"), which brought us one-third of the way to our target. The ASRS JV is particularly important to Tricon because it allows us to become a leader in the burgeoning single-family build-to-rent business and to unearth synergies across our platform by harnessing our expertise in land development (through our Johnson subsidiary), relationships with third-party builders, and capabilities in single-family rental property management. We also plan to raise new private ventures to efficiently grow our Toronto multi-family build-to-core business and to recapitalize the U.S. multi-family portfolio. Tricon's ability to raise third-party capital is an important part of our strategy as it positions us to grow when the public markets are closed or when our stock is trading below its intrinsic value. We also earn fee income that helps to defray our corporate costs and enhance our return on equity.

In another priority, we are seeking to reduce our look-through leverage (excluding convertible debentures) from approximately 60% to 50%–55% over the mid term. We have identified several assets, including those in our for-sale housing business, which can be sold or monetized to repay corporate debt and accelerate our transition to a rental housing company. Tricon's higher leverage largely comes from our $1.4 billion leveraged buyout of Silver Bay (NYSE: SBY) in 2017. Without access to leverage, we would not have been able to make this acquisition and obtain the necessary scale to become a leader in the single-family rental industry. While we are comfortable operating with higher leverage given our private equity background and the relatively defensive nature of our assets, we are committed to bringing our leverage closer in line with other public real estate companies, particularly if it will result in a valuation premium.

Lastly, our management team is focused on upgrading our financial disclosure so our results are easily understood. We never want a shareholder to review our earnings press release and then ask, "so how did Tricon do this quarter?" In addition to adopting FFO, a metric the investment community has universally embraced, our Board has approved our adoption of consolidated accounting, a change that increases Tricon's balance sheet from $2.3 billion to $6.5 billion and enhances transparency with respect to leverage, income drivers and operating cash flows. We are also considering other improvements to our reporting to help shareholders better understand capital expenditures and overhead allocation across business segments.

In everything we do, whether it is how we conduct our operations or report on our results, Tricon's management team embraces continuous improvement. We hold ourselves to high standards and push each other to get better at what we do, raising our own game in the process. Our investment and operations teams work on hundreds of intricate projects and processes that undergo constant refinement. It is incredibly gratifying when many little improvements along the way translate into strong overall results. 2019 was clearly another year of considerable progress and we are proud to report that we grew our FFO per share by 35% compared to 2018, underscoring a favourable economic backdrop and the countless operational improvements along the way.

None of these accomplishments would have been possible without the extraordinary commitment, passion and hard work that our team of over 700 employees exhibits every day. I feel privileged to work with such a special group of people and will continue to do everything in my power to make sure that their jobs are meaningful, so that our residents are fulfilled and our investors are rewarded. As always, I would also like to thank our Board of Directors, shareholders and private investors for the ongoing support and confidence they show for our management team. Tricon's growth has been exceptional since entering the single-family rental industry in 2012 and we are incredibly appreciative of the role that our Board and investors have played in our success.

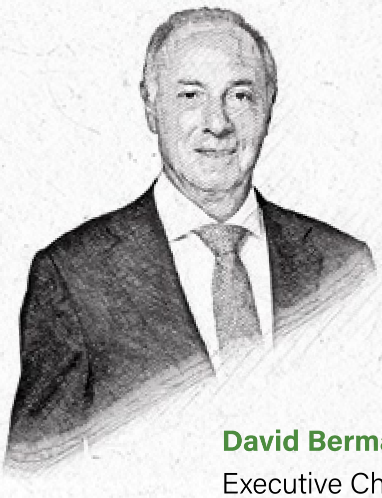
Gary Berman

**Gary Berman**
President and Chief Executive Officer, Director
January 31, 2020

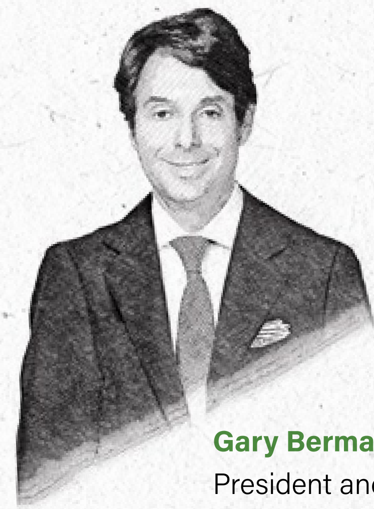
# Let's grow something together.

Click here and we'll plant a handmade postcard embedded with wildflower seeds on your behalf.

# Board of Directors



**David Berman**
Executive Chairman
and Co-Founder



**Gary Berman**
President and Chief
Executive Officer, Director

**Camille Douglas**
Independent
Director

**Ira Gluskin**
Independent
Director

**Michael Knowlton**
Independent
Director

**Siân M. Matthews**
Independent
Director

**Geoff Matus**
Director and
Co-Founder

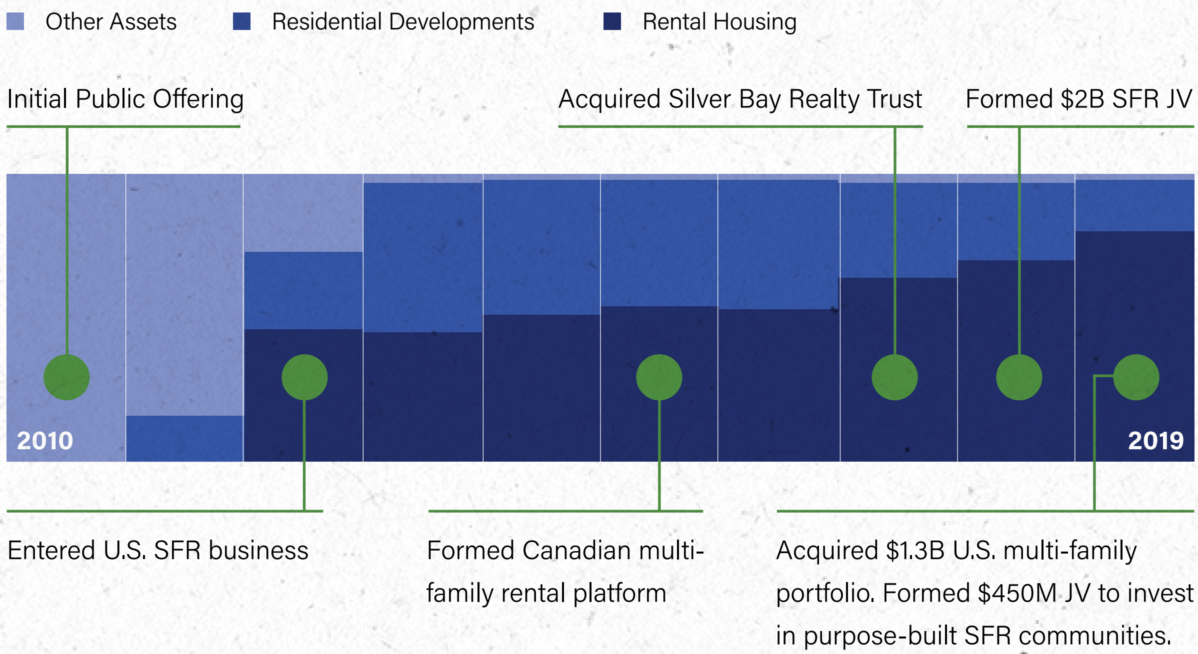
**Peter D. Sacks**
Lead Independent
Director

**Tracey Sherren**
Independent
Director

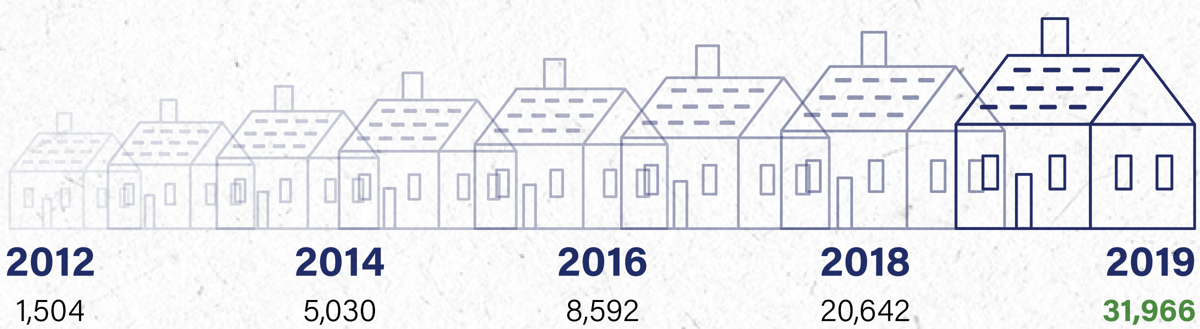
# Our Transformation to a Rental Housing Company

In 2019, we continued our evolution to a tech-enabled rental housing company while de-emphasizing exposure to development on our balance sheet.

## Proportion of Balance Sheet Assets

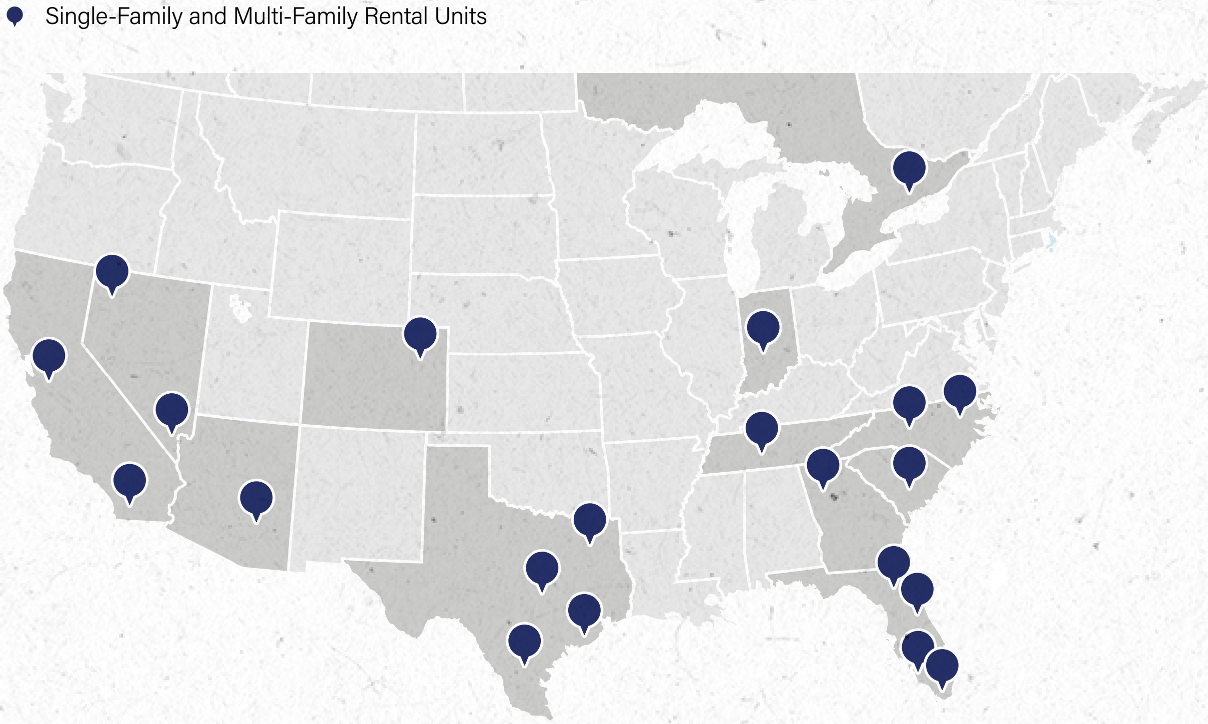


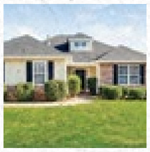

## Number of Rental Units



# Our Geographic Footprint

Tricon currently manages approximately 32,000 single-family and multi-family rental units in the U.S. and Canada



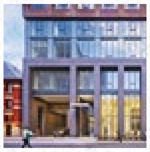



**Single-Family Rental**

21,077 Homes

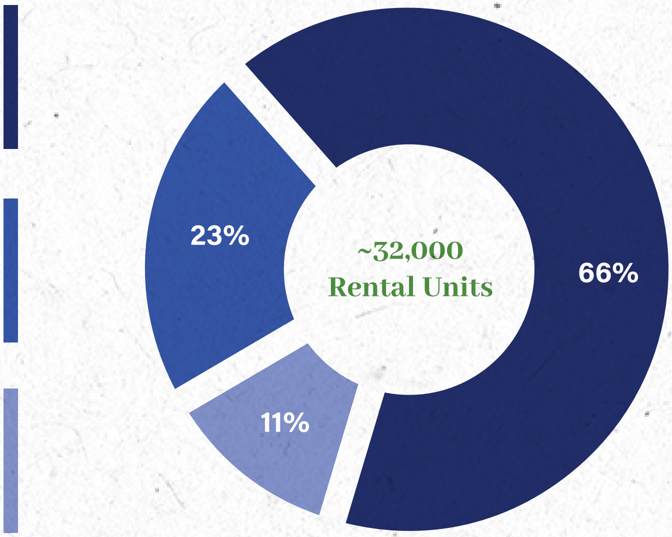
**U.S. Multi-Family Rental**

7,289 Suites



**Canadian Multi-Family Rental**

~3,600 Suites



# Our Innovative Technology

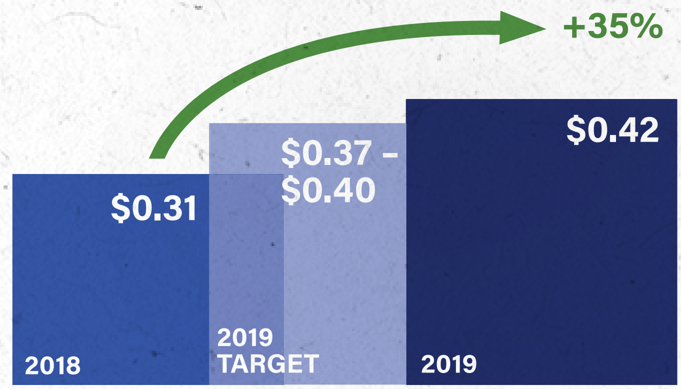
**Our advanced technology platform and culture of innovation allow us to deliver superior resident experiences and industry-leading operating metrics.**

- Proprietary acquisition software to efficiently screen over one million online home listings each year and underwrite a home in fewer than five minutes
- Scalable mobile platform used by our central office and field staff to assign and manage all tasks related to renovations and turns
- Technology-enabled resident acquisition process, including virtual home tours, self-showings and automated lease approvals
- Smart home technology to enhance the resident experience, from keyless entry to smart thermostats and moisture sensors
- Easy-to-use apps to foster resident engagement and build a sense of community

# Our Performance

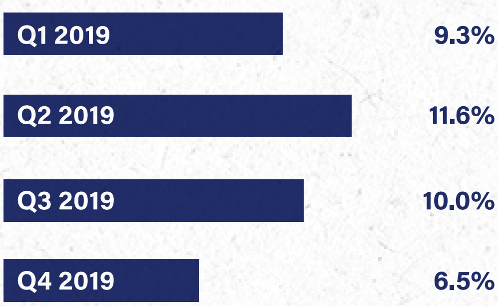
## FFO per Diluted Share*

FFO per diluted share of $0.42 increased by 35% for the year and surpassed the top end of our target range.

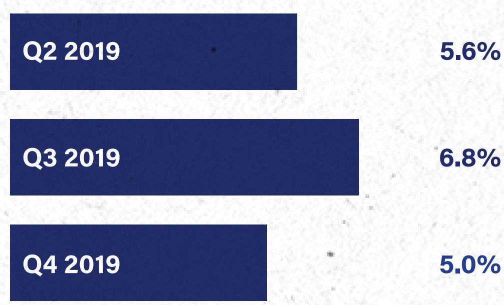



## Net Operating Income Growth

**Single-Family Rental Same Home NOI Growth**




**Multi-Family Rental Same Property NOI Growth****

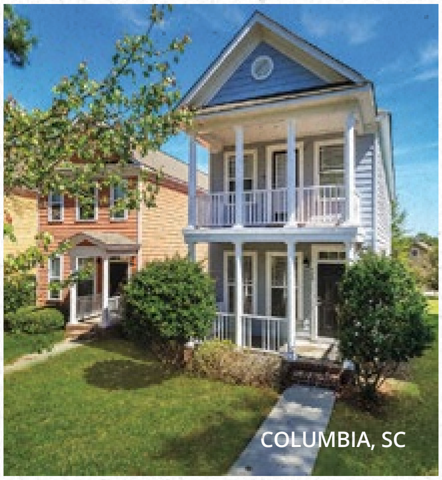



## Assets Under Management***


*Refer to Management's Discussion and Analysis Section 6, Non-IFRS Measures on pages 63 to 66 for further detail. **Reflects the U.S. multi-family rental portfolio acquired in Q2 2019. ***Assets Under Management includes balance sheet capital and capital managed on behalf of third-party investors in Tricon's Private Funds and Advisory business as at December 31, 2019.


COOLRAY FIELD, ATLANTA, GA


CHARLOTTE, NC


COLUMBIA, SC


THE RESERVES AT ALAFAYA, ORLANDO, FL

# Management's Discussion and Analysis

for the year ended December 31, 2019

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, adjusted earnings per share ("EPS"), funds from operations ("FFO") and funds from operations per share ("FFO per share"), 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 plans and timelines and sales/rental expectations, projected development costs, 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 rental apartments; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home's ("TAH") underwriting model; the anticipated growth of the TAH joint venture ("TAH JV-1") and the Tricon Lifestyle Rentals ("TLR") U.S. portfolios; value-add opportunities in the TLR U.S. portfolio; the intention to internalize management of the TLR U.S. portfolio; the intention to de-emphasize balance sheet exposure to THP investments; the intentions to build portfolios and attract investment in TAH and TLR; expected future occupancy and turnover rates for TLR U.S.; and the Company's investment horizon and exit strategy for each investment vertical. 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 most recent Annual Information Form (the "AIF"), which is available on SEDAR at www.sedar.com, and in Section 9.7 of this MD&A.*

*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 February 24, 2020, 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 audited consolidated financial statements and related notes for the year ended December 31, 2019.

Additional information about the Company, including our 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 audited consolidated financial statements for the year ended December 31, 2019 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, 2018, with the exception of the adoption of IFRIC Interpretation 23 as disclosed in Note 2 of the consolidated financial statements.

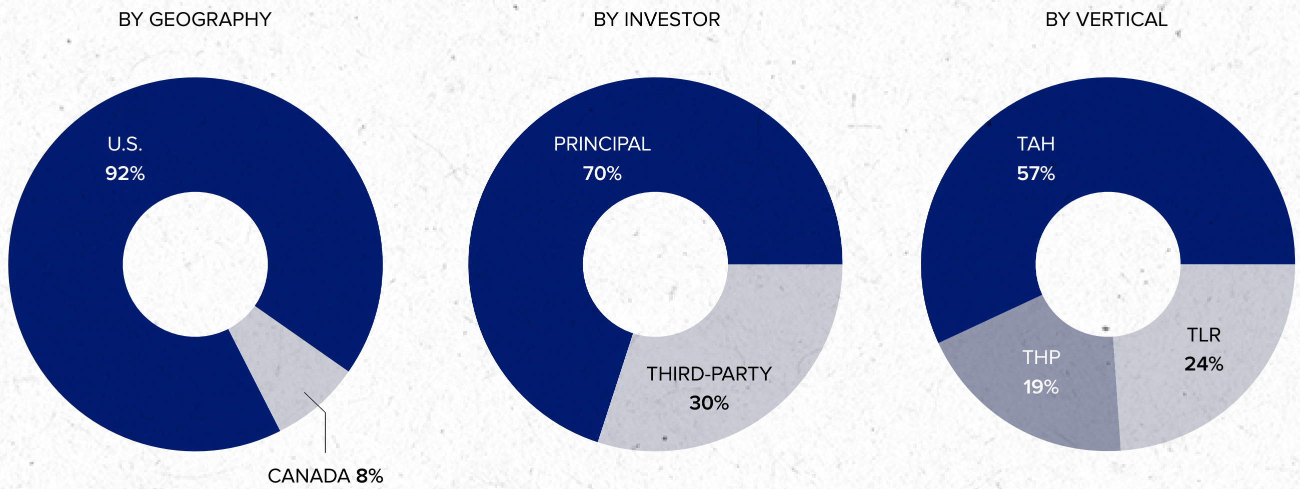
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

### 1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a residential real estate company primarily focused on rental housing in North America, with approximately $8.0 billion (C$10.5 billion) of assets under management as of December 31, 2019. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $22 billion.

$8.0 BILLION

**Assets Under Management (AUM)**




**TAH:** Single-family rental homes
**TLR:** Multi-family rental apartments
**THP:** For-sale housing

**1. Principal Investments**

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

(i) 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.

(ii) Tricon Lifestyle Rentals ("TLR") – Investment in multi-family rental properties, including development assets and existing income-producing assets.

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

Until the second quarter of 2018, the Company had also invested in Tricon Lifestyle Communities ("TLC") – Investment in manufactured housing communities, where land parcels were leased to owners of prefabricated homes. Investments in TLC were disposed of on June 29, 2018.

A detailed description of our investment verticals is included in our 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 third-party capital across its TAH, TLR and THP investments through private commingled funds, separate accounts, syndicated investments and joint ventures ("Investment Vehicles"). Tricon manages capital on behalf of Canadian, American and international institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. The Company's business objective in its Private Funds and Advisory business is to earn income through:

(i) Asset management of third-party capital invested through private Investment Vehicles. The Company's asset management business includes investments in each of its three investment verticals.

As general partner, sponsor and/or manager 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 fee revenue generated by TLR Canada projects, for which a Tricon entity acts as the developer.

The following is a list of the active Investment Vehicles 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, Tricon Housing Partners US Syndicated Pool I LP ("THP US SP1"), Tricon Housing Partners US Syndicated Pool II LP ("THP US SP2") and THPAS Holdings JV-1 LLC ("THPAS JV-1")
  - TLR Canada – The Selby, The Taylor, The James, Shops of Summerhill, West Don Lands, 8 Gloucester and 7 Labatt
  - TAH – Tricon American Homes Joint Venture-1 ("TAH JV-1")
- U.S. side-cars include THP investments Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills
- Canadian syndicated THP investments include 5 St. Joseph, Heritage Valley and Mahogany

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 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 American Homes**

Tricon American Homes, the Company's single-family rental home investment vertical, 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 515 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 $60,000 and $100,000 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.

Since its launch in 2012, TAH has grown its portfolio of U.S. single-family rental homes under management to 21,077 homes in 18 markets across ten states as of December 31, 2019. In June 2018, the Company entered into a joint venture arrangement with two leading institutional investors to assemble a portfolio of single-family rental homes which will be acquired and managed by TAH. The joint venture, TAH JV-1, is funded by a total equity commitment of $750 million and approximately $2 billion of buying power, when taking into account leverage, and is projected to acquire 10,000–12,000 homes over its three-year investment period.

**Tricon Lifestyle Rentals**

Tricon Lifestyle Rentals, the Company's multi-family investment vertical, is focused on investing in, developing and operating multi-family rental apartments in the United States and 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 the U.S., TLR invests in and operates multi-family rental apartments, with a current focus on garden-style apartments in the Sun Belt. TLR U.S. targets the middle market demographic by providing an affordable, high-quality housing solution that is attractive to the broader workforce. TLR U.S.' active portfolio includes 23 properties totalling 7,289 suites in 13 major markets following the completion of the Company's acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "U.S. Multi-Family Portfolio") on June 11, 2019 (see Section 4.2).

During the year, TLR U.S. also completed the sales of its legacy investments in multi-family development at The McKenzie and The Maxwell in Texas (see Section 3.1), concluding the Company's plan to dispose of its TLR U.S. development holdings. Hereafter, TLR U.S. will focus on managing and enhancing the existing stabilized portfolio in line with its business plan.

Tricon's longer-term U.S. multi-family strategy is to build on the current portfolio of existing assets and add additional core, core-plus and value-add properties as attractive acquisition opportunities present themselves. The U.S. multi-family rental market is a four trillion dollar asset class (source: National Multifamily Housing Council) – by far the largest "investable" institutional asset class in the U.S. – that produces relatively stable, predictable income which is compelling for both public and private institutional investors and is highly complementary to Tricon's other U.S. verticals. Similar to the Company's approach to the single-family rental business, management plans to establish a strong operating platform in its U.S. multi-family business and then ultimately raise third-party capital around it (including by potentially syndicating an interest in the U.S. Multi-Family Portfolio) to drive scale, generate recurring fee income and increase shareholders' return on equity. Subsequent to year-end, the Company terminated its transitional service agreement with Starlight Investments US AM Group LP and internalized the asset management function for the U.S. multi-family rental portfolio.

In Canada, 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. TLR's strategy is to assemble a portfolio of well-located, purpose-built multi-family rental properties which are near major job nodes and/or transit routes. TLR targets markets that are underpinned by strong economic fundamentals, including robust job and population growth and attractive supply and demand fundamentals that support long-term growth.

TLR's Canadian build-to-core multi-family strategy is focused on one of the country's fastest growing cities – Toronto. TLR is a first mover in providing new high-quality professionally managed rental apartments, a form of housing that is in high demand and has been structurally under-built. It is estimated that the number of renter households in Toronto will increase by over 22,000 per year until 2023, and the pace of new rental supply will need to double in order to meet this demand (source: RBC Economics Research). TLR believes that the confluence of urbanization trends, strong population growth, a robust and diversified economy, and major housing affordability issues will support very attractive rental fundamentals in Toronto, and that its high-quality, service-oriented rental offerings are well-positioned to capitalize on these compelling factors.

Subsequent to year-end, the Company completed the internalization of property management for TLR Canada. Tricon now has a fully integrated Canadian multi-family rental platform which includes in-house investment, development and construction, and building operations. The internalization of property management will allow TLR Canada to fully control the resident experience by focusing on customer service and community engagement, while also overseeing building operations.

**Tricon Housing Partners**

Tricon Housing Partners, the Company's for-sale housing investment vertical, is dedicated to providing equity or equity-type financing to experienced local or regional developers and builders (i.e. housing partners) in the United States and Canada. The Company's THP vertical typically 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 has three MPCs ranked in the top 50 in 2019 (source: RCLCO Real Estate Advisors). Tricon uses Johnson's platform to (i) invest in cash flowing MPCs that generate proceeds from lot sales, commercial land 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.

As part of its transformation into a predominantly rental housing company, Tricon intends to reduce its balance sheet exposure to THP and will consider syndicating or divesting for-sale housing assets to expedite this process. Notwithstanding this goal, THP remains an important source of future cash flow for the Company and driver of recurring contractual fee income through the management of third-party capital.

In this regard, on September 17, 2019, the Company announced that it had entered into a joint venture arrangement ("THPAS JV-1") with the Arizona State Retirement System. Through this joint venture, Tricon aims to fund the development of single-family "build-to-rent" communities and secondarily to invest in THP's and Johnson's integrated MPC business. This joint venture is expected to provide Tricon with increased scale and operational synergies across its diversified housing platform. The total equity committed to this venture is $450 million, including $400 million from the investor and $50 million from Tricon. See Section 4.4 for further details. On January 22, 2020, the Company completed the syndication of 50% of one of its direct THP investments to THPAS JV-1.

**Tricon Lifestyle Communities – disposed of in the second quarter of 2018**

Tricon Lifestyle Communities was launched in 2014 and focused on acquiring and managing existing three- to four-star manufactured housing communities in the U.S. Sun Belt. On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million (refer to Section 3.2).

It is management's intention to remain focused on its housing-centric investment strategy and invest only in sectors where Tricon can achieve sufficient scale and industry leadership. Tricon believes that its U.S. 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 or multi-family housing and good schools. The more affluent are likely to continue to buy homes, benefiting Tricon's for-sale housing investments in THP, whereas the workforce may be more likely to rent single-family homes or multi-family apartments from institutional landlords such as TAH and TLR.

### 1.3 How we integrate Environmental, Social and Governance priorities

Environmental, Social and Governance ("ESG") principles have guided Tricon's decision-making and strategy for the past 31 years. Tricon believes that the Company's success is not only measured by financial performance, but also by its contribution to the well-being of its people and communities, and its ability to operate responsibly across all business activities.

Tricon's ESG roadmap formalizes the Company's approach to ESG and highlights its strong commitment to five strategic priorities:

- Our People: Engage, support and enrich the lives of our employees so they can thrive. We recognize that creating a strong and healthy culture is an ongoing journey that must be firmly rooted in the concept of continuous improvement.
- Our Residents: Build meaningful communities where people can connect, grow and prosper. We simplify our residents' lives through technology; we build community through resident events and engagement; and we assist those who have fallen on hard times through our Residential Hardship Fund.
- Our Innovation: Leverage innovative technologies and housing solutions to drive convenience, connectivity and affordability. Our core service offerings are guided by two key desired outcomes: delivering superior service that creates exceptional resident experiences and developing offerings that enhance the lives of our residents while addressing their housing needs.
- Our Impact: Embrace smarter ways to reduce the environmental impact of our buildings by minimizing both our resource consumption and our carbon footprint. We are dedicated to ensuring that our developments are built to LEED standards and we protect wildlife and biodiversity by creating parks, green spaces and natural ecosystems.
- Our Governance: We proactively understand and manage the risks to our business, while acting in a manner that exemplifies our commitment to ethics, integrity, trust and transparency. The growth we have experienced over the past three decades is largely due to long-term partnerships with some of the world's largest pension plans, sovereign wealth funds, endowments and institutional investors. These are built on trust, alignment and governance. We are also committed to promoting diversity and gender balance on our Board and on our management team to foster a culture of innovation and inclusion.

Over the years, Tricon has placed significant emphasis on these ESG priorities which have steered the Company's decision-making. In 2019, Tricon saw meaningful and material impact in its priority areas:

- Our People: Tricon has always made its people a key priority, providing them with the training and support they need to enrich their lives. This year, the Company focused its efforts on reviewing programs and initiatives offered to help them advance and give back to their communities. The Pay It Forward program, whereby every employee receives $100 annually to give to charity or a person in need, has shown tremendous success and serves as an example of how Tricon will continue to support its people.
- Our Residents: In 2019, Tricon established a $100,000 Residential Hardship Fund to provide emergency assistance and financial relief to residents experiencing unexpected hardship. The fund provided financial assistance to 18 families in seven different markets who were impacted by personal issues (health crisis, job loss, death) or external issues (flooding damage). These funds helped residents and their families meet their rent obligations and stay in their homes.
- Our Innovation: This year, the design of the first phase of Block 8/20 was completed. Tricon partnered with investors and the Ontario Government under the Affordable Housing Lands Program to deliver an innovative solution to housing affordability in the West Don Lands region of Toronto. Block 8/20 is one of the largest affordable housing projects in Canada.

Please refer to Tricon's ESG roadmap, which was published on January 28, 2020 and is available on the Company's website, for further details. The ESG roadmap will guide the Company's ESG initiatives over the next three years and will provide a framework for data collection and reporting on Tricon's ongoing progress and performance.

## 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)**

| | Three months | | Twelve months | |
|---|---|---|---|---|
| For the periods ended December 31 | 2019 | 2018 | 2019 | 2018 |
| **Total revenue and investment income from continuing operations** | $ 73,943 | $ 60,320 | $ 246,714 | $ 276,134 |
| **Total investment income from discontinued operations** | – | – | – | 21,170 |
| **Net income** | 45,259 | 43,297 | 114,135 | 216,355 |
| **Basic earnings per share from:** | | | | |
| Continuing operations | 0.23 | 0.30 | 0.65 | 1.40 |
| Discontinued operations | – | – | – | 0.17 |
| **Basic earnings per share** | 0.23 | 0.30 | 0.65 | 1.57 |
| **Diluted earnings per share from:** | | | | |
| Continuing operations | 0.22 | 0.23 | 0.63 | 1.14 |
| Discontinued operations | – | – | – | 0.14 |
| **Diluted earnings per share** | 0.22 | 0.23 | 0.63 | 1.28 |
| **Dividends per share** | C$ 0.07 | C$ 0.07 | C$ 0.28 | C$ 0.28 |
| **Non-IFRS measures**[1] | | | | |
| Adjusted net income | $ 46,647 | $ 46,116 | $ 147,297 | $ 224,675 |
| Adjusted EBITDA | 95,785 | 79,671 | 314,200 | 363,996 |
| Less: | | | | |
| Tricon share of fair value gain included in investment income – TAH | 24,493 | 24,790 | 96,556 | 180,496 |
| Adjusted EBITDA from discontinued operations – TLC | – | – | – | 31,394 |
| Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA | 71,292 | 54,881 | 217,644 | 152,106 |
| Adjusted basic EPS attributable to shareholders of Tricon | 0.24 | 0.32 | 0.85 | 1.64 |
| Adjusted diluted EPS attributable to shareholders of Tricon | 0.23 | 0.30 | 0.81 | 1.45 |
| Funds from operations (FFO) | $ 34,392 | $ 25,414 | $ 80,447 | $ 50,171 |
| Funds from operations (FFO) per share | 0.16 | 0.16 | 0.42 | 0.31 |
| Funds from operations (FFO) per share (CAD)[2] | C$ 0.21 | C$ 0.22 | C$ 0.55 | C$ 0.42 |

| As at December 31 | 2019 | 2018 |
|---|---|---|
| Total assets | $ 2,302,289 | $ 1,687,662 |
| Total liabilities | 641,107 | 495,064 |
| Investments (including investments held for sale) | 2,191,592 | 1,582,623 |
| Debt | 470,553 | 374,716 |
| Assets under management (AUM)[3] | $ 8,047,446 | $ 5,703,910 |

(1) Non-IFRS measures including Adjusted net income, Adjusted EBITDA, Adjusted basic and diluted earnings per share, FFO and FFO 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) USD/CAD exchange rates used are 1.2988 at December 31, 2019 and 1.3642 at December 31, 2018.

(3) 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 periods ended December 31 (in thousands of U.S. dollars, except for percentages and units) | Three months | | Twelve months | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **TRICON AMERICAN HOMES** *(Refer to Sections 3.1, 3.2 and 4.1)* | | | | |
| **Investments – TAH** | | | **$ 1,365,007** | **$ 1,145,221** |
| **Investment income – TAH** | **$ 42,451** | **$ 38,159** | **162,193** | **218,932** |
| Tricon share of fair value gain included in investment income – TAH | 24,493 | 24,790 | 96,556 | 180,496 |
| Net operating income (NOI) | 52,856 | 41,425 | 193,349 | 151,196 |
| Net operating income (NOI) margin | 65.0% | 64.5% | 64.9% | 62.7% |
| Core funds from operations | 26,745 | 17,007 | 84,033 | 53,991 |
| Total homes managed | | | 21,077 | 17,442 |
| Occupancy | | | 93.8% | 92.4% |
| Stabilized occupancy | | | 95.9% | 96.2% |
| Total number of homes in same home portfolio | | | 14,423 | 14,423 |
| Same home net operating income (NOI) | 39,339 | 36,926 | 154,224 | 141,169 |
| Same home net operating income (NOI) growth | 6.5% | N/A | 9.2% | N/A |
| Same home net operating income (NOI) margin | 65.5% | 64.7% | 65.4% | 63.2% |
| **TRICON LIFESTYLE RENTALS** *(Refer to Sections 3.1, 3.2, 4.2 and 4.3)* | | | | |
| **Investments – TLR** | | | **$ 525,932** | **$ 129,838** |
| **Investment income – TLR** | **$ 16,812** | **$ 10,653** | **34,980** | **15,406** |
| **TLR U.S.**[1] | | | | |
| Net operating income (NOI)[2] | 16,964 | – | 37,959 | – |
| Net operating income (NOI) margin[2] | 59.2% | – | 59.3% | – |
| Core funds from operations[2] | 7,044 | – | 15,470 | – |
| Total suites managed | | | 7,289 | – |
| Occupancy | | | 94.4% | – |
| **TLR Canada** | | | | |
| Units under development or lease-up | | | 3,327 | 3,200 |
| **TRICON HOUSING PARTNERS** *(Refer to Sections 3.1, 3.2 and 4.4)* | | | | |
| **Investments – THP** | | | **$ 300,653** | **$ 307,564** |
| **Investment income – THP** | **$ 2,964** | **$ 1,943** | **9,646** | **11,449** |
| **TRICON LIFESTYLE COMMUNITIES** *(Refer to Section 3.1)* | | | | |
| **Investments held for sale – TLC** | | | **$ –** | **$ –** |
| **Investment income from discontinued operations – TLC** | **$ –** | **$ –** | **–** | **21,170** |
| **PRIVATE FUNDS AND ADVISORY** *(Refer to Sections 3.1 and 4.5)* | | | | |
| Third-party assets under management | | | $ 2,434,610 | $ 1,721,949 |
| **Contractual fees and GP distributions** | **$ 9,151** | **$ 8,108** | **32,447** | **27,572** |
| **Performance fees** | **2,565** | **1,457** | **7,448** | **2,775** |

(1) Excludes TLR U.S. development properties held for sale (refer to Section 1.2).

(2) NOI, NOI margin and core funds from operations represent Tricon's results for the ownership period of the U.S. Multi-Family Portfolio from June 11, 2019 to December 31, 2019.

The presentation of TAH operating metrics above reflects the performance of the entire portfolio under management, including the TAH JV-1 portfolio, which is managed by a TAH subsidiary.

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 audited consolidated financial statements and related notes for the year ended December 31, 2019.

## 3.1 Review of income statements

### Consolidated statements of income

| For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| **Revenue** | | | | | | |
| Contractual fees | $ 8,877 | $ 7,873 | $ 1,004 | $ 31,383 | $ 26,256 | $ 5,127 |
| General partner distributions | 274 | 235 | 39 | 1,064 | 1,316 | (252) |
| Performance fees | 2,565 | 1,457 | 1,108 | 7,448 | 2,775 | 4,673 |
| | 11,716 | 9,565 | 2,151 | 39,895 | 30,347 | 9,548 |
| **Investment income** | | | | | | |
| Investment income – Tricon American Homes | 42,451 | 38,159 | 4,292 | 162,193 | 218,932 | (56,739) |
| Investment income – Tricon Lifestyle Rentals | 16,812 | 10,653 | 6,159 | 34,980 | 15,406 | 19,574 |
| Investment income – Tricon Housing Partners | 2,964 | 1,943 | 1,021 | 9,646 | 11,449 | (1,803) |
| | 62,227 | 50,755 | 11,472 | 206,819 | 245,787 | (38,968) |
| **Total revenue and investment income** | **$ 73,943** | **$ 60,320** | **$ 13,623** | **$ 246,714** | **$ 276,134** | **$ (29,420)** |
| **Expenses** | | | | | | |
| Compensation expense | 9,744 | 8,621 | (1,123) | 37,681 | 36,875 | (806) |
| General and administration expense | 2,876 | 2,658 | (218) | 11,683 | 9,800 | (1,883) |
| Interest expense | 8,908 | 6,892 | (2,016) | 32,439 | 31,686 | (753) |
| Other expenses (income) | 6,650 | (7,084) | (13,734) | 35,939 | (16,701) | (52,640) |
| Realized and unrealized foreign exchange (gain) loss | (178) | 438 | 616 | (42) | (1,511) | (1,469) |
| | 28,000 | 11,525 | (16,475) | 117,700 | 60,149 | (57,551) |
| **Income before income taxes** | **45,943** | **48,795** | **(2,852)** | **129,014** | **215,985** | **(86,971)** |
| Income tax recovery (expense) – current | 1,974 | 1,231 | 743 | (5,410) | (639) | (4,771) |
| Income tax recovery (expense) – deferred | (2,658) | (6,729) | 4,071 | (9,469) | (22,118) | 12,649 |
| **Net income from continuing operations** | **45,259** | **43,297** | **1,962** | **114,135** | **193,228** | **(79,093)** |
| **Net income from discontinued operations** | **–** | **–** | **–** | **–** | **23,127** | **(23,127)** |
| **Net income** | **$ 45,259** | **$ 43,297** | **$ 1,962** | **$ 114,135** | **$ 216,355** | **$(102,220)** |
| **Attributable to:** | | | | | | |
| Shareholders of Tricon | $ 44,056 | $ 43,098 | $ 958 | $ 111,562 | $ 215,951 | $ (104,389) |
| Non-controlling interest | 1,203 | 199 | 1,004 | 2,573 | 404 | 2,169 |
| **Net income** | **$ 45,259** | **$ 43,297** | **$ 1,962** | **$ 114,135** | **$ 216,355** | **$(102,220)** |
| **Basic EPS attributable to shareholders of Tricon** | | | | | | |
| Continuing operations | $ 0.23 | $ 0.30 | $ (0.07) | $ 0.65 | $ 1.40 | $ (0.75) |
| Discontinued operations | – | – | – | – | 0.17 | (0.17) |
| **Basic EPS attributable to shareholders of Tricon** | **$ 0.23** | **$ 0.30** | **$ (0.07)** | **$ 0.65** | **$ 1.57** | **$ (0.92)** |
| **Diluted EPS attributable to shareholders of Tricon** | | | | | | |
| Continuing operations | $ 0.22 | $ 0.23 | $ (0.01) | $ 0.63 | $ 1.14 | $ (0.51) |
| Discontinued operations | – | – | – | – | 0.14 | (0.14) |
| **Diluted EPS attributable to shareholders of Tricon** | **$ 0.22** | **$ 0.23** | **$ (0.01)** | **$ 0.63** | **$ 1.28** | **$ (0.65)** |
| **Weighted average shares outstanding – basic** | **195,269,680** | **143,911,890** | **51,357,790** | **172,735,776** | **137,157,260** | **35,578,516** |
| **Weighted average shares outstanding – diluted[1]** | **213,682,237** | **162,455,879** | **51,226,358** | **191,081,128** | **162,112,882** | **28,968,246** |

(1) For the three and twelve months ended December 31, 2019, the Company's 2022 convertible debentures were dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in decreased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the three and twelve months ended December 31, 2019, the impact of the 2022 convertible debentures was included (2018 – 2020 convertible debentures and 2022 convertible debentures were included).

### Contractual fees

The following table provides further details regarding contractual fees for the three and twelve months ended December 31, 2019.

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Three months Variance | Twelve months 2019 | Twelve months 2018 | Twelve months Variance |
|---|---|---|---|---|---|---|
| Management fees – private Investment Vehicles | $ 3,081 | $ 4,050 | $ (969) | $ 14,035 | $ 13,754 | $ 281 |
| Development fees – TLR Canada projects | 287 | 1,290 | (1,003) | 1,622 | 2,892 | (1,270) |
| Development fees – Johnson | 5,509 | 2,533 | 2,976 | 15,726 | 9,610 | 6,116 |
| **Contractual fees** | **$ 8,877** | **$ 7,873** | **$ 1,004** | **$ 31,383** | **$ 26,256** | **$ 5,127** |

Contractual fees for the three months ended December 31, 2019 totalled $8.9 million, an increase of $1.0 million from the same period in the prior year. The increase is attributable to:

- An increase of $3.0 million in Johnson development fees which was mainly driven by higher lot closings and land sales this quarter compared to the same period in the prior year (see Section 4.5).
- An offsetting decrease of $1.0 million in TLR Canada development fees as a result of additional fees earned for achieving development milestones in the fourth quarter of 2018.
- An additional offsetting decrease of $1.0 million in management fees from THP investments as distributions were made during the period, thereby reducing outstanding invested capital.

Contractual fees for the twelve months ended December 31, 2019 totalled $31.4 million, an increase of $5.1 million from the prior year. The increase is primarily attributable to:

- An increase of $6.1 million in Johnson development fees for the reasons noted above as well as the bulk sale of a significant residential parcel in the first quarter of 2019.
- An increase of $0.3 million in management fees driven by an increase of $1.9 million in management fees earned from TAH JV-1 which was launched at the end of the second quarter of 2018, partially offset by a decrease in fees from THP investments as distributions resulted in lower investment balances.
- An offsetting decrease of $1.3 million in TLR Canada development fees primarily as a result of construction completion at The Selby in the fourth quarter of 2018.

**Investment income – Tricon American Homes**

The following table provides details regarding the components of investment income from TAH for the three and twelve months ended December 31, 2019. The table below represents 100% of the operating portfolio managed by TAH and adjusts for third-party investor interests to reconcile to the investment income that is attributable to the Company.

| For the periods ended December 31 | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Total revenue | $ 81,346 | $ 64,269 | $ 17,077 | $ 297,954 | $ 241,020 | $ 56,934 |
| Total operating expenses | (28,490) | (22,844) | (5,646) | (104,605) | (89,824) | (14,781) |
| **Net operating income (NOI)[1,2]** | **$ 52,856** | **$ 41,425** | **$ 11,431** | **$ 193,349** | **$ 151,196** | **$ 42,153** |
| Fair value gain[2] | 27,458 | 24,790 | 2,668 | 102,141 | 180,496 | (78,355) |
| Other expenses[2,3] | (9,649) | (8,666) | (983) | (35,525) | (38,626) | 3,101 |
| Interest expense[2] | (23,000) | (20,138) | (2,862) | (89,997) | (77,300) | (12,697) |
| Third-party investor interests[2] | (5,214) | 748 | (5,962) | (7,775) | 3,166 | (10,941) |
| **Investment income – TAH** | **$ 42,451** | **$ 38,159** | **$ 4,292** | **$ 162,193** | **$ 218,932** | **$ (56,739)** |

(1) KPI measure; see Section 8.1.

(2) TAH's NOI, fair value gain, other expenses and interest expense represent the results of the entire operating portfolio managed by TAH, and the portion not attributable to the Company's ownership is adjusted for as third-party investor interests below NOI. TAH's investment income reflects only the Company's ownership share in TAH JV-1 (see Section 4.1).

(3) Other expenses are comprised of:

| For the periods ended December 31 | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Corporate overhead[4] | $ (3,111) | $ (4,280) | $ 1,169 | $ (19,319) | $ (19,471) | $ 152 |
| Transaction costs and non-recurring items | (2,693) | (815) | (1,878) | (3,322) | (8,897) | 5,575 |
| Depreciation and non-cash items[4] | (1,532) | (2,565) | 1,033 | (4,839) | (5,550) | 711 |
| Deferred tax (expense) recovery | (555) | 387 | (942) | (799) | 389 | (1,188) |
| TAH JV-1 partner-level expenses[5] | (1,758) | (1,393) | (365) | (7,246) | (5,097) | (2,149) |
| **Other expenses** | **$ (9,649)** | **$ (8,666)** | **$ (983)** | **$ (35,525)** | **$ (38,626)** | **$ 3,101** |

(4) The comparative period has been reclassified to conform with the current period presentation. No changes to total other expenses were made as a result of this reclassification.

(5) These expenses represent 100% of TAH JV-1 costs that are not incurred at the operational level and include professional fees and interest expense on partner-level debt. The portion of these expenses not attributable to the Company's ownership is adjusted for as Third-party investor interests in the first table above.

TAH's investment income was $42.5 million for the three months ended December 31, 2019, an increase of $4.3 million compared to the same period in 2018. The variance in investment income is attributable to:

- An increase of $11.4 million or 28% in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description; see also footnote 2 in the table above) as a result of a larger leased portfolio, strong rent growth and effective cost containment, in particular in the repairs and maintenance function (see Section 4.1).
- A fair value gain of $27.5 million in the quarter compared to $24.8 million in the same period in 2018, an increase of $2.7 million primarily driven by a larger portfolio of homes. Consistent with previous quarters, fair value gain is determined by using Broker Price Opinions ("BPOs") and the Home Price Index ("HPI") methodology on the remaining homes not subject to BPOs (see Section 9.1). This quarter, there were 3,132 homes valued using the BPO method compared to 238 homes valued using this method in the same period in 2018. The HPI increase net of capital expenditures was 0.7% (2.8% annualized) compared to a 1.4% increase in the fourth quarter of 2018 (5.6% annualized).
- An increase of $2.9 million in interest expense attributable to a higher outstanding debt balance necessary to finance additional homes in the growing TAH JV-1 rental portfolio. TAH currently has approximately 72% of its total debt locked in with fixed-rate financing, thereby reducing its exposure to LIBOR fluctuations.
- An increase of $6.0 million in third-party investor interests as a result of TAH JV-1 earning positive income during the quarter compared to the same period in 2018 when it was operating at a loss.

TAH's investment income for the twelve months ended December 31, 2019 was $162.2 million compared to $218.9 million for the same period in 2018, a decrease of $56.7 million. The variance is primarily attributable to a decrease in fair value gain of $78.4 million reflecting a moderation of national home price appreciation and an increase in interest expense on incremental debt of $12.7 million. These changes were partially offset by a 28% increase in NOI from a larger leased portfolio and a higher NOI margin (see Section 4.1), net of an increase of third-party investor interests from positive TAH JV-1 income.

### Investment income – Tricon Lifestyle Rentals

The following table provides details regarding investment income from TLR for the three and twelve months ended December 31, 2019.

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Three months Variance | Twelve months 2019 | Twelve months 2018 | Twelve months Variance |
|---|---|---|---|---|---|---|
| Investment income – TLR U.S. | $ 6,733 | $ – | $ 6,733 | $ 13,508 | $ – | $ 13,508 |
| Investment income – TLR Canada | 8,966 | 11,239 | (2,273) | 11,754 | 11,605 | 149 |
| Gain (loss) on investments held for sale within TLR | 1,113 | (586) | 1,699 | 9,718 | 3,801 | 5,917 |
| **Total investment income – TLR** | **$ 16,812** | **$ 10,653** | **$ 6,159** | **$ 34,980** | **$ 15,406** | **$ 19,574** |

### Investment income – Tricon Lifestyle Rentals U.S.

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "U.S. Multi-Family Portfolio") (see Section 4.2). The following table provides details regarding investment income generated by TLR U.S. from the U.S. Multi-Family Portfolio's properties for the periods since acquisition.

| (in thousands of U.S. dollars) | For the three months ended December 31, 2019 | For the period from June 11, 2019 to December 31, 2019 |
|---|---|---|
| Total revenue | $ 28,633 | $ 64,001 |
| Total operating expenses | 11,669 | 26,042 |
| **Net operating income (NOI)** | **16,964** | **37,959** |
| Fair value gain | – | – |
| Other expenses[1] | (936) | (3,352) |
| Interest expense | (9,295) | (21,099) |
| **Investment income – TLR U.S.** | **$ 6,733** | **$ 13,508** |

(1) Other expenses are comprised of:

| (in thousands of U.S. dollars) | For the three months ended December 31, 2019 | For the period from June 11, 2019 to December 31, 2019 |
|---|---|---|
| Corporate overhead[2] | $ (936) | $ (1,701) |
| Deferred tax expense | – | (1,651) |
| **Other expenses** | **$ (936)** | **$ (3,352)** |

(2) Corporate overhead for the three months ended December 31, 2019 includes transition service expenses of $250, non-recurring internalization-related costs of $311, and other general and administration expenses of $375. For the period from June 11, 2019 to December 31, 2019, the balance includes transition service expense of $556, non-recurring internalization-related costs of $311 and other general and administration expenses of $834.

TLR U.S. generated investment income of $6.7 million for the three months ended December 31, 2019, which is predominantly comprised of the following items:

- Net operating income ("NOI") (KPI measure; refer to Section 8.1) of $17.0 million representing rental revenue of $28.6 million at a 94.4% occupancy rate and average monthly rent of $1,240 less operating expenses of $11.7 million primarily comprised of property taxes, property management and other direct costs.
- An offsetting interest expense of $9.3 million resulting from interest on the outstanding credit facility and mortgages payable at a weighted average interest rate of 4.0%.

The composition of investment income for the period from June 11, 2019 to December 31, 2019 was similar to that for the three months ended December 31, 2019.

**Investment income – Tricon Lifestyle Rentals Canada**

The following table provides details regarding investment income from TLR Canada for the three and twelve months ended December 31, 2019.

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Operating income during development and lease-up[1] | $ 322 | $ 299 | $ 23 | $ 1,131 | $ 881 | $ 250 |
| Other gains (expenses)[1,2] | 1,496 | 96 | 1,400 | 2,092 | (1,220) | 3,312 |
| Fair value gain[1] | 7,317 | 10,870 | (3,553) | 9,262 | 12,060 | (2,798) |
| Interest expense[1] | (169) | (26) | (143) | (731) | (116) | (615) |
| **Investment income – TLR Canada** | **$ 8,966** | **$ 11,239** | **$ (2,273)** | **$ 11,754** | **$ 11,605** | **$ 149** |

(1) The comparative periods have been reclassified to conform with the current period presentation. There is no impact on investment income as a result of this reclassification.

(2) Other (expenses) gains are comprised of:

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Unrealized foreign exchange gain (loss) | $ 1,714 | $ (2,941) | $ 4,655 | $ 3,800 | $ (3,735) | $ 7,535 |
| Corporate overhead | (225) | (53) | (172) | (366) | (149) | (217) |
| Deferred tax recovery | – | 3,090 | (3,090) | – | 2,671 | (2,671) |
| Transaction costs and non-recurring items | 7 | – | 7 | (1,342) | (7) | (1,335) |
| **Other (expenses) gains** | **$ 1,496** | **$ 96** | **$ 1,400** | **$ 2,092** | **$ (1,220)** | **$ 3,312** |

TLR Canada's investment income was $9.0 million for the three months ended December 31, 2019, a decrease of $2.3 million compared to $11.2 million for the same period in 2018. The variance is mainly attributable to:

- A decrease of $3.6 million in fair value gain to $7.3 million in the fourth quarter of 2019 compared to a $10.9 million fair value gain in the prior-year comparative period. The fair value gain in the current period was primarily driven by land value increases across multiple projects, while the larger fair value gain experienced in the fourth quarter of 2018 was attributable to the achievement of significant development milestones, including the completion of The Selby.
- An offsetting increase of $1.4 million in other gains, primarily driven by an increase of $4.7 million in foreign exchange gain as the Canadian dollar strengthened during the quarter, partially offset by a decrease of $3.1 million in income tax recovery recognized from a business reorganization completed in 2018.
- An increase of $0.1 million in interest expense as The Selby has shifted from the development phase to the lease-up phase and thus interest expense is no longer capitalized as part of development costs.

TLR Canada's investment income was $11.8 million for the twelve months ended December 31, 2019, a small increase of $0.1 million compared to $11.6 million in 2018. The variance is mainly attributable to:

- An increase of $3.3 million in other gains, primarily driven by an increase of $7.5 million in favourable foreign exchange adjustment, partially offset by a reduction in income tax recovery of $2.7 million as discussed above as well as higher transaction costs of $1.3 million relating to the acquisition of 7 Labatt and financing costs for The Selby.
- A decrease of $2.8 million in fair value gain for the reasons discussed above.
- An increase of $0.6 million in interest expense as discussed above, partially offset by an increase of $0.3 million in operating income from The Selby.

**Gain (loss) on investments held for sale within TLR**

On December 19, 2019, TLR finalized the sale of its 90% interest in The Maxwell, a 325-unit rental building in Frisco, Texas, completing the Company's plan to dispose of its TLR U.S. development holdings.

For the three months ended December 31, 2019, the gain on TLR U.S. investments held for sale was $1.1 million, an increase of $1.7 million compared to a loss of $0.6 million for the same period in 2018. This increase is attributable to realized gains recognized on The Maxwell.

For the twelve months ended December 31, 2019, the gain on TLR U.S. investments held for sale was $9.7 million, an increase of $5.9 million compared to a gain of $3.8 million in 2018. The increase is attributable to realized gains recognized on both The Maxwell and The McKenzie, the latter of which was sold in April 2019.

**Investment income – Tricon Housing Partners**

The following table summarizes investment income from THP for the three and twelve months ended December 31, 2019.

| For the periods ended December 31 | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| **Investment income – THP** | **$ 2,964** | **$ 1,943** | **$ 1,021** | **$ 9,646** | **$ 11,449** | **$ (1,803)** |

Investment income for the three months ended December 31, 2019 was $3.0 million, an increase of $1.0 million compared to $1.9 million for the same period in 2018. The variance is mainly attributable to fair value increases resulting from favourable annual external appraisals of separate account investments compared to the same period in the prior year.

Investment income for the twelve months ended December 31, 2019 was $9.6 million, a decrease of $1.8 million compared to $11.4 million for the same period in 2018. The variance is mainly attributable to a decrease in fair value gains from direct investments compared to the prior year.

**Compensation expense**

The table below provides a breakdown of compensation expense.

| For the periods ended December 31 | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Salaries and benefits | $ 5,139 | $ 4,108 | $ (1,031) | $ 19,198 | $ 14,838 | $ (4,360) |
| Annual incentive plan ("AIP") | 2,874 | (2,739) | (5,613) | 13,855 | 10,391 | (3,464) |
| Long-term incentive plan ("LTIP") | 1,731 | 7,252 | 5,521 | 4,628 | 11,646 | 7,018 |
| **Total compensation expense** | **$ 9,744** | **$ 8,621** | **$ (1,123)** | **$ 37,681** | **$ 36,875** | **$ (806)** |

Compensation expense for the three months ended December 31, 2019 increased by $1.1 million compared to the same period in the prior year. The variance is attributable to:

- An increase of $5.6 million in AIP expense, as performance-based awards were accrued for evenly during the year, whereas the comparative period reflected a recovery when actual AIP was finalized in the fourth quarter.
- An increase of $1.0 million in payroll costs due to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments.
- An offsetting decrease of $5.5 million in LTIP expense as a result of lower estimated future performance fees from Investment Vehicles that will be paid to management under the LTIP when cash is received from each relevant investment over time.

Compensation expense for the twelve months ended December 31, 2019 increased by $0.8 million compared to the same period in the prior year. The variance is attributable to an increase of $4.4 million in payroll costs and $3.5 million in AIP expense, partially offset by a $7.0 million decrease in LTIP expense for the reasons discussed above.

**General and administration expense**

General and administration expense for the three and twelve months ended December 31, 2019 increased by $0.2 million and $1.9 million, respectively, compared to the same periods in the prior year. Both variances are primarily attributable to higher professional fees corresponding to the greater scope of the Company's business activities, including consulting fees in relation to the implementation of ESG initiatives. These increases are in line with expectations given the growth of the Company.

**Interest expense**

The table below provides a summary of interest expense.

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Three months Variance | Twelve months 2019 | Twelve months 2018 | Twelve months Variance |
|---|---|---|---|---|---|---|
| Credit facility interest | $ 5,181 | $ 3,274 | $ (1,907) | $ 17,819 | $ 12,677 | $ (5,142) |
| Debentures interest | 2,879 | 2,872 | (7) | 11,472 | 14,522 | 3,050 |
| Debentures discount amortization | 716 | 647 | (69) | 2,729 | 4,104 | 1,375 |
| Mortgages interest | 116 | 81 | (35) | 354 | 331 | (23) |
| Interest on lease obligation | 16 | 18 | 2 | 65 | 52 | (13) |
| **Total interest expense** | **$ 8,908** | **$ 6,892** | **$ (2,016)** | **$ 32,439** | **$ 31,686** | **$ (753)** |

Interest expense was $8.9 million for the three months ended December 31, 2019 compared to $6.9 million for the same period last year, an increase of $2.0 million primarily driven by a higher outstanding credit facility balance.

Interest expense was $32.4 million for the twelve months ended December 31, 2019 compared to $31.7 million for the same period last year, an increase of $0.8 million. The increase was mainly attributable to a larger outstanding credit facility balance, partially offset by the redemption of the previously outstanding 5.60% convertible unsecured subordinated debentures (the "2020 convertible debentures"), which were redeemed in full on October 9, 2018.

**Other expenses (income)**

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

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Three months Variance | Twelve months 2019 | Twelve months 2018 | Twelve months Variance |
|---|---|---|---|---|---|---|
| Net change in fair value of derivative financial instruments and other liability | $ 1,348 | $ (8,583) | $ (9,931) | $ (2,961) | $ (27,680) | $ (24,719) |
| Loss on debt extinguishment | – | – | – | – | 5,349 | 5,349 |
| Transaction costs | 3,713 | (90) | (3,803) | 32,626 | 90 | (32,536) |
| Amortization and depreciation expense | 1,589 | 1,589 | – | 6,274 | 5,540 | (734) |
| **Total other expenses (income)** | **$ 6,650** | **$ (7,084)** | **$ (13,734)** | **$ 35,939** | **$ (16,701)** | **$ (52,640)** |

For the three months ended December 31, 2019, the fair value of derivative financial instruments and other liability increased by $1.3 million (2018 – decrease of $8.6 million), which is reflected as an expense to the Company (2018 – income). The change was primarily a result of the overall higher value of the conversion option of the 2022 convertible debentures which was driven by an increase in the Company's share price on the Toronto Stock Exchange ("TSX") from September 30, 2019 to December 31, 2019.

For the twelve months ended December 31, 2019, the fair value of derivative financial instruments and other liability decreased by $3.0 million (2018 – decrease of $27.7 million), which is reflected as income of the Company (2018 – income). The net decrease was primarily attributable to a decrease in the value of the conversion option of the 2022 convertible debentures which was driven by a reduction in the time remaining until option expiration, among other factors.

For the three and twelve months ended December 31, 2019, transaction costs were $3.7 million and $32.6 million, an increase of $3.8 million and $32.5 million, respectively, compared to the same periods in the prior year, related primarily to the acquisition of the U.S. Multi-Family Portfolio. Of the transaction costs related to the acquisition of the portfolio, $28.0 million was expensed (comprised of investment banking, consulting and other transitional services, legal, finance and tax, due diligence and other fees) and the remainder was charged directly to share capital in connection with the issuance of Tricon common shares as part of the acquisition. As at December 31, 2019, transaction costs of $12.4 million remained payable, which was fully paid on January 13, 2020.

For the twelve months ended December 31, 2018, the Company incurred a $5.3 million loss on debt extinguishment related to the redemption in full of the outstanding balance of the 2020 convertible debentures on October 9, 2018.

**Income tax expense**

For the three months ended December 31, 2019, income tax expense decreased by $4.8 million compared to the same period in the prior year. The decrease was mainly explained by a change in the estimate of future deductibility of transaction costs incurred in relation to the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, which reduced deferred tax expense.

For the twelve months ended December 31, 2019, income tax expense was $7.9 million lower than the same period in the prior year as a result of a significant decrease in the deferred tax expense of $12.6 million, partially offset by an increase in the current tax expense of $4.8 million. The decrease in deferred income tax expense was driven by lower fair value gains and investment income at TAH. The increase in current income tax expense was mainly attributable to the tax impacts of the sale of the legacy TLR U.S. development properties.

**Disposition of Tricon Lifestyle Communities**

For the three and twelve months ended December 31, 2019, net income from the discontinued operations of TLC was nil (2018 – nil and $23.1 million, respectively). On June 29, 2018, TLC completed the sale of its portfolio of 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million.

### 3.2 Review of selected balance sheet items

| As at (in thousands of U.S. dollars) | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ 8,908 | $ 7,608 | $ 4,911 | $ 13,292 | $ 7,773 |
| Amounts receivable | 8,952 | 11,339 | 14,276 | 13,063 | 17,934 |
| Prepaid expenses and deposits | 796 | 945 | 461 | 419 | 819 |
| Investments – Tricon American Homes | 1,365,007 | 1,328,853 | 1,262,571 | 1,207,137 | 1,145,221 |
| Investments – Tricon Lifestyle Rentals | 525,932 | 531,321 | 517,143 | 142,058 | 129,838 |
| Investments – Tricon Housing Partners | 300,653 | 318,424 | 329,629 | 328,425 | 307,564 |
| Intangible assets | 16,396 | 17,476 | 18,556 | 19,638 | 20,733 |
| Deferred income tax assets | 44,749 | 42,117 | 42,252 | 38,937 | 36,135 |
| Other assets | 30,896 | 28,438 | 22,218 | 21,941 | 21,645 |
| **Total assets** | **$ 2,302,289** | **$ 2,286,521** | **$ 2,212,017** | **$ 1,784,910** | **$ 1,687,662** |
| **Liabilities** | | | | | |
| Amounts payable and accrued liabilities | $ 26,055 | $ 30,744 | $ 28,351 | $ 8,079 | $ 6,429 |
| Dividends payable | 10,474 | 10,257 | 10,398 | 7,514 | 7,350 |
| Long-term incentive plan | 21,409 | 20,805 | 22,875 | 21,720 | 21,407 |
| Debt | 470,553 | 492,334 | 434,674 | 437,846 | 374,716 |
| Deferred income tax liabilities | 98,584 | 93,607 | 93,150 | 87,487 | 81,226 |
| Derivative financial instruments | 657 | 147 | 3,332 | 10,821 | 3,936 |
| Other liability | 13,375 | 12,537 | 12,486 | – | – |
| **Total liabilities** | **641,107** | **660,431** | **605,266** | **573,467** | **495,064** |
| **Equity** | | | | | |
| Share capital | 1,201,061 | 1,199,695 | 1,201,678 | 794,857 | 793,521 |
| Share capital reserve | (13,057) | (13,057) | (13,057) | – | – |
| Contributed surplus | 20,223 | 20,019 | 19,594 | 18,422 | 17,468 |
| Cumulative translation adjustment | 19,396 | 19,429 | 19,255 | 19,507 | 19,525 |
| Retained earnings | 425,515 | 391,915 | 371,193 | 369,646 | 353,220 |
| Total shareholders' equity | 1,653,138 | 1,618,001 | 1,598,663 | 1,202,432 | 1,183,734 |
| Non-controlling interest | 8,044 | 8,089 | 8,088 | 9,011 | 8,864 |
| **Total equity** | **1,661,182** | **1,626,090** | **1,606,751** | **1,211,443** | **1,192,598** |
| **Total liabilities and equity** | **$ 2,302,289** | **$ 2,286,521** | **$ 2,212,017** | **$ 1,784,910** | **$ 1,687,662** |

**Investments – Tricon American Homes**

Investments in TAH increased by $0.3 billion to $1.4 billion as at December 31, 2019, from $1.1 billion as at December 31, 2018. The increase was driven by:

- Investment income of $162.2 million consisting of $193.3 million of NOI and $102.1 million of fair value gains, partially offset by $90.0 million of interest expense and $43.2 million of overhead and other expenses, net of third-party investor interests;
- Advances of $131.2 million primarily for the acquisition and renovation of rental homes, including a $95.0 million contribution to TAH JV-1; and
- Offsetting cash distributions of $73.6 million to Tricon.

| (in thousands of U.S. dollars) | As at December 31, 2018 | Advances | Investment income | Distributions | As at December 31, 2019 |
|---|---|---|---|---|---|
| **Investments – TAH** | **$ 1,145,221** | **$ 131,193** | **$ 162,193** | **$ (73,600)** | **$ 1,365,007** |

**Investments – Tricon Lifestyle Rentals**

Investments in TLR increased by $396.1 million to $525.9 million as at December 31, 2019, from $129.8 million as at December 31, 2018. The increase was predominantly related to total advances of $436.2 million (comprised of equity consideration of $405.7 million for the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund and cash advances of $30.5 million to various Investment Vehicles) along with investment income of $35.0 million (see Section 3.1), partially offset by distributions, including $71.1 million from the sale of the legacy U.S. development assets during the year.

| (in thousands of U.S. dollars) | As at December 31, 2018 | Advances | Investment income | Distributions | As at December 31, 2019 |
|---|---|---|---|---|---|
| Investments – TLR U.S.[1] | $ – | $ 419,552 | $ 13,508 | $ (4,000) | $ 429,060 |
| Investments – TLR Canada | 70,199 | 14,919 | 11,754 | – | 96,872 |
| Assets held for sale within TLR | 59,639 | 1,728 | 9,718 | (71,085) | – |
| **Investments – TLR** | **$ 129,838** | **$ 436,199** | **$ 34,980** | **$ (75,085)** | **$ 525,932** |

(1) Advances of $419,552 to TLR U.S. include $405,714 pertaining to equity issuance and $13,838 of subsequent cash advances in relation to the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund.

**Investments – Tricon Housing Partners**

Investments in THP decreased by $6.9 million to $300.7 million as at December 31, 2019, from $307.6 million as at December 31, 2018. The decrease was primarily attributable to distributions of $51.9 million to Tricon, partially offset by advances of $35.4 million and investment income of $9.6 million.

| (in thousands of U.S. dollars) | As at December 31, 2018 | Advances | Investment income | Distributions | As at December 31, 2019 |
|---|---|---|---|---|---|
| **Investments – THP** | **$ 307,564** | **$ 35,389** | **$ 9,646** | **$ (51,946)** | **$ 300,653** |

**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 | December 31, 2019 | December 31, 2018 |
| Revolving term credit facility | USD | $ 500,000 | July 2022 | LIBOR+3.75% | $ 297,000 | $ 209,250 |
| 2022 convertible debentures | USD | $ 172,400 | March 2022 | 5.75% | 161,311 | 157,112 |
| Mortgages[1] | CAD | $ 14,488 | November 2024 | 4.25% | 11,153 | 7,150 |
| Lease obligation | USD | $ 1,089 | March 2026 | 5.60% | 1,089 | 1,204 |
| | | | | | **$ 470,553** | **$ 374,716** |

(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 expenses (income)). The mortgages are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at December 31, 2019: 1.2988 and at December 31, 2018: 1.3642.

On July 31, 2019, the Company and its syndicate of lenders completed an amendment and restatement of Tricon's corporate revolving credit facility (the "Credit Facility Amendment"), increasing the total available credit facility by $135 million to $500 million. The Credit Facility Amendment includes extending the maturity of the facility to July 31, 2022, reducing interest rates by up to 50 basis points and reducing standby fees by up to 21.25 basis points. The remaining key terms of the facility remain substantially unchanged. As of December 31, 2019, $297.0 million was drawn from the facility, and the Company had a cash balance of $8.9 million.

As of December 31, 2019, there was $172.4 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 16,481,837 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$13.59 as of December 31, 2019). For the year ended December 31, 2019, $0.1 million principal amount was converted into 9,560 common shares.

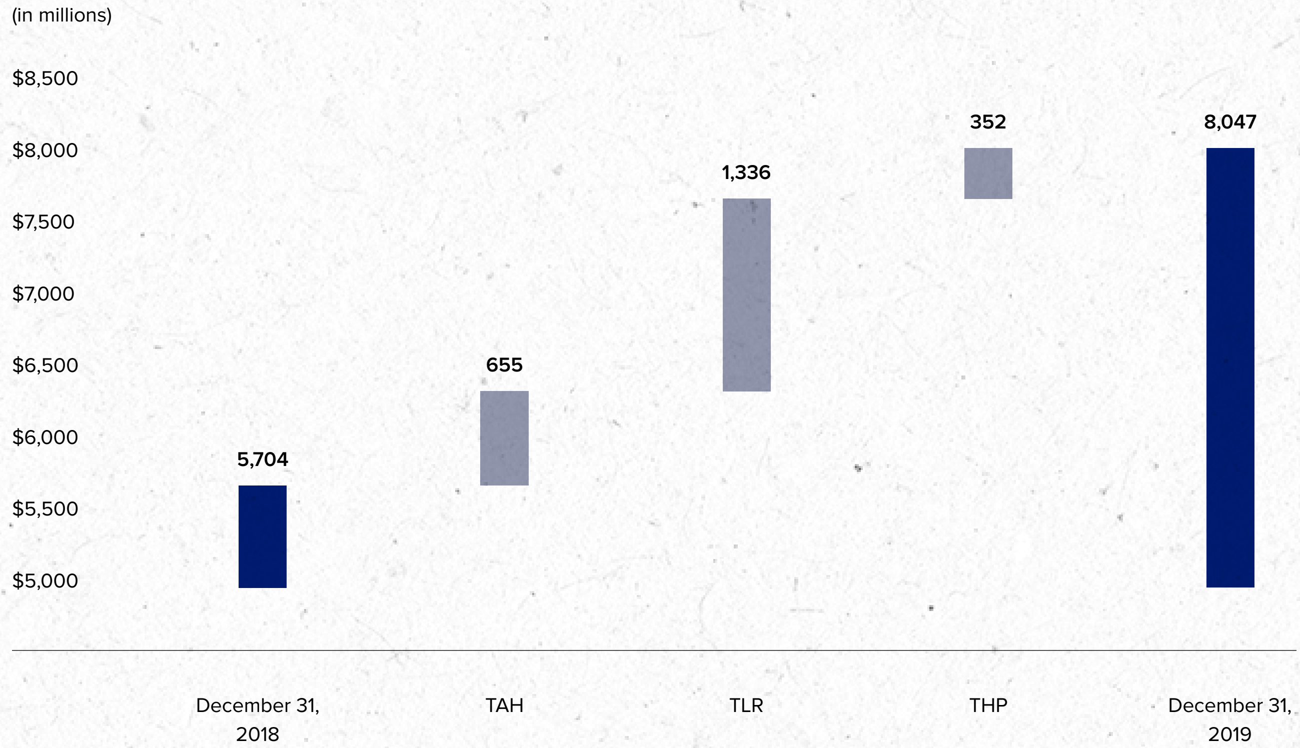
As of December 31, 2019, the Company had two outstanding mortgage loans totalling $11.2 million (C$14.5 million). In November 2017, the Company financed the acquisition of its head office in Toronto with a mortgage carrying a fixed interest rate of 4.38% per annum compounded semi-annually. On September 19, 2019, the Company obtained a new mortgage loan to purchase additional space within its existing head office building in Toronto, which carries a fixed interest rate of 3.99% compounded semi-annually. Both mortgages mature in November 2024.

On April 1, 2018, the Company entered into an agreement to lease office space at 260 California Street, San Francisco, with an expiration date of March 2026. The initial lease obligation recognized was $1.2 million, and the carrying value was $1.1 million as at December 31, 2019.

### 3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $8.0 billion as at December 31, 2019, representing an increase of $2.3 billion since December 31, 2018. 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 year on a vertical-by-vertical basis, the changes in AUM since December 31, 2018 were:

- An increase of $655.1 million in TAH AUM driven primarily by substantial home acquisitions and renovations for the TAH JV-1 portfolio as well as $108.4 million of fair value adjustments (excluding projected future disposition fees) related to home price appreciation (see Section 4.1).
- An increase of $1.3 billion in TLR AUM primarily from the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, the acquisition of 7 Labatt, as well as construction costs, other capital expenditures and fair value gains recognized at various projects during the year, offset by a $163.5 million reduction from the disposition of The McKenzie and The Maxwell.
- An increase of $351.9 million in THP AUM driven primarily by $450.0 million of committed capital for THPAS JV-1, partially offset by distributions from commingled funds and separate account 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) | December 31, 2019[1] | September 30, 2019[1] | June 30, 2019[1] | March 31, 2019[1] | December 31, 2018[1] |
|---|---|---|---|---|---|
| **PRINCIPAL INVESTMENTS[2]** | | | | | |
| **Tricon American Homes** | **$ 3,691,262** | **$ 3,584,680** | **$ 3,518,844** | **$ 3,435,719** | **$ 3,333,773** |
| **Tricon Lifestyle Rentals** | | | | | |
| U.S. | 1,344,844 | 1,341,558 | 1,339,161 | – | – |
| Canada | 191,747 | 177,857 | 177,272 | 172,222 | 141,871 |
| Assets held for sale | – | 61,244 | 56,328 | 173,264 | 163,545 |
| **Tricon Lifestyle Rentals** | **1,536,591** | **1,580,659** | **1,572,761** | **345,486** | **305,416** |
| **Tricon Housing Partners** | | | | | |
| Commingled funds | 123,131 | 137,570 | 138,815 | 138,629 | 136,874 |
| Direct investments | 133,280 | 133,201 | 142,427 | 143,264 | 117,643 |
| Separate accounts and side-cars | 128,572 | 132,690 | 82,107 | 84,293 | 88,255 |
| **Tricon Housing Partners** | **384,983** | **403,461** | **363,349** | **366,186** | **342,772** |
| **Principal investments** | **$ 5,612,836** | **$ 5,568,800** | **$ 5,454,954** | **$ 4,147,391** | **$ 3,981,961** |
| **PRIVATE FUNDS AND ADVISORY** | | | | | |
| **Tricon American Homes** | **$ 858,723** | **$ 738,717** | **$ 673,754** | **$ 609,957** | **$ 561,069** |
| **Tricon Lifestyle Rentals** | **379,812** | **369,078** | **364,062** | **345,576** | **274,528** |
| **Tricon Housing Partners** | | | | | |
| Commingled funds | 162,093 | 184,844 | 197,520 | 216,176 | 254,397 |
| Separate accounts and side-cars | 1,018,212 | 1,024,312 | 591,515 | 604,827 | 616,941 |
| Syndicated investments | 15,770 | 15,467 | 15,651 | 15,327 | 15,014 |
| **Tricon Housing Partners** | **1,196,075** | **1,224,623** | **804,686** | **836,330** | **886,352** |
| **Private Funds and Advisory** | **$ 2,434,610** | **$ 2,332,418** | **$ 1,842,502** | **$ 1,791,863** | **$ 1,721,949** |
| **Total assets under management** | **$ 8,047,446** | **$ 7,901,218** | **$ 7,297,456** | **$ 5,939,254** | **$ 5,703,910** |

(1) USD/CAD exchange rates used at each balance sheet date are: at December 31, 2019: 1.2988; September 30, 2019: 1.3243; June 30, 2019: 1.3087; March 31, 2019: 1.3363; December 31, 2018: 1.3642.

(2) Principal investment assets under management may differ from Tricon's investment balance at period-end (see Section 8.2).

### 3.4 Subsequent events

On January 22, 2020, the Company completed the syndication of 50% of one of its direct THP investments to THPAS JV-1.

On February 24, 2020, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2020 to shareholders of record on March 31, 2020.

#### Transition to rental housing company

In January 2020, the Company substantially completed its transition to an owner and operator of diversified rental housing in North America and therefore ceased to be an investment entity under IFRS 10.

As a result, effective January 1, 2020, the Company will begin to consolidate the financial results of controlled subsidiaries including its investments in single-family rental homes, U.S. multi-family rental properties and certain Canadian multi-family rental properties, resulting in the introduction of these subsidiaries' assets, liabilities and non-controlling interests to the balance sheet of the Company. Similarly, these subsidiaries' income and expenses will be reported on the Company's statement of comprehensive income together with the non-controlling interests' share of income. On the date of transition, the Company will apply the requirements of IFRS 3, Business Combinations, to all subsidiaries that were previously measured at fair value through profit or loss ("FVTPL"). Concurrently, the Company will begin accounting for certain other investments in Canadian multi-family developments that meet the definition of associates or joint ventures using the equity method under IAS 28, Investments in Associates and Joint Ventures. The remaining investments in for-sale housing in the U.S. will continue to be accounted for as portfolio investments (financial assets) valued at FVTPL in accordance with IFRS 9, Financial Instruments.

The Company continues to assess the impact on its consolidated financial statements of ceasing to be an investment entity and final conclusions have not yet been made. The anticipated changes are material and will be applied on a prospective basis.

The following table summarizes the deemed consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from the consolidated investments on January 1, 2020. The Company's assessment-to-date is preliminary and subject to change.

| (in thousands of U.S. dollars) | December 31, 2019 | Deemed acquisitions: Single-family rental (TAH)[1] | Deemed acquisitions: Multi-family rental U.S. (TLR U.S.)[2] | Deemed acquisitions: Multi-family rental Canada (TLR Canada)[3] | Consolidation adjustments | January 1, 2020 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash | $ 8,908 | $ 18,948 | $ 2,537 | $ 715 | $ – | $ 31,108 |
| Restricted cash | – | 67,519 | 16,563 | – | – | 84,082 |
| Amounts receivable | 8,952 | 991 | 3,436 | 430 | (1,084) | 12,725 |
| Prepaid expenses and deposits | 796 | 11,133 | 537 | 62 | – | 12,528 |
| Investments – Single-family rental (TAH) | 1,365,007 | – | – | – | (1,365,007) | – |
| Investments – Multi-family rental (TLR) | 525,932 | – | – | – | (525,932) | – |
| Investments – For-sale housing (THP) | 300,653 | – | – | – | – | 300,653 |
| Investments in associates | – | – | – | 75,141 | – | 75,141 |
| Investment properties | – | 4,304,590 | 1,344,844 | 35,625 | – | 5,685,059 |
| Intangible assets | 16,396 | – | – | – | – | 16,396 |
| Deferred income tax assets | 44,749 | 40,000 | – | – | – | 84,749 |
| Other assets | 30,896 | 11,325 | 273 | – | (219) | 42,275 |
| Goodwill | – | 55,649 | 79,112 | – | 219 | 134,980 |
| **Total assets** A | **$ 2,302,289** | **$ 4,510,155** | **$ 1,447,302** | **$ 111,973** | **$ (1,892,023)** | **$ 6,479,696** |
| **Liabilities** | | | | | | |
| Amounts payable and accrued liabilities | 26,055 | 49,634 | 19,197 | 1,101 | (1,084) | 94,903 |
| Tenant security deposits and prepaid rent | – | 30,094 | 3,593 | 72 | – | 33,759 |
| Dividends payable | 10,474 | – | – | – | – | 10,474 |
| Other liabilities | 13,375 | 5,435 | – | – | 1,089 | 19,899 |
| Long-term incentive plan | 21,409 | – | – | – | – | 21,409 |
| Loans and mortgages | 470,553 | 2,717,884 | 916,340 | 13,928 | (162,400) | 3,956,305 |
| Convertible debentures | – | – | – | – | 161,311 | 161,311 |
| Deferred income tax liabilities | 98,584 | 150,792 | 79,112 | – | (94,714) | 233,774 |
| Derivative financial instruments | 657 | – | – | – | – | 657 |
| Limited partners' interests[4] | – | 286,023 | – | – | – | 286,023 |
| **Total liabilities** | **641,107** | **3,239,862** | **1,018,242** | **15,101** | **(95,798)** | **4,818,514** |
| **Equity** | | | | | | |
| Total shareholders' equity | 1,653,138 | – | – | – | – | 1,653,138 |
| Non-controlling interest | 8,044 | – | – | – | – | 8,044 |
| **Total equity** | **1,661,182** | **–** | **–** | **–** | **–** | **1,661,182** |
| **Total liabilities and equity** B | **$ 2,302,289** | **$ 3,239,862** | **$ 1,018,242** | **$ 15,101** | **$ (95,798)** | **$ 6,479,696** |
| **Deemed fair value of net assets acquired** A – B | | **$ 1,270,293** | **$ 429,060** | **$ 96,872** | | |

(1) Tricon SF Home Rental ULC and its subsidiaries, including TAH JV-1, were deemed to be acquired by the Company on January 1, 2020. The deemed consideration paid reflects the fair value of the Company's investment in TAH immediately prior to the acquisition date, net of the Company's deferred tax liabilities associated with the investment of $94,714. Limited partners' interests were measured as a percentage of net assets acquired. The deemed acquisition resulted in the recognition of $55,649 of goodwill.

(2) Tricon Saturn Master LP and its wholly-owned subsidiaries were deemed to be acquired by the Company on January 1, 2020. The deemed consideration paid reflects the fair value of the Company's investment in TLR U.S. immediately prior to the acquisition date. The deemed acquisition resulted in the recognition of $79,112 of goodwill.

(3) Tricon Lifestyle Rentals Investment LP and its wholly-owned subsidiaries were deemed to be acquired by the Company on January 1, 2020. The deemed consideration paid reflects the fair value of the Company's investment in TLR Canada immediately prior to the acquisition date.

(4) Ownership interests in the TAH JV-1 partnership are in the form of limited partnership interests which are classified as liabilities under the provisions of IAS 32.

# 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 American Homes

TAH's fourth quarter results continued to reflect positive trends, including a 65.0% NOI margin, 5.1% blended rent growth, 24.5% annualized resident turnover and 95.9% stabilized leased occupancy. Highlights for the same home portfolio for the quarter include a 65.5% NOI margin, 6.5% year-over-year NOI growth, 5.3% blended rent growth and 96.7% leased occupancy.

The discussion and presentation of TAH operating metrics throughout this section reflect the performance of the entire portfolio under management, including the TAH JV-1 portfolio, which is managed by a TAH subsidiary.

TAH's stabilized leased occupancy rate (which excludes homes that were recently acquired and not yet leased) was 95.9% at December 31, 2019, reflecting continued strong market demand from residents for high-quality, professionally managed rental homes. The overall leased portfolio occupancy rate was 93.8% at December 31, 2019, as a result of the high volume of recently-acquired homes still in the initial renovation and leasing process.

During the quarter, TAH realized strong average rent growth of 5.1% on its consolidated portfolio, comprised of 6.0% growth on new leases and 4.7% on renewals. The annualized turnover rate was 24.5% during the fourth quarter of 2019, a 0.9% increase from 23.6% recorded in the same period in 2018. On a full-year basis, resident turnover was 25.7% compared to 26.8% in the prior year, which is reflective of TAH's emphasis on diligent resident screening, as well as superior customer service that prioritizes resident satisfaction and retention.

In the fourth quarter, TAH acquired 1,162 homes (or 1,115 net of dispositions), including a portfolio of 708 homes in Nashville, Tennessee acquired by TAH JV-1. The expansion in Nashville reflects the market's strong fundamentals and growing local economy. Nashville now represents approximately 4% of TAH's overall managed portfolio of homes (up from ~1% prior to the transaction). As of December 31, 2019, TAH managed 21,077 homes (21,014 rental homes and 63 homes held for sale) of which 15,453 were wholly-owned by TAH and 5,624 were owned by TAH JV-1.

On December 12, 2019, TAH refinanced its first term loan and entered into a second term loan facility. Specifically, TAH refinanced the existing term loan facility ("Term loan-1") to increase the loan balance by $27.7 million to $375.0 million. In addition, TAH entered into a new $96.1 million term loan facility ("Term loan-2") that carries a floating interest rate of one-month LIBOR plus 1.95%, has a ten-month term to maturity with two one-year extension options, and has an aggregate loan-to-value ratio of 70%. The net impact of these two transactions was a cash distribution of approximately $35 million to Tricon and an $84.3 million reduction in the balance outstanding under TAH's warehouse facility for its wholly-owned portfolio.

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. These metrics reflect the performance of all homes managed by TAH, comprised of homes owned by TAH JV-1 and homes wholly-owned by TAH. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

| | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 |
|---|---|---|---|---|---|---|---|---|
| TAH wholly-owned homes | 15,453 | 15,500 | 15,535 | 15,563 | 15,439 | 15,547 | 15,995 | 15,584 |
| TAH JV-1 homes | 5,624 | 4,462 | 3,545 | 2,568 | 2,003 | 1,219 | – | – |
| Total homes managed | 21,077 | 19,962 | 19,080 | 18,131 | 17,442 | 16,766 | 15,995 | 15,584 |
| Less homes held for sale | 63 | 76 | 64 | 37 | 28 | 147 | 47 | 89 |
| Rental homes | 21,014 | 19,886 | 19,016 | 18,094 | 17,414 | 16,619 | 15,948 | 15,495 |
| Homes acquired | 1,162 | 918 | 977 | 730 | 802 | 810 | 505 | 396 |
| Less homes disposed | (47) | (36) | (28) | (41) | (126) | (39) | (94) | (30) |
| Net homes acquired during the quarter | 1,115 | 882 | 949 | 689 | 676 | 771 | 411 | 366 |
| Occupancy | 93.8% | 92.6% | 93.9% | 94.8% | 92.4% | 93.1% | 95.2% | 95.3% |
| Stabilized occupancy | 95.9% | 96.3% | 97.3% | 97.4% | 96.2% | 96.3% | 97.1% | 96.9% |
| Annualized turnover rate | 24.5% | 29.2% | 28.0% | 20.8% | 23.6% | 27.7% | 30.9% | 24.9% |
| Average monthly rent | $ 1,428 | $ 1,403 | $ 1,383 | $ 1,364 | $ 1,350 | $ 1,336 | $ 1,315 | $ 1,296 |
| Average quarterly rent growth – renewal | 4.7% | 4.7% | 4.7% | 4.7% | 5.6% | 5.4% | 4.8% | 4.3% |
| Average quarterly rent growth – new move-in | 6.0% | 9.5% | 9.6% | 7.6% | 7.9% | 9.4% | 9.4% | 6.3% |
| Average quarterly rent growth – blended | 5.1% | 6.1% | 6.2% | 5.7% | 6.4% | 6.7% | 6.4% | 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 periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Three months Variance | Twelve months 2019 | Twelve months 2018 | Twelve months Variance |
|---|---|---|---|---|---|---|
| Total revenue[1] | $ 81,346 | $ 64,269 | $ 17,077 | $ 297,954 | $ 241,020 | $ 56,934 |
| Property taxes | 13,082 | 10,014 | (3,068) | 48,432 | 37,380 | (11,052) |
| Repairs, maintenance and turnover[2] | 6,099 | 5,600 | (499) | 21,771 | 24,598 | 2,827 |
| Property management fees | 5,773 | 4,509 | (1,264) | 21,111 | 16,927 | (4,184) |
| Property insurance | 1,223 | 1,033 | (190) | 4,588 | 3,958 | (630) |
| Homeowners' association (HOA) costs | 1,057 | 724 | (333) | 3,693 | 2,958 | (735) |
| Other direct expenses | 1,256 | 964 | (292) | 5,010 | 4,003 | (1,007) |
| Total operating expenses | 28,490 | 22,844 | (5,646) | 104,605 | 89,824 | (14,781) |
| **Net operating income (NOI)** | **$ 52,856** | **$ 41,425** | **$ 11,431** | **$ 193,349** | **$ 151,196** | **$ 42,153** |
| **Net operating income (NOI) margin** | **65.0%** | **64.5%** | | **64.9%** | **62.7%** | |
| Fair value gain | 27,458 | 24,790 | 2,668 | 102,141 | 180,496 | (78,355) |
| Other expenses[3] | (9,649) | (8,666) | (983) | (35,525) | (38,626) | 3,101 |
| Interest expense[3] | (23,000) | (20,138) | (2,862) | (89,997) | (77,300) | (12,697) |
| Third-party investor interests | (5,214) | 748 | (5,962) | (7,775) | 3,166 | (10,941) |
| **Investment income – TAH (per Tricon income statement)** | **$ 42,451** | **$ 38,159** | **$ 4,292** | **$ 162,193** | **$ 218,932** | **$ (56,739)** |
| Warehouse credit facility interest | $ 1,308 | $ 1,171 | $ (137) | $ 6,043 | $ 6,497 | $ 454 |
| Securitization debt 2016-1 interest | 3,339 | 3,370 | 31 | 13,415 | 13,488 | 73 |
| Securitization debt 2017-1 interest | 4,158 | 4,168 | 10 | 16,654 | 16,674 | 20 |
| Securitization debt 2017-2 interest | 3,432 | 3,435 | 3 | 13,727 | 13,730 | 3 |
| Securitization debt 2018-1 interest | 3,158 | 3,164 | 6 | 12,626 | 8,875 | (3,751) |
| Silver Bay acquisition warehouse facility interest | – | 204 | 204 | – | 3,073 | 3,073 |
| Term loan-1 interest | 3,402 | 3,813 | 411 | 14,982 | 14,150 | (832) |
| Term loan-2 interest | 194 | – | (194) | 194 | – | (194) |
| TAH JV-1 warehouse credit facility interest | 1,406 | 813 | (593) | 9,591 | 813 | (8,778) |
| TAH JV-1 securitization debt 2019-1 interest | 2,603 | – | (2,603) | 2,765 | – | (2,765) |
| Interest expense | $ 23,000 | $ 20,138 | $ (2,862) | $ 89,997 | $ 77,300 | $ (12,697) |
| Weighted average interest rate | 3.6% | 3.7% | | 3.7% | 3.7% | |

(1) Includes bad debt expense of $647 (2018 – $520) and $2,380 (2018 – $1,908), respectively, for the three and twelve months ended December 31, 2019. Bad debt expense represents 0.8% of total revenue for all the periods stated above.

(2) Includes non-recurring storm-related recoveries of nil and $434 for the three and twelve months ended December 31, 2018. Hurricane-related impacts in 2019 were immaterial.

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

**Total portfolio**

The following discussion provides a summary of certain operating metrics for all homes managed by TAH, including homes owned by TAH JV-1 and homes wholly-owned by TAH.

During the fourth quarter of 2019, the total portfolio revenue increased by $17.1 million or 27% to $81.3 million compared to $64.3 million in the same period in 2018. The increase is attributable to (i) a growing average leased portfolio from continued acquisitions and strong leasing activities (19,712 homes for Q4 2019 versus 16,086 in Q4 2018), (ii) higher in-place rents achieved (average monthly rent of $1,428 in Q4 2019 versus $1,350 in Q4 2018), and (iii) higher ancillary revenue.

Total operating expenses for the three months ended December 31, 2019 were $28.5 million compared to $22.8 million in the same period in the prior year, an increase of $5.6 million or 25%. The change is primarily a result of managing a larger portfolio, with an additional increase in property taxes driven by higher home values.

As revenue growth outpaced the growth in expenses, TAH's NOI margin increased to 65.0% for the fourth quarter of 2019 compared to 64.5% for the same period in the prior year. TAH's continued revenue growth and cost containment across the portfolio resulted in an $11.4 million or 28% net increase in NOI to $52.9 million in the fourth quarter of 2019 compared to $41.4 million in the same period in 2018.

TAH's fair value gain for the three months ended December 31, 2019 was $27.5 million compared to $24.8 million for the three months ended December 31, 2018, an increase of $2.7 million primarily driven by a larger portfolio of homes. This quarter, there were 3,132 homes valued using the BPO method compared to 238 homes valued using this method in the same period in 2018. The HPI increase net of capital expenditures was 0.7% (2.8% annualized) compared to a 1.4% increase in the fourth quarter of 2018 (5.6% annualized). The current quarter fair value gain is in line with management's expected national home price appreciation for 2019, which has moderated over the past several quarters, yet remains in line with long-term historical trends.

**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 periods ended December 31 (in thousands of U.S. dollars) | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Investment income – TAH | $ 42,451 | $ 38,159 | $ 4,292 | $ 162,193 | $ 218,932 | $ (56,739) |
| Fair value gain[1] | (27,458) | (24,790) | (2,668) | (102,141) | (180,496) | 78,355 |
| Depreciation and non-cash items[2] | 1,532 | 2,565 | (1,033) | 4,839 | 5,550 | (711) |
| Deferred tax expense (recovery) | 555 | (387) | 942 | 799 | (389) | 1,188 |
| TAH JV-1 partner-level expenses | 1,758 | 1,393 | 365 | 7,246 | 5,097 | 2,149 |
| Third-party investor interests | 5,214 | (748) | 5,962 | 7,775 | (3,166) | 10,941 |
| **Funds from operations (FFO)** | **$ 24,052** | **$ 16,192** | **$ 7,860** | **$ 80,711** | **$ 45,528** | **$ 35,183** |
| Transaction costs and non-recurring items[3] | 2,693 | 815 | 1,878 | 3,322 | 8,463 | (5,141) |
| **Core funds from operations (Core FFO)[4]** | **$ 26,745** | **$ 17,007** | **$ 9,738** | **$ 84,033** | **$ 53,991** | **$ 30,042** |

(1) Fair value gain is presented net of change in projected future disposition fees and illustrates the gain on all rental homes managed by TAH.

(2) The comparative period has been reclassified to conform with the current period presentation. No changes to total FFO or Core FFO were made as a result of this reclassification.

(3) Results for the twelve months ended December 31, 2019 include loan facility financing costs of $2,149 and other non-recurring costs of $1,173. Results for the twelve months ended December 31, 2018 include loan facility issuance costs of $7,970 and other non-recurring costs of $3,371 (including Silver Bay integration-related expenses of $851 and non-recurring legal costs of $1,277), offset by $2,878 in storm-related insurance recoveries.

(4) Tricon's share of Core FFO for the three and twelve months ended December 31, 2019 was $22,973 and $75,710, respectively (2018 – $16,615 and $53,617).

For the fourth quarter of 2019, Core FFO increased by $9.7 million or 57% to $26.7 million compared to $17.0 million in the same period in the prior year. The increase was largely a result of a larger leased portfolio and an increase in NOI margin (as noted above), partially offset by higher interest expense on a larger outstanding debt balance to finance the growing portfolio.

### 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, 2017, and those homes are held in operations throughout the full periods presented in both 2018 and 2019.

| For the periods ended December 31 | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars, except per home data) | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| **Operating metrics – same home** | | | | | | |
| Rental homes | 14,423 | 14,423 | – | 14,423 | 14,423 | – |
| Occupancy | 96.7% | 96.4% | 0.3% | 96.7% | 96.4% | 0.3% |
| Annualized turnover rate | 25.7% | 26.2% | 0.5% | 27.0% | 28.4% | 1.4% |
| Average monthly rent | $ 1,415 | $ 1,355 | $ 60 | $ 1,415 | $ 1,355 | $ 60 |
| Average quarterly rent growth – renewal | 4.8% | 5.6% | (0.8%) | 4.8% | 5.0% | (0.2%) |
| Average quarterly rent growth – new move-in | 6.3% | 7.8% | (1.5%) | 8.5% | 8.2% | 0.3% |
| Average quarterly rent growth – blended | 5.3% | 6.4% | (1.1%) | 6.0% | 6.2% | (0.2%) |

For the 14,423 homes comprising the same home portfolio, blended rent growth for the quarter was 5.3% (including 6.3% on new leases), accompanied by a 30 basis point increase in occupancy to 96.7% from 96.4% recorded in the same period in 2018. The portfolio's annualized turnover rate decreased by 50 basis points to 25.7% for the three months ended December 31, 2019 compared to 26.2% in the same period in 2018.

| For the periods ended December 31 | Three months | | | | | Twelve months | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | % of revenue | 2018 | % of revenue | Variance | 2019 | % of revenue | 2018 | % of revenue | Variance |
| **Income statement – same home** | | | | | | | | | | |
| Rental revenue | $ 58,148 | | $ 55,464 | | $ 2,684 | $ 229,241 | | $ 217,971 | | $ 11,270 |
| Fees and other revenue | 2,423 | | 2,054 | | 369 | 8,481 | | 7,234 | | 1,247 |
| Bad debt | (483) | | (461) | | (22) | (1,900) | | (1,763) | | (137) |
| Total revenue | 60,088 | 100% | 57,057 | 100% | 3,031 | 235,822 | 100% | 223,442 | 100% | 12,380 |
| Revenue growth | | | | | 5.3% | | | | | 5.5% |
| Property taxes | 9,292 | 15% | 8,707 | 15% | (585) | 36,961 | 16% | 34,445 | 15% | (2,516) |
| Repairs, maintenance and turnover | 4,691 | 8% | 5,162 | 9% | 471 | 18,244 | 8% | 22,524 | 10% | 4,280 |
| Property management fees | 4,235 | 7% | 3,998 | 7% | (237) | 16,596 | 7% | 15,691 | 7% | (905) |
| Property insurance | 994 | 2% | 931 | 2% | (63) | 3,894 | 2% | 3,693 | 2% | (201) |
| Homeowners' association (HOA) costs | 702 | 1% | 630 | 1% | (72) | 2,668 | 1% | 2,760 | 1% | 92 |
| Other direct expenses | 835 | 1% | 703 | 1% | (132) | 3,235 | 1% | 3,160 | 1% | (75) |
| Total operating expenses | 20,749 | | 20,131 | | (618) | 81,598 | | 82,273 | | 675 |
| Operating expense variance | | | | | (3.1%) | | | | | 0.8% |
| **Net operating income (NOI)** | **$ 39,339** | | **$ 36,926** | | **$ 2,413** | **$ 154,224** | | **$ 141,169** | | **$ 13,055** |
| **Net operating income (NOI) growth** | | | | | **6.5%** | | | | | **9.2%** |
| **Net operating income (NOI) margin** | **65.5%** | | **64.7%** | | | **65.4%** | | **63.2%** | | |

Total revenue for the same home portfolio increased by $3.0 million or 5% to $60.1 million in the fourth quarter of 2019 compared to $57.1 million for the same period in the prior year. The increase was primarily due to increases in the average monthly rent and occupancy, combined with higher ancillary revenue from early lease termination fees and various other service-related fees.

Same home operating expenses increased by $0.6 million or 3% to $20.7 million in the fourth quarter of 2019 from $20.1 million in the same period in 2018. This variance is largely attributable to increases in property taxes and property management fees, partially offset by reductions in repairs, maintenance and turnover costs. The following is a description of these key expenses:

- **Property taxes** – Property taxes increased by $0.6 million or 7% to $9.3 million primarily as a result of home price appreciation in TAH's target markets and periodic local market reassessments. TAH has worked with a property tax consultant to monitor tax assessments throughout the year and the final assessments were in line with expectations.
- **Property management fees** – These fees increased by $0.2 million or 6% to $4.2 million, in line with revenue growth. They are consistent with the comparative period and remain at approximately 7% of revenue.
- **Repairs, maintenance and turnover** – TAH realized a $0.5 million or 9% decrease in repairs, maintenance and turnover costs to $4.7 million as a result of decreased turnover volume, as well as reduced average spend per home on repairs and maintenance.

With strong revenue growth and well-controlled expenses, same home NOI increased by 6.5% year-over-year to $39.3 million in the fourth quarter of 2019 compared to $36.9 million in the fourth quarter of 2018. Same home NOI margin increased to 65.5% in the fourth quarter of 2019 from 64.7% in the same period in the prior year.

The table below presents market-level NOI details for the same home portfolio in the fourth quarter of 2019:

| (in thousands of U.S. dollars)<br>Geography | Homes | NOI | NOI margin |
|---|---|---|---|
| Atlanta | 3,418 | $ 8,588 | 66.7% |
| Phoenix | 1,762 | 5,240 | 75.3% |
| Tampa | 1,435 | 3,972 | 61.4% |
| Charlotte | 1,328 | 3,443 | 70.4% |
| Dallas | 1,084 | 2,645 | 57.2% |
| Northern California | 995 | 4,051 | 74.0% |
| Houston | 825 | 1,755 | 53.5% |
| Southeast Florida | 700 | 1,761 | 49.1% |
| Las Vegas | 583 | 1,817 | 74.9% |
| Jacksonville | 431 | 1,097 | 63.9% |
| Orlando | 427 | 1,220 | 65.3% |
| Columbia | 385 | 697 | 53.9% |
| Indianapolis | 369 | 820 | 60.2% |
| Reno | 247 | 958 | 78.7% |
| Southern California | 238 | 832 | 65.4% |
| San Antonio | 196 | 442 | 58.0% |
| **Total/Weighted average** | **14,423** | **$ 39,339** | **65.5%** |

**Assets under management and investment balance**

TAH's principal investment AUM (KPI measure; refer to Section 8.2) is based on TAH's share of the fair value of the homes in the portfolio under management, which is determined via the HPI or BPO methodologies discussed in Section 9.1, plus its own unfunded equity commitment to TAH JV-1.

| | TAH principal investments | | | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | TAH's share of Investment Vehicle | Fair value of homes A | Unfunded equity commitment B | Principal investment AUM A + B |
| TAH wholly-owned | 100.0% | $ 3,198,019 | $ – | $ 3,198,019 |
| TAH JV-1 | 33.7% | 383,686 | 109,557 | 493,243 |
| **Total** | | **$ 3,581,705** | **$ 109,557** | **$ 3,691,262** |

The table below represents 100% of the assets and liabilities of TAH entities wholly-owned by Tricon as well as TAH JV-1 operating entities. The third-party investors' 66.3% ownership interest in the TAH JV-1 operating entities is then deducted to arrive at Tricon's investment in TAH as shown on Tricon's balance sheet.

| (in thousands of U.S. dollars) | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 |
|---|---|---|---|---|---|---|---|---|
| Purchase price of homes | $ 3,261,192 | $ 2,968,151 | $ 2,808,561 | $ 2,639,801 | $ 2,510,590 | $ 2,378,431 | $ 2,259,951 | $ 2,180,878 |
| Cumulative capital expenditures[1] | 393,867 | 368,159 | 331,515 | 303,541 | 278,629 | 252,218 | 234,301 | 220,058 |
| Total cost basis of rental homes | $ 3,655,059 | $ 3,336,310 | $ 3,140,076 | $ 2,943,342 | $ 2,789,219 | $ 2,630,649 | $ 2,494,252 | $ 2,400,936 |
| Cost of homes held for sale | 8,373 | 9,312 | 5,743 | 3,585 | 2,863 | 15,816 | 4,078 | 11,904 |
| Cumulative fair value adjustment[2] | 674,249 | 646,230 | 623,402 | 598,230 | 565,885 | 540,698 | 496,682 | 453,998 |
| Portfolio home price appreciation during the quarter | 0.7% | 0.6% | 0.8% | 0.9% | 1.4% | 1.5% | 1.7% | 1.5% |
| **Fair value of managed homes** | **$ 4,337,681** | **$ 3,991,852** | **$ 3,769,221** | **$ 3,545,157** | **$ 3,357,967** | **$ 3,187,163** | **$ 2,995,012** | **$ 2,866,838** |
| Less projected future disposition fees | 33,091 | 32,880 | 31,980 | 31,307 | 30,563 | 30,340 | 30,713 | 29,303 |
| Fair value of managed homes, net A | 4,304,590 | 3,958,972 | 3,737,241 | 3,513,850 | 3,327,404 | 3,156,823 | 2,964,299 | 2,837,535 |
| **Add:** | | | | | | | | |
| Other net assets (liabilities)[3] B | (110,843) | (78,216) | (84,029) | (46,020) | (44,837) | (29,784) | 76,729 | 83,689 |
| **Less:** | | | | | | | | |
| Warehouse credit facility (LIBOR+2.65%) | 29,864 | 121,468 | 123,660 | 123,660 | 100,546 | 74,443 | 99,687 | 216,251 |
| Securitization debt 2016-1 (3.59% fixed) | 357,478 | 358,239 | 359,431 | 361,168 | 361,440 | 361,906 | 362,234 | 362,470 |
| Securitization debt 2017-1 (3.50% fixed) | 461,301 | 461,698 | 462,004 | 462,105 | 462,594 | 462,594 | 462,594 | 462,594 |
| Securitization debt 2017-2 (3.58% fixed) | 364,574 | 364,574 | 364,574 | 364,574 | 364,574 | 364,819 | 365,000 | 365,000 |
| Securitization debt 2018-1 (3.86% fixed) | 313,865 | 313,865 | 313,865 | 313,865 | 313,865 | 313,865 | 313,865 | – |
| Silver Bay acquisition warehouse facility (LIBOR+3.26% blended) | – | – | – | – | – | 22,602 | 25,926 | 154,570 |
| Term loan-1 (LIBOR+2.00%) | 375,000 | 347,309 | 347,309 | 347,582 | 347,582 | 347,582 | 347,582 | 347,582 |
| Term loan-2 (LIBOR + 1.95%) | 96,077 | – | – | – | – | – | – | – |
| TAH JV-1 warehouse credit facility (LIBOR+2.50%) | 211,200 | 30,286 | 265,709 | 169,533 | 95,832 | – | – | – |
| TAH JV-1 securitization debt 2019-1 (3.12% fixed) | 333,358 | 333,358 | – | – | – | – | – | – |
| Total debt C | 2,542,717 | 2,330,797 | 2,236,552 | 2,142,487 | 2,046,433 | 1,947,811 | 1,976,888 | 1,908,467 |
| Third-party investor interests[4] D | 286,023 | 221,106 | 154,089 | 118,206 | 90,913 | 71,266 | – | – |
| **Investments – TAH (per Tricon balance sheet)** A + B – C – D | **$ 1,365,007** | **$ 1,328,853** | **$ 1,262,571** | **$ 1,207,137** | **$ 1,145,221** | **$ 1,107,962** | **$ 1,064,140** | **$ 1,012,757** |
| Fair value of TAH wholly-owned homes E | $ 3,198,019 | $ 3,167,182 | $ 3,132,194 | $ 3,093,189 | $ 3,013,157 | $ 2,983,297 | $ 2,995,012 | $ 2,866,838 |
| Fair value of TAH JV-1 homes F | 1,139,662 | 824,670 | 637,027 | 451,968 | 344,810 | 203,866 | – | – |
| **Fair value of managed homes** G = E + F | **$ 4,337,681** | **$ 3,991,852** | **$ 3,769,221** | **$ 3,545,157** | **$ 3,357,967** | **$ 3,187,163** | **$ 2,995,012** | **$ 2,866,838** |
| Tricon's ownership interest of total fair value (E + 33.7% of F)/G | 82.6% | 86.3% | 88.8% | 91.5% | 93.2% | 95.8% | 100.0% | 100.0% |
| Cash | 86,467 | 99,551 | 81,553 | 77,502 | 82,214 | 79,992 | 84,142 | 84,499 |
| Debt-to-cost (net of cash) | 67.0% | 66.7% | 68.5% | 70.1% | 70.3% | 70.6% | 75.8% | 75.6% |
| Debt-to-value (net of cash) | 56.6% | 55.9% | 57.2% | 58.2% | 58.5% | 58.6% | 63.2% | 63.6% |

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

(2) Cumulative fair value adjustment is net of capital expenditures.

(3) Other net assets (liabilities) include working capital of Tricon SF Home Rental ULC and its wholly-owned subsidiaries as well as TAH JV-1 working capital and partner-level debt.

(4) The portion of the fair value of homes, debt and other net assets (liabilities) not attributable to the Company is adjusted for as third-party investor interests.

The following table summarizes the debt structure as at December 31, 2019:

| (in thousands of U.S. dollars)<br>Debt structure | Balance | % of total | Weighted average interest rate | Weighted average years to maturity |
|---|---|---|---|---|
| Fixed | $ 1,830,576 | 72.0% | 3.4% | 3.9 |
| Floating | 712,141 | 28.0% | 4.1% | 2.2 |
| **Total/Weighted average** | **$ 2,542,717** | **100.0%** | **3.6%** | **3.4** |

The scheduled debt principal repayments below are listed in order of maturity:

| (in thousands of U.S. dollars) | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| TAH JV-1 warehouse credit facility | $ 211,200 | $ – | $ – | $ – | $ – | $ – | $ 211,200 |
| Term loan-2 | 96,077 | – | – | – | – | – | 96,077 |
| Warehouse credit facility | 29,864 | – | – | – | – | – | 29,864 |
| Securitization debt 2016-1 | – | 357,478 | – | – | – | – | 357,478 |
| Securitization debt 2017-1 | – | – | 461,301 | – | – | – | 461,301 |
| Term loan-1 | – | – | 375,000 | – | – | – | 375,000 |
| Securitization debt 2017-2 | – | – | – | – | 364,574 | – | 364,574 |
| Securitization debt 2018-1 | – | – | – | – | – | 313,865 | 313,865 |
| TAH JV-1 securitization debt 2019-1 | – | – | – | – | – | 333,358 | 333,358 |
| **Total** | **$ 337,141** | **$ 357,478** | **$ 836,301** | **$ –** | **$ 364,574** | **$ 647,223** | **$ 2,542,717** |
| % of total | 13.3% | 14.1% | 32.9% | – | 14.3% | 25.5% | 100.0% |

The tables below present Tricon's share of the key operating metrics of TAH's total portfolio under management.

| For the periods ended December 31, 2019<br>(in thousands of U.S. dollars) | Three months<br>Tricon's share | Three months<br>Total managed portfolio | Three months<br>Tricon's share (%) | Twelve months<br>Tricon's share | Twelve months<br>Total managed portfolio | Twelve months<br>Tricon's share (%) |
|---|---|---|---|---|---|---|
| Net operating income (NOI) | $ 45,486 | $ 52,856 | 86.1% | $ 173,840 | $ 193,349 | 89.9% |
| Core funds from operations (Core FFO) | 22,973 | 26,745 | 85.9% | 75,710 | 84,033 | 90.1% |
| Fair value gain | 24,493 | 27,458 | 89.2% | 96,556 | 102,141 | 94.5% |
| Fair value of homes | 3,581,705 | 4,337,681 | 82.6% | 3,581,705 | 4,337,681 | 82.6% |
| Total debt | 2,181,494 | 2,542,717 | 85.8% | 2,181,494 | 2,542,717 | 85.8% |

| For the periods ended December 31, 2018<br>(in thousands of U.S. dollars) | Three months<br>Tricon's share | Three months<br>Total managed portfolio | Three months<br>Tricon's share (%) | Twelve months<br>Tricon's share | Twelve months<br>Total managed portfolio | Twelve months<br>Tricon's share (%) |
|---|---|---|---|---|---|---|
| Net operating income (NOI) | $ 39,897 | $ 41,425 | 96.3% | $ 149,425 | $ 151,196 | 98.8% |
| Core funds from operations (Core FFO) | 16,615 | 17,007 | 97.7% | 53,617 | 53,991 | 99.3% |
| Fair value gain | 24,790 | 24,790 | 100.0% | 180,496 | 180,496 | 100.0% |
| Fair value of homes | 3,129,243 | 3,357,967 | 93.2% | 3,129,243 | 3,357,967 | 93.2% |
| Total debt | 1,982,864 | 2,046,433 | 96.9% | 1,982,864 | 2,046,433 | 96.9% |

As at December 31, 2019, TAH's rental portfolio is diversified across 18 target markets. Market-level details on all the homes managed by TAH are presented below.

| (in thousands of U.S. dollars) Geography | Total homes managed[1] | Rental homes | Homes leased | Vacant homes under marketing, turn or renovation | Occupancy | Stabilized occupancy | NOI | NOI margin |
|---|---|---|---|---|---|---|---|---|
| Atlanta | 4,907 | 4,896 | 4,568 | 328 | 93.3% | 95.7% | $ 12,148 | 67.7% |
| Charlotte | 2,240 | 2,229 | 2,081 | 148 | 93.4% | 96.4% | 5,676 | 70.5% |
| Phoenix | 2,021 | 2,021 | 1,967 | 54 | 97.4% | 97.3% | 6,130 | 75.9% |
| Tampa | 1,684 | 1,682 | 1,596 | 86 | 94.9% | 95.7% | 4,515 | 60.3% |
| Dallas | 1,640 | 1,631 | 1,487 | 144 | 91.2% | 93.9% | 3,631 | 55.1% |
| Houston | 1,419 | 1,418 | 1,287 | 131 | 91.1% | 93.5% | 2,716 | 51.4% |
| Northern California | 1,007 | 1,005 | 994 | 11 | 98.9% | 98.9% | 4,073 | 73.8% |
| Columbia | 926 | 916 | 858 | 58 | 93.7% | 95.2% | 1,689 | 54.7% |
| Nashville | 842 | 842 | 778 | 64 | 92.4% | 89.4% | 1,078 | 79.0% |
| Indianapolis | 839 | 836 | 770 | 66 | 92.1% | 95.5% | 1,809 | 62.8% |
| Southeast Florida | 717 | 709 | 686 | 23 | 96.8% | 96.8% | 1,756 | 48.5% |
| Jacksonville | 628 | 627 | 575 | 52 | 91.7% | 96.1% | 1,484 | 63.8% |
| Las Vegas | 603 | 602 | 595 | 7 | 98.8% | 98.8% | 1,866 | 74.8% |
| San Antonio | 476 | 474 | 435 | 39 | 91.8% | 94.9% | 910 | 54.1% |
| Orlando | 457 | 455 | 442 | 13 | 97.1% | 97.1% | 1,275 | 64.7% |
| Southern California | 275 | 275 | 268 | 7 | 97.5% | 97.4% | 955 | 65.4% |
| Reno | 248 | 248 | 244 | 4 | 98.4% | 98.4% | 960 | 78.6% |
| Raleigh | 148 | 148 | 81 | 67 | 54.7% | 74.2% | 185 | 65.3% |
| **Total/Weighted average** | **21,077** | **21,014** | **19,712** | **1,302** | **93.8%** | **95.9%** | **$ 52,856** | **65.0%** |

(1) Includes 63 homes held for sale.

| Geography | Average purchase price per home | Average capital expenditures per home[1] | Average total cost per home | Average size (sq. feet) | Average monthly rent | Average monthly rent per sq. foot |
|---|---|---|---|---|---|---|
| Atlanta | $ 135,000 | $ 16,000 | $ 151,000 | 1,768 | $ 1,320 | $ 0.75 |
| Charlotte | 140,000 | 21,000 | 161,000 | 1,596 | 1,304 | 0.82 |
| Phoenix | 172,000 | 9,000 | 181,000 | 1,688 | 1,340 | 0.79 |
| Tampa | 156,000 | 21,000 | 177,000 | 1,556 | 1,540 | 0.99 |
| Dallas | 144,000 | 19,000 | 163,000 | 1,580 | 1,480 | 0.94 |
| Houston | 132,000 | 24,000 | 156,000 | 1,609 | 1,404 | 0.87 |
| Northern California | 196,000 | 26,000 | 222,000 | 1,303 | 1,831 | 1.40 |
| Columbia | 111,000 | 23,000 | 134,000 | 1,506 | 1,229 | 0.82 |
| Nashville | 287,000 | 2,000 | 289,000 | 2,001 | 1,819 | 0.91 |
| Indianapolis | 128,000 | 22,000 | 150,000 | 1,639 | 1,263 | 0.77 |
| Southeast Florida | 121,000 | 45,000 | 166,000 | 1,408 | 1,731 | 1.23 |
| Jacksonville | 151,000 | 8,000 | 159,000 | 1,524 | 1,357 | 0.89 |
| Las Vegas | 164,000 | 15,000 | 179,000 | 1,648 | 1,390 | 0.84 |
| San Antonio | 130,000 | 28,000 | 158,000 | 1,608 | 1,354 | 0.84 |
| Orlando | 171,000 | 9,000 | 180,000 | 1,493 | 1,444 | 0.97 |
| Southern California | 152,000 | 35,000 | 187,000 | 1,300 | 1,791 | 1.38 |
| Reno | 151,000 | 28,000 | 179,000 | 1,549 | 1,661 | 1.07 |
| Raleigh | 192,000 | 11,000 | 203,000 | 1,526 | 1,401 | 0.92 |
| **Total/Weighted average** | **$ 151,000** | **$ 19,000** | **$ 170,000** | **1,628** | **$ 1,428** | **$ 0.88** |

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

### 4.2 Tricon Lifestyle Rentals U.S.

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "U.S. Multi-Family Portfolio") in an all-share transaction by issuing 50,779,311 Tricon common shares. The U.S. Multi-Family Portfolio owned 23 multi-family properties, totalling 7,289 suites in 13 major markets, which provided meaningful scale in the U.S. multi-family rental sector and now comprises the active TLR U.S. portfolio described in this section. The acquisition included the assumption of approximately $920 million of existing debt, including $800 million of mortgage debt, with a weighted average interest rate of 3.9% and an average maturity of 5.4 years, and a $120 million credit facility which bears interest at LIBOR plus 375 basis points per annum. In connection with the portfolio acquisition, Tricon entered into a transitional service agreement with Starlight Investments US AM Group LP which agreement was subsequently terminated on January 13, 2020 such that TLR internalized the asset management of its U.S. multi-family rental portfolio.

TLR U.S. invests in and operates multi-family rental apartments in the United States, with a current focus on garden-style apartments in the Sun Belt. The business targets the middle market demographic by providing affordable, high-quality housing that is attractive to the broader workforce. The TLR U.S. portfolio has an average vintage of 2012 and average rent of $1,240 per month in the fourth quarter of 2019.

Tricon's longer-term U.S. multi-family strategy is to build on the current portfolio of assets and add additional core, core-plus and value-add properties as attractive acquisition opportunities present themselves. The U.S. multi-family rental sector is a four trillion dollar asset class (source: National Multifamily Housing Council) that produces relatively stable, predictable income which is compelling for both public and private institutional investors – it is by far the largest "investable" institutional and residential asset class in the United States and highly complementary to Tricon's other U.S. verticals. Similar to the Company's approach to single-family home rental, management plans to establish a strong operating platform in U.S. multi-family rental by internalizing property management and raising third-party capital (including potentially syndicating an interest in the U.S. Multi-Family Portfolio) to drive scale, generate recurring fee income and enhance shareholders' return on equity.

The current TLR U.S. portfolio consists of Class A garden-style apartment complexes featuring resort-style amenities, including swimming pools and well-appointed fitness and common areas. The properties are located in desirable suburban neighbourhoods in cities that are typically experiencing strong employment and population growth. Even though the portfolio is relatively new, there are value-add opportunities to drive rent growth going forward. Specifically, management believes that with a light value-add program of roughly $2,500 to $6,000 per suite on qualifying suites, select finishes can be upgraded (for example, new vinyl plank flooring, granite or quartz countertops, undermount sinks and/or stainless steel appliances), and monthly rents can be increased by $50 to $100 per suite, further driving performance and investment returns (forward-looking statements; refer to page 21).

**Portfolio results for current and historical periods**

The U.S. Multi-Family Portfolio generated solid operational results during the quarter with continued rent growth on renewals, strong occupancy levels, and increased operational efficiencies. Highlights for the quarter include a 59.2% NOI margin, 5.0% year-over-year NOI growth and 94.4% average occupancy.

Since acquiring the portfolio, Tricon's primary focus has been on improving occupancy, which was reflected in fourth quarter average occupancy of 94.4% in 2019, an increase of 160 basis points compared to the same period in 2018. This increase was attributable to proactive management of lease expirations (meaning fewer leases expired in Q4 2019 compared to Q4 2018) together with strong market demand in the Sun Belt, which continues to see outsized employment and population growth. The turnover rate of 51.3% is consistent with historical portfolio performance; however, over time Tricon aims to drive this to 50.0% or lower by enhancing customer service and resident engagement (forward-looking statements; refer to page 21). Average portfolio rent growth was 1.1%, resulting from strong renewal rent growth of 4.6%, partially offset by a decrease in new-lease rent growth, reflecting the strategic decision to stabilize occupancy before pushing for higher pricing on new leases.

In 2020, Tricon will continue to focus on improving occupancy, with a secondary focus on driving NOI growth by pursuing higher new lease rent growth, providing ancillary services to residents, offering in-suite value-add upgrades and actively managing operating expenses.

This section provides a summary of certain operating metrics for the U.S. multi-family rental portfolio that management uses to evaluate performance over time. Several metrics in the table below are KPI measures that were reported historically by the U.S. Multi-Family Portfolio (refer to Starlight U.S. Multi-Family (No. 5) Core Fund profile on SEDAR at www.sedar.com) while some are Tricon KPIs (as defined in Section 8.1) not previously reported by the U.S. Multi-Family Portfolio. Any differences are described in the notes to the table below. In addition, the financial information presented in the two tables below includes prior-year results reported by the U.S. Multi-Family Portfolio for comparability, although Tricon did not own the portfolio prior to June 11, 2019. Management believes this information is useful in understanding the performance of the acquired portfolio. Additional operational information by market has been summarized and presented in market-level details at the end of this section.

| | Q4 2019 | Q4 2018 |
|---|---|---|
| Number of suites | 7,289 | 7,289 |
| Occupancy[1] | 94.4% | 92.8% |
| Annualized turnover rate[2] | 51.3% | N/A |
| Average monthly rent | $ 1,240 | $ 1,232 |
| Average rent growth – renewals[2] | 4.6% | N/A |
| Average rent growth – new move-in[2] | (1.7%) | N/A |
| Average rent growth – blended[2] | 1.1% | N/A |

(1) The occupancy rate for Q4 2019 represents physical occupancy (refer to Section 8.1 for Tricon's definition of this KPI) while the occupancy rate for Q4 2018 represents economic occupancy as previously reported by the U.S. Multi-Family Portfolio. Economic occupancy for Q4 2019 was 94.7% and was calculated by taking effective net rent after considering vacancy and concessions, divided by gross potential rent.

(2) These metrics are Tricon's KPIs and they were not previously disclosed by the U.S. Multi-Family Portfolio.

| For the periods ended December 31 | Three months | | | | Twelve months | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | 2018 | Variance ($) | Variance (%) | 2019 | 2018 | Variance ($) | Variance (%) |
| Total revenue[1] | $ 28,633 | $ 27,987 | $ 646 | 2.3% | $ 114,380 | $ 110,354 | $ 4,026 | 3.6% |
| Property operating costs[1] | 7,292 | 7,331 | 39 | 0.5% | 28,586 | 29,219 | 633 | 2.2% |
| Property taxes | 4,377 | 4,494 | 117 | 2.6% | 18,354 | 18,055 | (299) | (1.7%) |
| Total operating expenses | 11,669 | 11,825 | 156 | 1.3% | 46,940 | 47,274 | 334 | 0.7% |
| **Net operating income (NOI)** | **$ 16,964** | **$ 16,162** | **$ 802** | **5.0%** | **$ 67,440** | **$ 63,080** | **$ 4,360** | **6.9%** |
| **Net operating income (NOI) margin** | **59.2%** | **57.8%** | | | **59.0%** | **57.2%** | | |

Note: Given that the suite count did not change from 2018 to 2019, this should also be considered the "Same Property" portfolio. In addition, the metrics presented include full-quarter and full-year results to maintain comparability with prior periods, although Tricon did not own the portfolio prior to June 11, 2019.

(1) For the three and twelve months ended December 31, 2019, bad debt expense of $319 and $1,079 (representing 1.1% and 0.9% of revenue for the two periods), respectively, was reclassified from property operating costs to total revenue to conform with Tricon's current period presentation; the U.S. Multi-Family Portfolio historically presented these balances in operating expenses. The classification change did not impact NOI but had a favourable impact on NOI margin of 70 basis points and 60 basis points for the three and twelve months ended December 31, 2019, respectively, compared to the 2018 comparative period presentation.

Total portfolio NOI for the three months ended December 31, 2019 was $17.0 million, an increase of $0.8 million or 5.0% compared to $16.2 million for the same period in 2018.

For the three months ended December 31, 2019, revenue increased by $0.6 million or 2.3% to $28.6 million compared to $28.0 million for the same period in 2018. The increase is primarily a result of (i) increased occupancy attributable to effective management of lease expirations in the fourth quarter, (ii) higher average monthly rent of $1,240 compared to $1,232 in the fourth quarter of 2018, and (iii) roll-out of bundled service offerings starting from the second quarter of 2019 to drive ancillary revenue.

Total operating expenses decreased by $0.2 million or 1.3% to $11.7 million compared to $11.8 million in the same period in 2018. This favourable variance is attributable to $0.1 million of recoveries recorded in the fourth quarter of 2019 in relation to prior period tax assessments as well as cost containment efforts.

**Portfolio results under Tricon ownership**

The operating metrics in the tables above are key drivers of the portfolio's revenue and ultimately its net operating income (KPI measure; refer to Section 8.1). Net operating income and fair value gains from asset appreciation are the main contributors to investment income – TLR U.S. (per Tricon's income statement).

The table below presents a breakdown of net operating income and a reconciliation to investment income 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 TLR U.S. vertical on a standalone basis.

| (in thousands of U.S. dollars) | For the three months ended December 31, 2019 | % of revenue | For the period from June 11, 2019 to December 31, 2019 | % of revenue |
|---|---|---|---|---|
| Rental revenue[1] | $ 25,077 | | $ 55,895 | |
| Other revenue | 3,556 | | 8,106 | |
| Total revenue | 28,633 | 100% | 64,001 | 100% |
| Property taxes | 4,377 | 15% | 9,744 | 15% |
| Repairs, maintenance and turnover | 997 | 4% | 2,266 | 4% |
| Property management | 2,936 | 10% | 6,738 | 11% |
| Utilities and other direct costs[2] | 1,961 | 7% | 4,308 | 7% |
| Property insurance | 494 | 2% | 1,046 | 2% |
| Marketing and leasing | 384 | 1% | 844 | 1% |
| General and administration expenses | 520 | 2% | 1,096 | 2% |
| Total operating expenses | 11,669 | | 26,042 | |
| **Net operating income (NOI)** | **$ 16,964** | | **$ 37,959** | |
| **Net operating income (NOI) margin** | **59.2%** | | **59.3%** | |
| Fair value gain[3] | – | | – | |
| Other expenses[4] | (936) | | (3,352) | |
| Interest expense | (9,295) | | (21,099) | |
| **Investment income – TLR U.S.** | **$ 6,733** | | **$ 13,508** | |

| | For the three months ended December 31, 2019 | For the period from June 11, 2019 to December 31, 2019 |
|---|---|---|
| Interest on mortgage payable | $ 7,654 | $ 17,191 |
| Interest and standby charges on credit facility | 1,641 | 3,908 |
| Interest expense | $ 9,295 | $ 21,099 |
| Weighted average interest rate | 4.0% | 4.1% |

(1) Rental revenue for the three months ended December 31, 2019 and the period from June 11, 2019 to December 31, 2019 includes bad debt expense of $319 and $638, respectively (representing 1.1% and 1.0% of revenue, respectively).
(2) Utilities and other direct costs include water and sewer expense, trash expense, electricity and gas and cable contract costs.
(3) The portfolio was held at cost given the close proximity of the acquisition date and the period-end date.
(4) Refer to Section 3.1 for the breakdown of other expenses.

During the quarter, the total revenue generated by the U.S. Multi-Family Portfolio was $28.6 million. Rental revenue of $25.1 million is largely attributable to the average monthly rent of $1,240 and occupancy of 94.4% across the portfolio of 7,289 suites. Other revenue of $3.6 million includes revenue from the provision of ancillary services and amenities for residents including package delivery services, bundled cable and internet, and trash disposal. In summary, the total portfolio and same property NOI for the quarter was $17.0 million, reflecting an NOI margin of 59.2%.

### 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 the U.S. multi-family rental 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 the amortization of financing costs, transaction costs and non-recurring items. The table below provides a reconciliation of investment income – TLR U.S. (as presented on Tricon's income statement) to FFO and Core FFO.

| (in thousands of U.S. dollars) | For the three months ended December 31, 2019 | For the period from June 11, 2019 to December 31, 2019 |
|---|---|---|
| Investment income – TLR U.S. | $ 6,733 | $ 13,508 |
| Fair value gain | – | – |
| Depreciation and non-cash items | – | – |
| Deferred tax adjustment | – | 1,651 |
| **Funds from operations (FFO)** | **$ 6,733** | **$ 15,159** |
| Other non-recurring items | 311 | 311 |
| **Core funds from operations (Core FFO)** | **$ 7,044** | **$ 15,470** |

For the three months ended December 31, 2019, Core FFO was $7.0 million. Adjustments to investment income include non-recurring internalization-related expenses of $0.3 million.

### Assets under management and investment balance

The table below represents 100% of the assets and liabilities of the stabilized U.S. multi-family rental portfolio which is wholly-owned by Tricon.

| (in thousands of U.S. dollars) | | Q4 2019 | Q3 2019 | Q2 2019 |
|---|---|---|---|---|
| Purchase price of properties | | $ 1,338,683 | $ 1,338,683 | $ 1,338,683 |
| Cumulative capital expenditures | | 6,161 | 2,875 | 478 |
| Total cost basis of rental properties | | $ 1,344,844 | $ 1,341,558 | $ 1,339,161 |
| Cumulative fair value adjustment[1] | | – | – | – |
| **Fair value of properties (AUM)** | A | **$ 1,344,844** | **$ 1,341,558** | **$ 1,339,161** |
| **Add:** | | | | |
| Other net assets[2] | B | 556 | 2,609 | 507 |
| **Less:** | | | | |
| Credit facility (LIBOR+3.75%) | | 115,890 | 117,390 | 118,390 |
| Portfolio mortgage – Tranche A (LIBOR+1.15%) | | 160,090 | 160,090 | 160,090 |
| Portfolio mortgage – Tranche B (3.92% fixed) | | 400,225 | 400,225 | 400,225 |
| Portfolio mortgage – Tranche C (3.95% fixed) | | 240,135 | 240,135 | 240,135 |
| Total debt | C | 916,340 | 917,840 | 918,840 |
| **Investments – TLR U.S.** | A + B – C | **$ 429,060** | **$ 426,327** | **$ 420,828** |
| Cash | | 19,100 | 22,534 | 16,456 |
| Debt-to-cost (net of cash) | | 66.7% | 66.7% | 67.4% |
| Debt-to-value (net of cash) | | 66.7% | 66.7% | 67.4% |

(1) The portfolio was held at cost given the close proximity of the acquisition date and the period-end date.

(2) Other net assets include working capital.

The following table summarizes the debt structure as at December 31, 2019:

| (in thousands of U.S. dollars)<br>Debt structure | Balance | % of total | Weighted average interest rate | Weighted average years to maturity |
|---|---|---|---|---|
| Fixed | $ 640,360 | 69.9% | 3.9% | 5.2 |
| Floating | 275,980 | 30.1% | 4.1% | 2.6 |
| **Total/Weighted average** | **$ 916,340** | **100.0%** | **4.0%** | **4.4** |

The scheduled principal repayments and debt maturities are as follows:

| (in thousands of U.S. dollars)<br>Year | Mortgage | Credit facility | Total | % of total | Weighted average interest rate of maturing debt |
|---|---|---|---|---|---|
| 2020 | $ – | $ 115,890 | $ 115,890 | 12.6% | 5.4% |
| 2021 | 292 | – | 292 | – | – |
| 2022 | 3,463 | – | 3,463 | 0.4% | – |
| 2023 | 157,269 | – | 157,269 | 17.2% | 2.8% |
| 2024 | 403,760 | – | 403,760 | 44.1% | 3.9% |
| Thereafter | 235,666 | – | 235,666 | 25.7% | 4.0% |
| **Total/Weighted average** | **$ 800,450** | **$ 115,890** | **$ 916,340** | **100.0%** | **4.0%** |

The U.S. multi-family rental portfolio is diversified across 13 target markets. Market-level details on all the properties owned by the Company are presented below.

| Geography | Properties | Suites | Occupancy | NOI | NOI margin | Average size (sq. feet) | Average monthly rent | Average monthly rent per sq. foot |
|---|---|---|---|---|---|---|---|---|
| Austin | 4 | 1,454 | 95.1% | 3,296 | 59.5% | 941 | $ 1,167 | $ 1.24 |
| Orlando | 4 | 1,215 | 93.7% | 3,364 | 62.1% | 1,059 | 1,413 | 1.33 |
| Houston | 3 | 1,098 | 95.4% | 2,176 | 54.6% | 942 | 1,148 | 1.22 |
| Dallas | 2 | 640 | 92.1% | 1,017 | 45.6% | 922 | 1,179 | 1.28 |
| Atlanta | 2 | 607 | 93.1% | 1,337 | 55.1% | 860 | 1,331 | 1.55 |
| Charlotte | 1 | 320 | 95.3% | 768 | 62.8% | 973 | 1,170 | 1.20 |
| Las Vegas | 1 | 320 | 93.9% | 819 | 68.5% | 1,042 | 1,213 | 1.16 |
| Tampa | 1 | 304 | 95.9% | 828 | 65.4% | 998 | 1,318 | 1.32 |
| Nashville | 1 | 288 | 95.4% | 732 | 65.5% | 1,085 | 1,198 | 1.10 |
| San Antonio | 1 | 276 | 95.3% | 514 | 51.9% | 874 | 1,122 | 1.28 |
| Phoenix | 1 | 274 | 93.6% | 715 | 66.2% | 966 | 1,228 | 1.27 |
| Raleigh | 1 | 265 | 95.1% | 644 | 59.8% | 996 | 1,187 | 1.19 |
| Denver | 1 | 228 | 95.5% | 754 | 68.9% | 930 | 1,467 | 1.58 |
| **Total/Weighted average** | **23** | **7,289** | **94.4%** | **16,964** | **59.2%** | **966** | **$ 1,240** | **$ 1.28** |

### 4.3 Tricon Lifestyle Rentals Canada

TLR Canada continues to execute on its strategy of establishing itself as the leading developer, owner and operator of Class A rental apartments in the Greater Toronto Area. Subsequent to quarter-end, TLR Canada achieved a major platform milestone with the internalization of property management of its portfolio. Tricon now has a fully-integrated Canadian multi-family rental platform which includes in-house investment, development and construction, and building operations. The internalization of property management will allow TLR Canada to fully govern the resident experience by focusing on customer service and community engagement, while also overseeing building operations.

Details pertaining to TLR Canada's projects are presented below:

| (in thousands of U.S. dollars) | Location | TLR's share of Investment Vehicle | Projected rental and condominium units[1] | Estimated commercial area (sq. feet)[1] | Projected total cost[1] | Cost to date | Projected remaining costs[1] |
|---|---|---|---|---|---|---|---|
| **Stabilized projects** | | | | | | | |
| Shops of Summerhill | Toronto, ON | 25.0% | – | 31,000 | N/A | N/A | N/A |
| **Subtotal – Stabilized projects** | | | **–** | **31,000** | **N/A** | **N/A** | **N/A** |
| **Projects in lease-up** | | | | | | | |
| The Selby (592 Sherbourne) | Toronto, ON | 15.0% | 500 | 5,000 | $ 157,000 | $ 157,000 | $ – |
| **Subtotal – Projects in lease-up** | | | **500** | **5,000** | **157,000** | **157,000** | **–** |
| **Projects under development/construction** | | | | | | | |
| The Taylor (57 Spadina) | Toronto, ON | 30.0% | 286 | 44,000 | 125,000 | 56,000 | 69,000 |
| The James (Scrivener Square) | Toronto, ON | 50.0% | 109 | 31,000 | 231,000 | 47,000 | 184,000 |
| West Don Lands – Blocks 8/20 | Toronto, ON | 33.3% | 770 | 4,000 | 278,000 | 13,000 | 265,000 |
| West Don Lands – Blocks 3/4/7 | Toronto, ON | 33.3% | 836 | 43,000 | 382,000 | 3,000 | 379,000 |
| The Ivy (8 Gloucester) | Toronto, ON | 47.0% | 231 | 3,000 | 105,000 | 27,000 | 78,000 |
| 7 Labatt | Toronto, ON | 30.0% | 595 | 52,000 | 267,000 | 58,000 | 209,000 |
| **Subtotal – Projects under development/construction** | | | **2,827** | **177,000** | **1,388,000** | **204,000** | **1,184,000** |
| **Total** | | **~30.0%** | **3,327** | **213,000** | **$ 1,545,000** | **$ 361,000** | **$ 1,184,000** |

(1) Projected units, rentable area, costs and timelines are estimated based on current project plans which are subject to change. Refer to page 21, Non-IFRS measures and forward-looking statements.

| | Estimated/Actual dates for[1] | | | As of December 31, 2019 | |
|---|---|---|---|---|---|
| | Construction start | Initial occupancy | Construction completion[2] | % leased | % occupied |
| **Stabilized projects** | | | | | |
| Shops of Summerhill | N/A | N/A | N/A | 100.0% | 100.0% |
| **Projects in lease-up** | | | | | |
| The Selby (592 Sherbourne) | Q3 2015 | Q4 2018 | Q2 2019 | 86.4% | 83.8% |
| **Projects under development/construction** | | | | | |
| The Taylor (57 Spadina) | Q2 2018 | Q3 2021 | Q3 2021 | – | – |
| The James (Scrivener Square) | Q1 2020 | Q4 2023 | Q4 2023 | – | – |
| West Don Lands – Blocks 8/20 | Q4 2019 | Q4 2022 | Q2 2023 | – | – |
| West Don Lands – Blocks 3/4/7 | Q1 2021 | Q2 2025 | Q2 2025 | – | – |
| The Ivy (8 Gloucester) | Q1 2020 | Q2 2022 | Q3 2022 | – | – |
| 7 Labatt | Q4 2020 | Q4 2023 | Q4 2023 | – | – |

(1) Projected units, rentable area, costs and timelines are estimated based on current project plans which are subject to change. Refer to page 21, Non-IFRS measures and forward-looking statements.

(2) Stabilized operations are expected to occur one year following the completion of construction.

**Operational highlights**

Leasing at The Selby continues to be supported by strong resident demand, with rental rates currently tracking ahead of budget. During the quarter, The Selby reported 67 leases signed and achieved 86% lease-up, with average in-place rents of C$3.80 per square foot. The Selby achieved the strongest leasing velocity of any new purpose-built rental project in Toronto during 2019 (source: Urbanation). In December 2019, The Selby was awarded the Rental Development of the Year by the Federation of Rental-housing Providers of Ontario, which recognized the suite quality, compelling amenities and leasing performance of the building.

At The Taylor, forming of the above-grade structure is underway, the project is progressing in line with budget and approximately 80% of trade contracts have been awarded. The Entertainment District continues to be one of the most desirable submarkets with high demand for rental units at strong pricing.

At The James, located in the prestigious Rosedale/Summerhill neighbourhood, the project received a positive ruling from the Local Planning Appeal Tribunal (LPAT) on its proposed density, and the final official plan amendment and zoning by-law amendment are expected imminently. With key approvals nearly secured, demolition is expected in early 2020 and below-grade construction is expected to commence during the second quarter of 2020.

At The Ivy (previously 8 Gloucester), the project received approval by the Committee of Adjustments to reduce the parking requirements that were originally set out in a previously approved by-law by more than 50%. This approval is expected to lead to construction cost savings and condense the construction schedule. The project is on track to commence demolition in early 2020.

At 7 Labatt, the project is advancing architectural design and completing technical review as part of the site plan approval process. TLR Canada is targeting a sales launch in mid-2020 for the project's estimated 295 condominium units. Given strong market conditions, launch pricing is expected to be above underwritten levels. The condominium units will be complemented by 300 rental units.

At the West Don Lands project, which is located in Toronto's Downtown East submarket and adjacent to the historic Distillery District neighbourhood, TLR Canada, together with its joint venture partners, achieved significant development milestones during the quarter. At Blocks 8/20, below-grade construction commenced in late 2019, and a significant share of the project budget is on track to be tendered throughout the first half of 2020. The project team also submitted its first zoning application for Blocks 3/4/7. TLR Canada and its joint venture partners entered into an agreement to expand their multi-family rental portfolio to include Block 10 of the West Don Lands, which is expected to close in the first half of 2020. Once closed, the joint venture partners together will control over eleven acres of prime land representing more than 1,800 rental units at build-out within the West Don Lands, bringing TLR Canada's development portfolio to over 3,600 units.

The Company believes that investor interest in rental development is at an all-time high given the attractive recurring cash flow profile and strong fundamentals underpinning the sector; for instance, Toronto experienced year-over-year rental growth of 5.3% while vacancies averaged 1.0% in 2019 (source: Urbanation). TLR Canada continues to evaluate select high-quality development opportunities in the Greater Toronto Area, including marketed sites, off-market opportunities and partnerships with multiple levels of government seeking more rental housing.

**Assets under management and investment balance**

A summary of TLR Canada'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) | 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 |
| TLR Canada | $ 62,149 | $ 96,180 | $ 49,591 | $ 45,976 | $ 191,747 |

(1) Investments – TLR per Tricon's balance sheet of $525,932 includes investment in TLR Canada of $96,872 (see Section 3.2). In the table above, TLR Canada investment at fair value of $96,180 is shown before other net liabilities of $692. The USD/CAD exchange rate used to present balances in U.S. dollars is 1.2988 at December 31, 2019.

### 4.4 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 homesites (or lots), land and homes from THP's projects generally over the next eight to ten years (forward-looking information; refer to page 21).

| | 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[2] |
| Commingled funds[3] | 31.6% | $ 72,081 | $ 106,405 | $ 16,726 | $ 123,131 | $ 304,359 | $ 308,547 | $ 127,268 |
| Direct investments[4] | 100.0% | 104,453 | 127,568 | 5,712 | 133,280 | 116,592 | 12,139 | 303,723 |
| Separate accounts and side-cars[5] | 10.9% | 71,789 | 66,680 | 61,892 | 128,572 | 95,707 | 53,857 | 127,463 |
| **Total** | | **$ 248,323** | **$ 300,653** | **$ 84,330** | **$ 384,983** | **$ 516,658** | **$ 374,543** | **$ 558,454** |

(1) Distributions include repayments of preferred return and capital.

(2) Projected distributions are forward-looking information. Refer to page 21, Non-IFRS measures and forward-looking statements.

(3) Commingled funds include THP1 US, THP2 US and THP3 Canada.

(4) Direct investments include Trinity Falls and Bryson.

(5) Separate accounts and side-cars include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman, Arantine Hills and THPAS JV-1.

For the year ended December 31, 2019, THP Adjusted EBITDA was $9.0 million, which remains below management's target. During the year, new home sales recovered modestly across several communities, driven by improved mortgage rates and continued employment and population growth in our targeted U.S. Sun Belt markets. Although new home sales have improved, Tricon remains cautious on the near-term outlook of this vertical as it continues to experience margin compression and extended development timelines on certain investments, and these unfavourable conditions are causing muted fair value gains, and in some cases fair value losses, when discount rates are applied to future cash flows to determine the present value.

As part of its transformation into a predominantly rental housing company, Tricon intends to reduce its balance sheet exposure to THP and will consider syndicating or divesting select for-sale housing assets to expedite this process. On January 22, 2020, the Company completed the syndication of 50% of one of its direct THP investments to THPAS JV-1. Notwithstanding this goal, THP remains an important source of future cash flow for the Company and driver of recurring contractual fee income through the management of third-party capital. In 2019, THP investments distributed approximately $290.0 million to its investors; Tricon's share of these cash flows included $51.9 million in distributions and $7.4 million in performance fees (see Sections 3.2 and 4.5).

### 4.5 Private Funds and Advisory

Tricon manages $2.4 billion of third-party capital across Tricon's TAH, TLR and THP investment verticals through private commingled funds, separate accounts, syndicated investments and joint ventures. Tricon manages capital on behalf of Canadian, American and international institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. The Company's strategy is to continue raising and managing third-party capital in each of its investment verticals to scale its business faster, generate additional fee income and drive shareholder value. Tricon manages third-party capital for seven of the top 50 investors listed on the PERE 2019 Top 50 Global Investor report published in November 2019. In addition, Tricon ranked 68th globally (third in Canada) based on the amount of private real estate direct investment capital raised since 2014 according to the PERE 100 report published in June 2019.

In the third quarter of 2019, Tricon entered into a joint venture arrangement ("THPAS JV-1") with a leading institutional investor which will target investments in the development of master-planned communities and single-family "build-to-rent" communities in U.S. Sun Belt markets. The total equity committed to this venture is $450 million, including $400 million from the investor and $50 million from Tricon. THPAS JV-1 is expected to generate management and potentially performance fees in future periods as the vehicle is invested.

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).

| (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 as at December 31, 2019 A + B + C | Third-party AUM as at December 31, 2018 | Change ($) | Change (%) |
|---|---|---|---|---|---|---|---|
| TAH[2] | $ 287,242 | $ 484,603 | $ 86,878 | $ 858,723 | $ 561,069 | $ 297,654 | 53% |
| TLR Canada[3] | 132,510 | 157,323 | 89,979 | 379,812 | 274,528 | 105,284 | 38% |
| THP[4] | 656,439 | – | 539,636 | 1,196,075 | 886,352 | 309,723 | 35% |
| **Total – Third-party AUM** | **$ 1,076,191** | **$ 641,926** | **$ 716,493** | **$ 2,434,610** | **$ 1,721,949** | **$ 712,661** | **41%** |

(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) TAH includes TAH JV-1. Third-party investors' share of the outstanding debt includes their share of the TAH JV-1 warehouse credit facility, TAH JV-1 2019-1 securitization and the TAH JV-1 subscription loan, the latter of which is a substitute for invested capital and can be replaced by equity funding at management's discretion.

(3) TLR Canada includes The Selby, The Taylor, The James, Shops of Summerhill, West Don Lands, 8 Gloucester and 7 Labatt. Other than in respect of The Selby, The Taylor and 7 Labatt, TLR Canada has partnered with strategic partners that do not pay fees to the Company for any management of their invested capital.

(4) THP includes THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Heritage Valley, 5 St. Joseph, Mahogany, Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman, Arantine Hills and THPAS JV-1.

Third-party AUM increased by $712.7 million or 41% to $2.4 billion as at December 31, 2019, from $1.7 billion as at December 31, 2018. This increase was driven by $400.0 million of committed capital raised for the formation of THPAS JV-1 as discussed above, funded debt at TAH JV-1 to finance the acquisition of 3,621 homes in its portfolio, the formation of a new TLR Canada separate account, along with additional construction financing for TLR Canada development projects. These increases were partially offset by a reduction in THP commingled funds and separate account investments as a result of significant distributions as projects matured.

During the fourth quarter of 2019, the Private Funds and Advisory business continued to generate contractual fees in its various investment verticals. 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, development fees earned from Johnson, and performance fees.

| For the periods ended December 31 | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| **Tricon American Homes** | | | | | | |
| Management fees | $ 1,004 | $ 1,003 | $ 1 | $ 3,991 | $ 2,050 | $ 1,941 |
| **Subtotal – TAH** | **1,004** | **1,003** | **1** | **3,991** | **2,050** | **1,941** |
| **Tricon Lifestyle Rentals** | | | | | | |
| Management fees | 34 | 238 | (204) | 577 | 875 | (298) |
| Development fees – TLR Canada projects | 287 | 1,290 | (1,003) | 1,622 | 2,892 | (1,270) |
| **Subtotal – TLR** | **321** | **1,528** | **(1,207)** | **2,199** | **3,767** | **(1,568)** |
| **Tricon Housing Partners** | | | | | | |
| Management fees and general partner distributions | 2,317 | 3,044 | (727) | 10,531 | 12,145 | (1,614) |
| Development fees – Johnson | 5,509 | 2,533 | 2,976 | 15,726 | 9,610 | 6,116 |
| Performance fees | 2,565 | 1,457 | 1,108 | 7,448 | 2,775 | 4,673 |
| **Subtotal – THP** | **10,391** | **7,034** | **3,357** | **33,705** | **24,530** | **9,175** |
| **Total revenue** | **$ 11,716** | **$ 9,565** | **$ 2,151** | **$ 39,895** | **$ 30,347** | **$ 9,548** |

Private Funds and Advisory revenue for the three months ended December 31, 2019 increased by $2.2 million compared to the same period in the prior year. The variance is primarily attributable to an increase in Johnson development fees of $3.0 million, which was mainly driven by increased lot closings and land sales (see Section 3.1).

Private Funds and Advisory revenue for the twelve months ended December 31, 2019 increased by $9.5 million compared to the prior year. The variance is primarily attributable to the reasons discussed above, along with an increase of $1.9 million in management fees earned from TAH JV-1, which was launched during the second quarter of 2018.

The table below provides a summary of projected returns for each Investment Vehicle along with projected performance fees that Tricon could earn over time based on current business plans (forward-looking information; see page 21). Projected returns and estimated performance fees are based on Tricon's analysis of projected cash flows over their expected life for existing investments in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and/or annual budgets prepared by management or third-party developers or in certain cases based on third-party appraisals performed in the fourth quarter. Net returns presented reflect all fees paid by investors; the net return to any given investor will vary depending on the individual investor's management fee and carried interest rate.

| | Projected returns | | | | Estimated performance fees to |
|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | Gross ROI | Gross IRR | Net ROI | Net IRR | Tricon remaining |
| TAH[1] | 2.3x | 14% | 2.1x | 13% | $ 38,000 |
| TLR Canada[2] | 2.7x | 13% | 2.6x | 13% | 12,115 |
| THP[3] | 1.8x | 12% | 1.7x | 9% | 41,119 |
| **Total** | | | | | **$ 91,234** |

(1) TAH includes TAH JV-1.

(2) TLR Canada includes The Selby, The Taylor, The James, Shops of Summerhill, West Don Lands, 8 Gloucester and 7 Labatt. Performance fees may be earned only on The Selby, The Taylor and 7 Labatt.

(3) THP includes THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Heritage Valley, 5 St. Joseph, Mahogany, Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman, Arantine Hills and THPAS JV-1.

**The Johnson Companies LP ("Johnson")**

Johnson achieved record third-party home sales of 3,925 in 2019 at its 19 master-planned communities under development. Those communities reflect a combined 45,730 acres under development on which 80,050 residential units (65,750 single-family residential units and 14,300 multi-family residential units) and 16.7 million square feet of commercial space are planned.

The following table provides a summary of Johnson's development advisory fees, as well as unit sales of lots and land parcels to homebuilders and developers 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 periods ended December 31 (in thousands of U.S. dollars, except for land, lot and home sales) | Three months | | | Twelve months | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| Development fees – Johnson | $ 5,509 | $ 2,533 | $ 2,976 | $ 15,726 | $ 9,610 | $ 6,116 |
| Lot closings | 1,120 | 639 | 481 | 3,110 | 2,326 | 784 |
| Land sales (acres) | 60 | 10 | 50 | 251 | 113 | 138 |
| Third-party home sales (net) | 927 | 752 | 175 | 3,920 | 3,820 | 100 |

Development fees were $5.5 million for the three months ended December 31, 2019, an increase of $3.0 million from the same period in the prior year. The increase is primarily attributable to a significant increase in lot closings and land sales during the period as homebuilder demand for lots in Johnson communities continues to remain favourable against a backdrop of a strong Texas economy and lower mortgage rates.

Development fees for the twelve months ended December 31, 2019 were $15.7 million, an increase of $6.1 million from the same period in the prior year. The increase was mainly driven by additional lot closings and land sales as noted above as well as the bulk sale of a significant residential parcel to a national homebuilder in the first quarter of 2019.

Johnson's reputation for developing high-quality master-planned communities is further evidenced by Johnson having three master-planned communities ranked in the top 50 for 2019 according to RCLCO Real Estate Advisors and John Burns Real Estate Consulting.

# 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's invested capital.
- Stable cash flow received from our income-generating TAH and TLR investment verticals.
- Repatriation of equity extracted through refinancings.
- 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 December 31, 2019, Tricon had a net working capital deficit of $18.3 million, reflecting current assets of $18.7 million, offset by payables and accrued liabilities of $36.9 million. The Company has determined that its current financial obligations and working capital deficit are adequately funded from the available borrowing capacity and from operating cash flows.

## 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 indebtedness and provides limited financial guarantees for TLR Canada land loans and TLR construction loans.

As at December 31, 2019, 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.

As of December 31, 2019, there were 194,328,744 common shares issued by the Company, of which 194,021,133 were outstanding and 307,611 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan.

On June 11, 2019, the Company issued 50,779,311 common shares in consideration for the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (see Section 4.2).

On July 10, 2019, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid (the "NCIB") to repurchase up to two million of its common shares during the twelve-month period commencing July 15, 2019. To date, the Company has repurchased 495,402 of its common shares for $3.8 million (C$4.9 million) under the NCIB. Common shares that are purchased under the NCIB are cancelled by the Company.

On October 2, 2019, the Company announced that its Board of Directors had approved the early removal of the transfer restrictions, or "lock-up", previously in place on the Company's common shares issued as part of Tricon's acquisition of the U.S. Multi-Family Portfolio on June 11, 2019 (the "Acquisition"). The removal of the transfer restrictions on common shares issued to "non-insiders" of the U.S. Multi-Family Portfolio was effective immediately and such restricted shares have become freely tradeable on the Toronto Stock Exchange. The contractual lock-up in respect of the Tricon common shares issued to Starlight Group Property Holdings Inc. ("Starlight Group") and members of its management was removed on January 31, 2020 in exchange for an early termination right in respect of the Transitional Services Agreement entered into in connection with the Acquisition. The Transitional Services Agreement was terminated effective January 13, 2020. In connection with the termination of the lock-up, the Company also agreed to extend the duration of the put right and the call right applicable to the 1,634,217 Tricon common shares issued to Starlight Group and its management (refer to the Company's Management Information Circular dated May 2, 2019 for further details). The put right is now exercisable at any time between January 31, 2020 and June 11, 2020, and the Company's call right is now exercisable between December 11, 2019 and December 11, 2020, subject in each case to the terms of those rights previously disclosed.

## 6. NON-IFRS MEASURES

The Company has included in this MD&A certain supplemental measures of performance, including those described below. Management utilizes these measures in managing the Company's 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. Management also considers FFO and FFO per share important measures of the Company's operating performance, considering the recent expansion of its residential rental portfolio. FFO and FFO per share are metrics commonly used by securities analysts, investors and other interested parties in the evaluation of real estate entities, particularly those that own and operate income-producing properties. For development assets, management uses investment income adjusted for transaction costs and other non-recurring and non-cash expenses as a proxy for FFO, as investment income is driven by fair value gains calculated by discounting expected future cash flows. Management believes 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 21.

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 potentially dilutive shares (including 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.
- FFO is defined as Tricon's share of TAH and TLR U.S. Core FFO (KPI measures; see Section 8.1), TLR Canada and THP investment income excluding transaction costs and other non-recurring or non-cash expenses, and contractual fee income attributable to Tricon, less cash outflows in relation to Tricon's corporate overhead, interest expense and current tax expense. FFO per share is defined as FFO divided by the weighted average common shares outstanding in the period, assuming the conversion of all potentially dilutive shares (including convertible debt).

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

| For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | | Three months | | | Twelve months | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Variance | 2019 | 2018 | Variance |
| TAH Adjusted EBITDA (A) | $ 68,110 | $ 61,196 | $ 6,914 | $ 255,106 | $ 310,710 | $ (55,604) |
| TLR Adjusted EBITDA (B) | 25,170 | 11,444 | 13,726 | 59,024 | 17,724 | 41,300 |
| THP Adjusted EBITDA (C) | 3,524 | 2,477 | 1,047 | 8,981 | 12,517 | (3,536) |
| TLC Adjusted EBITDA (D) | – | – | – | – | 31,394 | (31,394) |
| Fee income net of adjusted non-controlling interest (E) | 10,095 | 8,967 | 1,128 | 35,668 | 28,181 | 7,487 |
| Adjusted EBITDA before corporate overhead | 106,899 | 84,084 | 22,815 | 358,779 | 400,526 | (41,747) |
| Adjusted compensation expense (F) | (8,238) | (1,755) | (6,483) | (32,896) | (26,730) | (6,166) |
| General and administration expense | (2,876) | (2,658) | (218) | (11,683) | (9,800) | (1,883) |
| **Adjusted EBITDA** | **95,785** | **79,671** | **16,114** | **314,200** | **363,996** | **(49,796)** |
| Stock option expense | (168) | (255) | 87 | (764) | (1,180) | 416 |
| Adjusted interest expense (G) | (38,797) | (27,258) | (11,539) | (137,322) | (107,806) | (29,516) |
| Adjusted amortization expense (H) | (1,171) | (1,190) | 19 | (4,620) | (3,778) | (842) |
| **Adjusted net income before taxes** | **55,649** | **50,968** | **4,681** | **171,494** | **251,232** | **(79,738)** |
| Adjusted income tax expense (I) | (9,002) | (4,852) | (4,150) | (24,197) | (26,557) | 2,360 |
| **Adjusted net income** | **$ 46,647** | **$ 46,116** | **$ 531** | **$ 147,297** | **$ 224,675** | **$ (77,378)** |
| **Adjusted basic EPS attributable to shareholders of Tricon** | **$ 0.24** | **$ 0.32** | **$ (0.08)** | **$ 0.85** | **$ 1.64** | **$ (0.79)** |
| **Adjusted diluted EPS attributable to shareholders of Tricon** | **$ 0.23** | **$ 0.30** | **$ (0.07)** | **$ 0.81** | **$ 1.45** | **$ (0.64)** |
| **Weighted average shares outstanding – basic** | **195,269,680** | **143,911,890** | **51,357,790** | **172,735,776** | **137,157,260** | **35,578,516** |
| **Weighted average shares outstanding – diluted** | **213,682,237** | **162,455,879** | **51,226,358** | **191,081,128** | **162,112,882** | **28,968,246** |
| TAH Adjusted EBITDA before fair value gain | 43,617 | 36,406 | 7,211 | 158,550 | 130,214 | 28,336 |
| Tricon's share of TAH fair value gain | 24,493 | 24,790 | (297) | 96,556 | 180,496 | (83,940) |
| **TAH Adjusted EBITDA** | **$ 68,110** | **$ 61,196** | **$ 6,914** | **$ 255,106** | **$ 310,710** | **$ (55,604)** |
| Adjusted EBITDA | 95,785 | 79,671 | 16,114 | 314,200 | 363,996 | (49,796) |
| Less: | | | | | | |
| Tricon's share of TAH fair value gain | 24,493 | 24,790 | (297) | 96,556 | 180,496 | (83,940) |
| TLC Adjusted EBITDA | – | – | – | – | 31,394 | (31,394) |
| **Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA** | **$ 71,292** | **$ 54,881** | **$ 16,411** | **$ 217,644** | **$ 152,106** | **$ 65,538** |

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 December 31, 2019, Adjusted EBITDA increased by $16.1 million or 20% to $95.8 million compared to $79.7 million in the same period in the prior year. This favourable variance was mainly driven by: (i) a $13.7 million increase in TLR Adjusted EBITDA as a result of the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund on June 11, 2019, and (ii) a $6.9 million increase in TAH Adjusted EBITDA attributable to an increase in NOI driven by rental revenue growth and cost containment achieved across the TAH portfolio. The increase was partially offset by a $6.5 million expansion in Adjusted compensation expense, as performance-based AIP awards were accrued for evenly during the year, whereas the comparative period reflected a recovery when actual AIP was finalized in the fourth quarter.
- For the twelve months ended December 31, 2019, Adjusted EBITDA decreased by $49.8 million or 14% to $314.2 million compared to $364.0 million in the same period in the prior year. This decrease was mainly attributable to a reduction in TAH Adjusted EBITDA, which included an $83.9 million decrease in fair value gain partially offset by a $42.2 million increase in NOI for the reasons discussed above (see Section 4.1). Further, TLC Adjusted EBITDA decreased by $31.4 million as its portfolio of 14 manufactured housing communities was disposed of in June 2018. These reductions were partially offset by a $41.3 million increase in TLR Adjusted EBITDA as discussed above. Excluding Tricon's share of TAH fair value gains and TLC Adjusted EBITDA, Adjusted EBITDA would have increased by $65.5 million or 43% to $217.6 million for the twelve months ended December 31, 2019 compared to $152.1 million in the same period in the prior year.
- Adjusted net income, which excludes non-recurring items, increased by $0.5 million or 1% to $46.6 million for the three months ended December 31, 2019 compared to $46.1 million for the same period in the prior year. The increase is associated with higher Adjusted EBITDA as discussed above, partially offset by an increase in Adjusted interest expense related to the newly acquired U.S. Multi-Family Portfolio and the financing of additional homes in the growing TAH JV-1 rental portfolio.
- Adjusted net income decreased by $77.4 million or 34% to $147.3 million for the twelve months ended December 31, 2019 compared to $224.7 million for the same period in the prior year. The decrease is mainly attributable to an $83.9 million decrease in TAH fair value gain, a $31.4 million decrease in TLC Adjusted EBITDA, and a $29.5 million increase in interest expense as discussed above. This variance was partially offset by a $42.2 million increase in TAH NOI and $38.0 million of NOI contributed by the U.S. Multi-Family Portfolio.
- Adjusted basic EPS decreased by $0.08 or 25% to $0.24 and decreased by $0.79 or 48% to $0.85 for the three and twelve months ended December 31, 2019, respectively, compared to $0.32 and $1.64 in the same periods in the prior year. Adjusted diluted EPS decreased by $0.07 or 23% to $0.23 and $0.64 or 44% to $0.81 for the three and twelve months ended December 31, 2019, respectively, compared to $0.30 and $1.45 in the same periods in the prior year. The decrease in Adjusted basic and diluted EPS is primarily attributable to a higher weighted average share count, reflecting the common shares issued on June 11, 2019 in connection with the acquisition of the U.S. Multi-Family Portfolio, along with lower Adjusted net income for the twelve months ended December 31, 2019 for the reasons noted above.

The table below provides a breakdown of FFO and FFO per share.

| For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | | Three months 2019 | Three months 2018 | Three months Variance | Twelve months 2019 | Twelve months 2018 | Twelve months Variance |
|---|---|---|---|---|---|---|---|
| Single-family rental FFO[1] | | $ 22,973 | $ 16,615 | $ 6,358 | $ 75,710 | $ 53,617 | $ 22,093 |
| Multi-family rental FFO[2] | | 7,044 | – | 7,044 | 15,470 | – | 15,470 |
| Residential developments FFO[3] | J | 10,191 | 13,454 | (3,263) | 17,347 | 24,845 | (7,498) |
| Fee income net of adjusted non-controlling interest | E | 10,095 | 8,967 | 1,128 | 35,668 | 28,181 | 7,487 |
| | | 50,303 | 39,036 | 11,267 | 144,195 | 106,643 | 37,552 |
| Corporate overhead[4] | K | (11,889) | (11,480) | (409) | (44,201) | (42,773) | (1,428) |
| Corporate interest expense[5] | L | (5,313) | (3,373) | (1,940) | (18,238) | (13,060) | (5,178) |
| Current income tax recovery (expense)[6] | M | 1,291 | 1,231 | 60 | (1,309) | (639) | (670) |
| **Funds from operations (FFO)** | | **$ 34,392** | **$ 25,414** | **$ 8,978** | **$ 80,447** | **$ 50,171** | **$ 30,276** |
| **Funds from operations (FFO) per share** | | **$ 0.16** | **$ 0.16** | **$ –** | **$ 0.42** | **$ 0.31** | **$ 0.11** |
| **Funds from operations (FFO) per share (CAD)[7]** | | **C$ 0.21** | **C$ 0.22** | **C$ (0.01)** | **C$ 0.55** | **C$ 0.42** | **C$ 0.13** |
| **Weighted average shares outstanding – diluted** | | **213,682,237** | **162,455,879** | **51,226,358** | **191,081,128** | **162,112,882** | **28,968,246** |

(1) Includes Tricon's share of TAH Core FFO (see Section 4.1)
(2) Includes TLR U.S. Core FFO (see Section 4.2).
(3) Includes investment income from TLR Canada and THP excluding the impact of transaction costs, translation adjustments, deferred tax expense, and other non-recurring and non-cash expenses (see Section 3.1).
(4) Includes compensation expense and general and administration expense per Tricon's income statement, excluding non-cash and non-recurring expenses (see Section 3.1).
(5) Includes interest expense per Tricon's income statement, excluding debentures interest and debentures discount amortization (see Section 3.1).
(6) Includes current income tax expense per Tricon's income statement, excluding current income tax on TLR U.S. assets sold during the year.
(7) USD/CAD exchange rates used are 1.2988 at December 31, 2019 and 1.3642 at December 31, 2018.

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

- For the three months ended December 31, 2019, FFO increased by $9.0 million to $34.4 million compared to $25.4 million in the same period in the prior year. The increase is mainly attributable to (i) an increase in single-family rental FFO of $6.4 million resulting from growth in portfolio size and strong operating metrics, (ii) the acquisition of the U.S. Multi-Family Portfolio in the second quarter of 2019 resulting in an additional $7.0 million contribution to FFO, and (iii) increases in contractual fees, namely development fees driven by lot sales at Johnson communities and performance fees from THP commingled funds and separate accounts. The increase was partially offset by a decrease in residential developments FFO, primarily driven by a reduction in fair value gains compared to the prior-year period, and higher corporate interest expense due to a larger outstanding credit facility balance.
- For the twelve months ended December 31, 2019, FFO increased by $30.3 million to $80.4 million compared to $50.2 million in the same period in the prior year, which was attributable to the reasons discussed above.
- FFO per share remained unchanged for the three months ended December 31, 2019 at $0.16 compared to the same period in the prior year, as the higher FFO discussed above was fully offset by a higher weighted average share count driven by the common shares issued to acquire the U.S. Multi-Family Portfolio in the second quarter of 2019.
- FFO per share increased by $0.11 or 35% to $0.42 for the twelve months ended December 31, 2019 compared to $0.31 in the same period in the prior year, driven primarily by an increase in FFO, partially offset by a higher weighted average share count.

## 7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the non-IFRS financial measures presented in Section 6 to measures reflected in the Company's consolidated financial statements for the three and twelve months ended December 31, 2019.

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Twelve months 2019 | Twelve months 2018 |
|---|---|---|---|---|
| **Net income** | **$ 45,259** | **$ 43,297** | **$ 114,135** | **$ 216,355** |
| **Non-recurring adjustments:** | | | | |
| Transaction costs and non-recurring items | 8,284 | 3,261 | 43,321 | 19,976 |
| **Non-cash adjustments:** | | | | |
| Non-controlling interest | (1,203) | (199) | (2,573) | (404) |
| Net change in fair value of derivative financial instruments | 1,348 | (8,583) | (2,961) | (27,680) |
| Debentures discount amortization | 716 | 647 | 2,729 | 4,104 |
| Loss on debt extinguishment | – | – | – | 5,349 |
| Unrealized foreign exchange loss (gain) at investment level | (1,834) | 3,362 | (4,135) | 4,455 |
| Realized and unrealized foreign exchange loss (gain) | (178) | 438 | (42) | (1,511) |
| Accrued LTIP and non-recurring expenses[1] | 1,338 | 6,611 | 4,021 | 8,965 |
| Tax expense on non-recurring and non-cash expenses | (7,083) | (2,718) | (7,198) | (4,934) |
| **Adjusted net income[2]** | **$ 46,647** | **$ 46,116** | **$ 147,297** | **$ 224,675** |
| **Add:** | | | | |
| Stock option expense | $ 168 | $ 255 | $ 764 | $ 1,180 |
| Adjusted interest expense[2] | 38,797 | 27,258 | 137,322 | 107,806 |
| Adjusted amortization expense[2] | 1,171 | 1,190 | 4,620 | 3,778 |
| Adjusted income tax expense[2] | 9,002 | 4,852 | 24,197 | 26,557 |
| **Adjusted EBITDA[2]** | **$ 95,785** | **$ 79,671** | **$ 314,200** | **$ 363,996** |

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

(2) Non-IFRS measure; see items marked "A" to "I" in the table below, which provides details on the reconciliation.

| For the periods ended December 31 (in thousands of U.S. dollars) | Three months 2019 | Three months 2018 | Twelve months 2019 | Twelve months 2018 |
|---|---|---|---|---|
| **Net income** | **$ 45,259** | **$ 43,297** | **$ 114,135** | **$ 216,355** |
| Fair value gain[1] | (24,493) | (24,790) | (96,556) | (180,496) |
| Deferred and non-recurring tax expense[2] | 2,632 | 3,252 | 14,760 | 19,058 |
| Third-party investor and non-controlling interest[2,3] | (968) | 54 | (1,460) | 1,153 |
| Realized and unrealized foreign exchange (gain) loss[2] | (2,012) | 3,800 | (4,177) | 2,944 |
| Debentures interest and discount amortization | 3,595 | 3,519 | 14,201 | 18,626 |
| Net change in fair value of derivative financial instruments | 1,348 | (8,583) | (2,961) | (27,680) |
| Non-recurring and non-cash compensation expense[4] | 731 | (201) | 5,163 | 3,902 |
| Amortization and depreciation expense | 1,171 | 1,190 | 4,620 | 3,778 |
| Investment (income) loss – TLR assets held for sale | (1,113) | 586 | (9,718) | (3,801) |
| Net income from discontinued operations | – | – | – | (23,127) |
| Transaction costs and non-recurring items[2] | 8,242 | 3,290 | 42,440 | 14,110 |
| Loss on debt extinguishment | – | – | – | 5,349 |
| **Funds from operations (FFO)** | **$ 34,392** | **$ 25,414** | **$ 80,447** | **$ 50,171** |

(1) Includes fair value gain recognized by TAH; no fair value gain was recognized by TLR U.S. during the reporting periods.
(2) Includes adjustments at both corporate and investment level.
(3) Includes third-party investor interests in TAH.
(4) For the twelve months ended December 31, 2019, includes restricted share and share unit expense of $2,560 (2018 – $2,336), stock option expense of $764 (2018 – $1,180), DRIP and revaluation loss of $655 (2018 – $386), and non-recurring compensation of $1,184 (2018 – nil).

Items A to I are first presented in the Adjusted EBITDA table in Section 6, above, and are non-IFRS measures. Refer to page 21 for a discussion of our use of non-IFRS measures.

| For the periods ended December 31 (in thousands of U.S. dollars) | | Three months 2019 | Three months 2018 | Twelve months 2019 | Twelve months 2018 |
|---|---|---|---|---|---|
| **Investment income – TAH per financial statements** | | **$ 42,451** | **$ 38,159** | **$ 162,193** | **$ 218,932** |
| Interest expense | | 20,879 | 20,073 | 83,953 | 77,354 |
| Transaction costs, non-recurring and non-cash expenses | | 4,225 | 3,351 | 8,161 | 14,813 |
| Tax expense (recovery) | | 555 | (387) | 799 | (389) |
| **TAH Adjusted EBITDA** | A | **$ 68,110** | **$ 61,196** | **$ 255,106** | **$ 310,710** |
| **Investment income – TLR per financial statements** | | **$ 16,812** | **$ 10,653** | **$ 34,980** | **$ 15,406** |
| Interest expense | | 9,726 | 940 | 23,659 | 1,247 |
| Transaction costs, non-recurring and non-cash expenses | | 346 | – | 2,534 | 7 |
| Unrealized foreign exchange (gain) loss | | (1,714) | 2,941 | (3,800) | 3,735 |
| Tax expense | | – | (3,090) | 1,651 | (2,671) |
| **TLR Adjusted EBITDA** | B | **$ 25,170** | **$ 11,444** | **$ 59,024** | **$ 17,724** |
| **Investment income – THP per financial statements** | | **$ 2,964** | **$ 1,943** | **$ 9,646** | **$ 11,449** |
| Tax expense (recovery) | | 680 | 113 | (330) | 348 |
| Unrealized foreign exchange (gain) loss | | (120) | 421 | (335) | 720 |
| **THP Adjusted EBITDA** | C | **$ 3,524** | **$ 2,477** | **$ 8,981** | **$ 12,517** |
| **Net income from discontinued operations – TLC per financial statements** | | **$ –** | **$ –** | **$ –** | **$ 23,127** |
| Interest expense | | – | – | – | 1,623 |
| Transaction costs and non-cash expenses | | – | – | – | 5,066 |
| Tax expense | | – | – | – | 1,578 |
| **TLC Adjusted EBITDA** | D | **$ –** | **$ –** | **$ –** | **$ 31,394** |
| **Contractual fees, GP distributions and performance fees per financial statements** | | **$ 11,716** | **$ 9,565** | **$ 39,895** | **$ 30,347** |
| **NCI change per financial statements** | | **(1,203)** | **(199)** | **(2,573)** | **(404)** |
| NCI portion of amortization | | (418) | (399) | (1,654) | (1,762) |
| **Fee income net of adjusted non-controlling interest** | E | **$ 10,095** | **$ 8,967** | **$ 35,668** | **$ 28,181** |
| **Compensation expense per financial statements** | | **$ (9,744)** | **$ (8,621)** | **$ (37,681)** | **$ (36,875)** |
| Accrued LTIP and non-recurring expenses | | 1,338 | 6,611 | 4,021 | 8,965 |
| Stock option expense | | 168 | 255 | 764 | 1,180 |
| **Adjusted compensation expense** | F | **$ (8,238)** | **$ (1,755)** | **$ (32,896)** | **$ (26,730)** |
| **Interest expense per financial statements** | | **$ (8,908)** | **$ (6,892)** | **$ (32,439)** | **$ (31,686)** |
| TAH interest expense | | (20,879) | (20,073) | (83,953) | (77,354) |
| TLR interest expense | | (9,726) | (940) | (23,659) | (1,247) |
| TLC interest expense | | – | – | – | (1,623) |
| Debentures discount amortization | | 716 | 647 | 2,729 | 4,104 |
| **Adjusted interest expense** | G | **$ (38,797)** | **$ (27,258)** | **$ (137,322)** | **$ (107,806)** |
| **Amortization expense per financial statements** | | **$ (1,589)** | **$ (1,589)** | **$ (6,274)** | **$ (5,540)** |
| NCI portion of Johnson's amortization expense | | 418 | 399 | 1,654 | 1,762 |
| **Adjusted amortization expense** | H | **$ (1,171)** | **$ (1,190)** | **$ (4,620)** | **$ (3,778)** |
| **Tax expense per financial statements** | | **$ (684)** | **$ (5,498)** | **$ (14,879)** | **$ (22,757)** |
| TAH tax (expense) recovery | | (555) | 387 | (799) | 389 |
| TLR tax recovery (expense) | | – | 3,090 | (1,651) | 2,671 |
| THP tax (expense) recovery | | (680) | (113) | 330 | (348) |
| TLC tax expense | | – | – | – | (1,578) |
| Tax expense on non-recurring and non-cash expenses | | (7,083) | (2,718) | (7,198) | (4,934) |
| **Adjusted income tax expense** | I | **$ (9,002)** | **$ (4,852)** | **$ (24,197)** | **$ (26,557)** |

Items J to M are first introduced in the FFO table in Section 6 above and are non-IFRS measures. Refer to page 21 for a discussion of our use of non-IFRS measures.

| For the periods ended December 31 (in thousands of U.S. dollars) | | Three months 2019 | Three months 2018 | Twelve months 2019 | Twelve months 2018 |
|---|---|---|---|---|---|
| **Investment income – TLR Canada per Section 3.1** | | **$ 8,966** | **$ 11,239** | **$ 11,754** | **$ 11,605** |
| Deferred tax recovery | | – | (3,090) | – | (2,671) |
| Unrealized foreign exchange (gain) loss | | (1,714) | 2,941 | (3,800) | 3,735 |
| Transaction costs and non-recurring costs | | (7) | – | 1,342 | 7 |
| **Subtotal – TLR Canada** | | **$ 7,245** | **$ 11,090** | **$ 9,296** | **$ 12,676** |
| **Investment income – THP per financial statements** | | **$ 2,964** | **$ 1,943** | **$ 9,646** | **$ 11,449** |
| Deferred tax expense (recovery) | | 102 | – | (1,260) | – |
| Unrealized foreign exchange (gain) loss | | (120) | 421 | (335) | 720 |
| **Subtotal – THP** | | **$ 2,946** | **$ 2,364** | **$ 8,051** | **$ 12,169** |
| **Residential developments FFO** | **J** | **$ 10,191** | **$ 13,454** | **$ 17,347** | **$ 24,845** |
| **Compensation expense per financial statements** | | **$ (9,744)** | **$ (8,621)** | **$ (37,681)** | **$ (36,875)** |
| Non-recurring and non-cash compensation expense | | 731 | (201) | 5,163 | 3,902 |
| **General and administration expense per financial statements** | | **(2,876)** | **(2,658)** | **(11,683)** | **(9,800)** |
| **Corporate overhead** | **K** | **$ (11,889)** | **$ (11,480)** | **$ (44,201)** | **$ (42,773)** |
| **Interest expense per financial statements** | | **$ (8,908)** | **$ (6,892)** | **$ (32,439)** | **$ (31,686)** |
| Debentures interest | | 2,879 | 2,872 | 11,472 | 14,522 |
| Debentures discount amortization | | 716 | 647 | 2,729 | 4,104 |
| **Corporate interest expense** | **L** | **$ (5,313)** | **$ (3,373)** | **$ (18,238)** | **$ (13,060)** |
| **Current income tax expense per financial statements** | | **$ 1,974** | **$ 1,231** | **$ (5,410)** | **$ (639)** |
| Current income tax expense related to sale of the TLR U.S. asset | | (683) | – | 4,101 | – |
| **Current income tax recovery (expense)** | **M** | **$ 1,291** | **$ 1,231** | **$ (1,309)** | **$ (639)** |

# 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 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 at period-end, including those pending move-in with signed lease agreements, as a percentage of total rental homes in the portfolio (total homes managed less homes held for sale).
- Stabilized occupancy represents the number of homes in the portfolio that are leased at period-end, 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 managed 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, Tricon's shareholders and third-party investors.
- Funds from operations ("FFO") represents investment income – TAH plus third-party investor interests, excluding fair value gains and other non-cash items such as deferred taxes, periodic non-cash accrual adjustments, depreciation and deferred financing costs. 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.

**Tricon Lifestyle Rentals**

- Development yield represents the estimated stabilized net operating income of a property following its completion as a percentage of its estimated total development cost.
- Net operating income (NOI) represents total rental revenue, less rental operating expenses and property management fees. NOI excludes other expenses (predominantly comprised of entity-level operating expenses), interest expense and non-core income or expenses such as gains or losses on the disposition of properties.
- 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 TLR U.S.' operations.
- Occupancy rate represents the total number of days that suites were occupied during the measurement period, divided by the total number of days that the suites were owned during the measurement period.
- Annualized turnover rate represents the number (or percentage) of instances that a suite becomes unoccupied over a specified period of time, divided by the number of suites in that portfolio and annualized for a twelve-month period.
- Average monthly rent represents average expected monthly rental income per suite for occupied suites.

- Average rent growth during the period for any property represents the percentage difference between the monthly rent from an expiring lease and the monthly rent from the next lease. Leases are either renewal leases, where a current resident chooses to stay for a subsequent lease term, or a new lease, where a previous resident moves out and a new resident signs a lease to occupy the same suite. Management believes occupancy and TLR U.S.' ability to increase rent directly affect investment income available to Tricon and Tricon's shareholders.
- Funds from operations ("FFO") represents investment income – TLR U.S., excluding fair value gains and other non-cash items such as deferred taxes, periodic non-cash accrual adjustments, depreciation and deferred financing costs. Core funds from operations ("Core FFO") represents FFO less transaction costs, non-recurring items, and amortization of financing costs. Management believes these metrics are helpful to investors in understanding TLR U.S.' business and comparing its performance to industry peers.

**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. Similarly, gross ROI represents an aggregate return on investment after investment-level debt financing. Net IRRs and ROIs reflect all fees paid by investors. IRRs and ROIs 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 and ROIs 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.

### 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 of 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 American Homes | • Fair value of investment properties and investment properties held for sale before projected future disposition fees plus unfunded commitment |
| Tricon Lifestyle Rentals | • Fair value of development and income-producing properties plus unfunded commitment |
| Tricon Housing Partners | • Fair value of invested capital plus unfunded commitment |
| Tricon Lifestyle Communities (disposed of on June 29, 2018) | • Fair value of assets including in-place leases and park assets |
| **Private Funds and Advisory** | |
| Commingled funds | • During the investment period, AUM = capital commitment<br>• After the investment period, AUM = outstanding invested capital |
| Separate accounts/side-cars/ syndicated investments/ joint ventures | • TAH/TLR Canada – Outstanding invested capital and project-level funded debt plus unfunded commitment less return of capital<br>• THP – 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 | • Asset management fees from managing third-party capital invested through private Investment Vehicles within TAH, TLR and THP<br>• Development management and advisory fees from The Johnson Companies LP<br>• Development management fees generated from TLR Canada projects |
| 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 – TAH | • Realized rental income net of expenses from leasing single-family rental homes<br>• 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 suites within multi-family apartment/development projects<br>• Unrealized investment income from changes in the fair value of the apartment/ development projects |
| Investment income – THP | • Realized cash distributions and interest earned from investments and co-investments in for-sale housing private Investment Vehicles and direct investments in projects<br>• Unrealized gains as a result of changes in the fair value of such investments based on expected cash flows |
| Investment income from discontinued operations – TLC | • Realized rental income net of expenses from leasing pads within manufactured housing communities<br>• Unrealized investment income from changes in the fair value of the underlying properties<br>• Realized investment income from the sale of the underlying properties |

The Company manages third-party capital across its TAH, TLR and THP investments through private commingled funds, separate accounts, syndicated investments and joint ventures. Tricon manages capital on behalf of Canadian, American and international third-party institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. 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 or joint ventures, 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.
- Development management fees generated by TLR Canada projects. 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 American Homes ("TAH")**

Investment income is comprised of: (i) realized rental income net of expenses from leasing single-family rental homes; (ii) property management fees, acquisition fees and construction management fees from assets managed on behalf of third-party investors; and (iii) 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 or when a home is included in a new debt facility. 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 6 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 suites and investment income from changes in the fair value of the projects in which it invests. Fair value changes are based on the income approach, the direct comparison approach or the discounted cash flow methodology, depending on the stage of development and completion. For projects still in the development phase, and similar to THP (as described below), the discount rate is adjusted downwards as development and construction milestones are achieved and the project is de-risked under the discounted cash flow methodology. Refer to Note 6 in the financial statements for specific details of these valuation methodologies.

**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.

## 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 consolidated financial statements for details on critical accounting estimates.

### Accounting standards adopted in the current year

**IFRIC Interpretation 23, Uncertainty over Income Tax Treatments**

Effective January 1, 2019, the Company has adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments (''IFRIC 23'') on a modified retrospective basis. IFRIC 23 clarifies how the requirements of IAS 12, Income Taxes, should be applied when there is uncertainty over income tax treatments. The adoption of IFRIC 23 did not have a significant impact on the Company's consolidated financial statements.

### Accounting standards and interpretations issued but not yet adopted

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3, Business Combinations ("IFRS 3"). The amendments provide further guidance on the determination of whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020.

In October 2018, IASB issued amendments to IAS 1, Presentation of Financial Statements ("IAS 1"), and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") to provide further clarification on the definition of materiality, specifying that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments resulted in consequential amendments to other IFRSs to use a consistent definition of materiality throughout IFRSs and the conceptual framework for financial reporting. These amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after January 1, 2020.

In September 2019, IASB amended its new and old Financial Instruments standards, IFRS 9, Financial Instruments ("IFRS 9") and IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), as well as the related standard on disclosures, IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs"). The amendments modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. The amendments to IFRS 9, IAS 39 and IFRS 7 are effective for annual reporting periods beginning on or after January 1, 2020. As the Company does not apply hedge accounting, phase 1 of the amendments related to IBOR reform is not applicable to Tricon, and therefore will have no significant impact.

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 year ended December 31, 2019. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the year ended December 31, 2019, 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

Senior management of the Company 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 consolidated financial statements for further details.

## 9.5 Dividends

On February 24, 2020, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2020 to shareholders of record on March 31, 2020.

### 9.6 Compensation incentive plans

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

The Company's AIP provides for an aggregate bonus pool based on the sum of all employees' individual AIP targets. The portion of the pool attributable to senior executive management is market-benchmarked and subject to an adjustment factor, as approved by the Board, 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 Investment Vehicles, paid in cash when received; and (ii) 15% of THP1 US investment income, payable in DSUs which vest in equal tranches over a three-year period (previously a five-year period), pursuant to the LTIP as amended on May 6, 2019. Amounts under the LTIP are allocated among employees in accordance with the plan.

Complete details concerning the Company's compensation plans are set out in the Company's most recent Management Information Circular, 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 risks described below are not the only ones facing the Company and holders of common shares. Additional risks not currently known to us or that we currently consider to be immaterial may also affect our activities and those of our investees.

#### General risks

The following risks may affect the Company as a whole and may be relevant to the activities of its investees across all of its investment verticals.

**General economic conditions**

The success of our business is highly dependent upon conditions in the Canadian and United States real estate markets (and in particular the residential sector) and economic conditions throughout North America that are outside our control and difficult to predict. Factors such as interest rates, housing prices, availability of credit, inflation rates, energy prices, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) could have a material negative impact on the value of our investments and our financial performance.

Unpredictable or unstable market conditions, adverse economic conditions, or volatility in the capital markets may result in reduced opportunities to find suitable risk-adjusted investments to deploy capital, may reduce the market value of our assets under management, and may make it more difficult for the Company and its investment vehicles to exit and realize value from existing real estate investments, any of which could materially adversely affect our revenues, the value of our investments, and our ability to raise and deploy new capital and sustain our profitability and growth.

**Real estate industry conditions**

The residential real estate industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. In addition, an oversupply of new homes or alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties, may reduce the ability to rent or sell residential properties, depress prices and reduce margins from the rental and sale of residential properties. Conversely, if property prices in target markets increase at a rate faster than rents, this could result in downward pressure on gross rental yields and impact the ability to make acquisitions. Any of these factors could negatively impact the value of the Company's investments and its financial performance.

Builders, developers and renovators are also subject to risks related to the availability and cost of materials and labour, and adverse weather conditions that can cause delays in construction schedules and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and real estate market conditions and may result in impairment charges. If there are significant adverse changes in economic or real estate market conditions, residential properties may have to be sold at a loss, rented at less than expected rates, or held longer than planned. These circumstances can result in losses in a poorly performing investment or market. If market conditions deteriorate, the Company's financial condition and performance may be adversely affected.

**Portfolio concentration**

Although our investments span numerous markets across North America, real estate is a local business, and our revenues are directly and indirectly derived from investments in residential real estate located in our primary geographic markets. A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economies of Canada or the United States may have upon these markets, could negatively impact the value of our investments and our financial performance.

Furthermore, because we primarily invest in residential real estate (as compared to a more diversified real estate portfolio), a decrease in demand specifically for residential real estate could adversely affect the value of our investments and our financial performance.

**Competition**

The real estate investment business is competitive and each segment of our business is subject to competition in varying degrees. We compete on the basis of a number of factors, including, but not limited to: the quality of our employees, transaction execution, innovation and reputation. We compete in pursuit of investor capital to be invested in our securities and investment vehicles and also in acquiring investments in attractive assets. Competition for investor capital, in particular, is intense and investors are increasingly seeking to manage their own assets or reduce their management fees. Further, our competitors may have certain competitive advantages, including greater financial, technical, marketing and other resources, more personnel, less onerous regulatory requirements, or a lower cost of capital, and access to funding sources or other resources that are not available to us. These pressures, or an increase in competition, could result in downward pressure on revenues, which could, in turn, reduce operating margins and thereby reduce operating cash flows and investment returns, and negatively affect our overall financial condition.

Furthermore, competition may affect the performance of investments in our investment verticals. Numerous developers, managers and owners of properties compete with the Company's investees in seeking attractive tenants and home purchasers. This competition could have an impact on the performance of the Company's investments. Furthermore, there is significant competition for suitable real property investments, with other investors seeking similar investments to those targeted by the Company and its investees. A number of these investors may have greater financial resources than those of the Company, or operate without the same investment or operating restrictions. An increase in competition for real property investments may increase purchase prices, diminish the number of suitable investments available, and reduce the ability to achieve optimal portfolio size or expected yields, which could impact the Company's investments and financial performance.

The residential development, homebuilding, renovation and rental industries are themselves highly competitive. Residential developers, homebuilders, renovators and operators compete not only for homebuyers and/or tenants on the basis of price and product offering, but also for desirable properties, building materials, labour and capital. Competitive conditions in the industry could result in: difficulty in acquiring suitable properties at acceptable prices; increased selling or rental incentives; lower sales volumes and prices; higher vacancy; lower profit margins; lower development yields; impairments in the value of inventory and other assets; increased construction costs; and delays in construction. These factors may negatively impact the Company's investments and financial performance.

**Investment pipeline**

An important component of residential real estate investment performance is the ongoing availability of attractive investment opportunities. If we are not able to find sufficient residential real estate investments in a timely manner, our investment performance could be adversely affected. Furthermore, if we do not have sufficient investment opportunities, we may elect to limit our growth and reduce the rate at which we attract third-party capital, which could impact our assets under management and revenues. Finally, a scarcity of desirable investment opportunities may lead us to make investments with lower expected returns than those we have historically targeted. Any of these factors could negatively impact our financial condition.

**Long investment periods**

The investment horizons in each of our principal investment verticals are relatively long (refer to Section 1.2, How we invest and create value). These extended timelines increase the risk that circumstances will arise which delay investment realization, and that markets may deteriorate between the time of our initial investment and our exit. This may be the result of many factors that present themselves over the duration of an investment, including local and overall market and economic conditions, increasing competition over time, market value fluctuation and changing interest rates. Delays or market deterioration over time could have an adverse effect on the returns from our investments, our fee revenue, and our financial condition.

**Liquidity risk**

Residential real estate investments generally cannot be sold quickly, particularly if local market conditions are poor. As a result, the Company and its investees may not be able to enter, exit or modify investments promptly in response to economic or other conditions. This inability to promptly reallocate capital or exit the market in a timely manner could adversely affect the Company's financial results and investment performance. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we invest. These restrictions could reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results.

**Transaction execution**
Before making investments, we conduct extensive due diligence reviews that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Our due diligence process includes in-depth reference checks of developers (where applicable), environmental audits, market analysis, site analysis, financial and construction cost analysis and legal review. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the developer or operating partner (where applicable) and, in some circumstances, third-party investigations. The due diligence investigation that we carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Unknown factors or unforeseen risks may cause investment performance to fall short of expectation and may negatively impact the value of our investments and our financial performance.

**Additional indebtedness**
The degree to which the Company is leveraged could have important consequences to the Company, including: (i) the Company's future ability to obtain additional financing for working capital, capital expenditures or other purposes may be limited; (ii) the Company may be unable to refinance indebtedness on terms acceptable to the Company or at all; (iii) a significant portion of the Company's cash flow (on a consolidated basis) could be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, capital expenditures and/or dividends on its common shares and increasing the risk of default on the Company's debt obligations; (iv) the Company may be negatively impacted by rising interest rates; and (v) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

**Rising interest rates**
Rising interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs may increase the cost of capital for the Company and its investees, and may lead to reduced demand for new home sales and resales and mortgage loans, which could have a material adverse effect on the value of our investments, our investment prospects, liquidity and financial performance.

**Benchmark interest rate reform risk**
Regulators in the United Kingdom and elsewhere have recommended and are seeking to implement broad changes to benchmark interest rates, such as LIBOR. As a result, there is uncertainty about how the currently dominant benchmarks will be phased out and the speed at which modified or replacement benchmarks will take their place. Abandonment of or modifications to such benchmarks could have adverse impacts on newly-issued financial instruments and existing financial instruments that reference such benchmarks. While some of the Company's debt instruments may contemplate a scenario where LIBOR or another applicable benchmark is no longer available by providing for an alternative rate-setting methodology, not all of our instruments may have such provisions and there remain uncertainties regarding the effectiveness of any such alternative methodologies. Abandonment of or modifications to LIBOR or another relevant benchmark could lead to significant short-term and long-term uncertainty and market instability. It remains uncertain how such changes would be implemented and the effects such changes may have on the Company, its investees and financial markets generally. The Company continues to actively monitor these potential changes and to include alternative rate-setting methodologies in its newly-issued debt instruments.

**Sustaining growth**
Our continuing growth has caused, and if it continues will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the residential real estate investment industry, the investment management market, and legal, accounting and regulatory developments.

Our future growth will depend, among other things, on our ability to maintain an operating platform and management systems sufficient to address our growth, and will require us to incur additional expenses and to commit additional senior management and operational resources. There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

**Insurance**
We have various types of insurance, including errors and omissions insurance and general commercial liability insurance. Also, relevant insurance is arranged through our investment verticals in order to protect the value of the underlying investments. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that potential claims or losses will not exceed the limits, or fall outside the scope, of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A loss or judgment in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on our financial condition and the value of our investments. There can be no assurance that insurance coverage on favourable economic terms will continue to be available in the future.

**Environmental risk**

Underlying all of our activities is investment in real property that is subject to various Canadian and United States federal, provincial, state and municipal laws relating to environmental matters. These laws could hold developers or property owners liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the developer's or owner's ability to sell the properties or to borrow using real estate as collateral, and could potentially result in claims or other proceedings. We are not aware of any material non-compliance with environmental laws in respect of our investments or by the developers in which our investment vehicles invest. We are also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities, or any material pending or threatened claims relating to environmental conditions, in connection with any of the residential real estate in which we or our investment vehicles invest. Environmental laws and regulations can change rapidly and may impose more stringent environmental laws and regulations in the future, increasing the risk of non-compliance. Non-compliance with applicable environmental laws and regulations, or compliance with more stringent legislative frameworks, could have an adverse effect on a developer or a particular development project or our own investments, which, in turn, could have an adverse effect on our financial condition and investment performance.

**Climate change risks**

To the extent that significant changes in the climate occur in areas where our investments and properties are located, increasingly extreme weather, changes in precipitation, flooding, wildfires, hurricanes and rising temperatures in those areas may result in physical damage to, or a decrease in demand for, properties located in those areas or affected by those conditions. Should the impact of climate change be material in nature, including significant property damage to or destruction of our properties, or occur for lengthy periods of time, our financial condition and performance may be adversely affected. Climate change, to the extent it causes changes in weather patterns, could also increase the cost of property insurance and utilities at our properties. In addition, changes in federal, provincial, state and local laws based on concerns about climate change could result in reduced operational flexibility and/or increased expenses on our existing properties (for example, to improve their energy efficiency and/or resistance to inclement weather or to reduce their carbon footprint) without a corresponding increase in revenue, which could adversely affect our performance.

**Conflicts of interest**

Some of the parties in which and with which we currently invest may have competing interests in the markets in which Tricon invests. While the Company takes precautions and negotiates contractual restrictions in definitive legal documentation in order to avoid such conflicts, conflicts of interest may nonetheless arise and may have an adverse effect on the Company's financial performance and the value of our investments.

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently the possibility exists for such directors and officers to be in a position of conflict. Any decision made by any such director or officer involving the Company is to be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company, but there can be no assurance that a conflict of interest will not have an adverse effect on the Company or its financial condition.

**Management team**

The Company's executive officers and other senior management have a significant role in our success and oversee the execution of our strategy. Our continued ability to respond promptly to opportunities and challenges as they arise depends on cooperation across our organization and our team-oriented management structure, which benefits greatly from management continuity. Our ability to retain our management group or attract suitable replacements, should any members of the management group leave, is dependent on, among other things, the competitive nature of the employment market and the career opportunities that we can offer. Ensuring that we continue to pay market compensation in order to retain key professionals may lead to increasing costs. We have experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on our ability to achieve our objectives. Competition for the best people is intense and the loss of services from key members of the management group or a limitation in their availability could adversely impact our financial performance. Furthermore, such a loss could be negatively perceived in the capital markets.

**Government regulation**

The Company's activities and those of its investees are subject to numerous regulations across various jurisdictions in North America. Changes in legislation and regulation could result in increased costs and increased risk of non-compliance, which could adversely affect the Company's financial condition and the value of its investments.

Certain jurisdictions have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit the ability to raise rental rates at residential properties. In addition to limiting the ability to raise rental rates, residential tenancy legislation in some jurisdictions prescribes certain limitations on terminations of residential tenancies. While the Company's overall exposure to such jurisdictions is expected to be minimal, any limits on TAH's or TLR's ability to raise rental rates at their properties, or to terminate defaulting tenancies, may adversely affect their financial performance.

Acquisitions and development projects undertaken by the Company's investees may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could negatively impact investment performance.

**Construction industry risks**

The success of our investments and the successful performance of our investment vehicles is very often dependent on stability in the construction industry. This industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to: shortages of qualified trades people; labour disputes; shortages of building materials; unforeseen environmental and engineering problems; and increases in the cost of certain materials. When any of these difficulties occur, it may cause delays and increase anticipated costs, which could adversely affect the Company's investment performance and financial condition.

**Taxation risks**

We endeavour to structure our investments and activities to be efficient under the prevailing U.S. and Canadian tax frameworks. Changes in tax legislation or policy could adversely affect the after-tax return we can earn on our investments and activities, capital available for investment (including from our institutional investors), and the willingness of investors to acquire our securities or invest in our investment vehicles. A number of other factors may increase our effective tax rates, which would have a negative impact on our net income. These include, but are not limited to, changes in the valuation of our deferred tax assets and liabilities, and any reassessment of taxes by a taxation authority.

Furthermore, tax changes (such as rising property and franchise tax rates) could impact the efficiency of the activities of our investees (for example, the tax efficiency of TAH's operations) and could also impact the overall economic conditions relevant to the success of those activities. For example, in the United States, the significant expenses of owning a home, including mortgage interest and state and property tax, are generally deductible for tax purposes (subject to various limitations). Any changes to modify these benefits could increase the after-tax cost of owning a new home, which could adversely impact housing demand and/or sales prices.

**Cybersecurity risk**

Cyberattacks are increasingly common and sophisticated, leading to unauthorized access and fraudulent activities threatening the confidentiality, integrity or availability of our information resources. Cyberattacks could cause disruption of operations, data corruption or theft of confidential information. The consequences of cybersecurity risk may include remediation costs, additional regulatory scrutiny, litigation and reputational damage, any of which could negatively impact our financial condition and performance. We have security procedures and measures in place to protect our systems and information from cyberattacks and we monitor our systems for malicious threats in an effort to ensure we maintain high privacy and security standards.

## Risks related to principal investments

In addition to the general risks described above, the following risks are inherent in our principal investments. Many of these risks relate specifically to the activities of our investees and could have an impact on the value of the Company's investments and our financial condition.

**Risks related to Tricon American Homes and Tricon Lifestyle Rentals**

Lease renewal and turnover risk

If a tenant decides to vacate a rental property, whether as a result of deciding not to renew their lease or by vacating prior to the expiry of the lease, TAH or TLR may not be able to re-let that property in a short amount of time or at all. Additionally, even if they are successful in renewing a lease or re-letting a property, the terms of the renewal or re-letting may be less favourable than the original terms.

The ability to rent residential properties is affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds, vacancy rates, the availability of suitable potential tenants and the job market for prospective tenants), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics or social preferences, competition from other available properties, and various other factors.

If TAH or TLR are unable to promptly renew leases or re-let properties, or if the rental rates upon renewal or re-letting are significantly lower than expected rates, their financial performance may be negatively impacted, which may adversely affect the value of the Company's investments and financial performance.

Furthermore, if a significant number of tenants are unable to meet their obligations under their leases or if a significant number of properties become vacant and cannot be re-leased on economically favourable terms, the TAH and TLR properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures.

### Resident default

The success of the Company's rental income-producing verticals depends in large part upon the ability to attract and retain qualified residents. This will depend, in turn, upon the ability to screen applicants, identify qualified residents, and avoid residents who may default. The Company's investees rely on information supplied by prospective residents in their rental applications to make leasing decisions, and this information may not be accurate. Investees may not successfully screen applicants, and as a result, may rent to residents who default on leases or fail to comply with the terms of the lease or applicable homeowners' association regulations, which may negatively affect financial performance, reputation, and the quality and value of our properties.

In the event of a resident default or bankruptcy, our investees may experience delays in enforcing their rights as landlord and obtaining possession of the premises and incur legal, maintenance and other costs in protecting their investment. In addition, they will incur turnover costs associated with re-letting the property such as marketing and brokerage commissions, will not collect revenue while the property sits vacant, and may be unable to re-let the property at the rental rate previously received.

### Reliance on vendors

Our investees rely on local vendors and service providers, including house renovation professionals, maintenance providers, leasing agents, and property management companies in situations where it is cost-effective to do so or if their internal staff is unable to perform these functions. They generally do not have exclusive or long-term contractual relationships with any of these providers, and can provide no assurance that they will have uninterrupted or unlimited access to their services. Furthermore, selecting, managing and supervising these service providers requires significant management resources and expertise. Poor performance by service providers, especially those who interact with residents at its properties, will reflect poorly on the Company and its investees, could significantly damage their reputation among desirable residents and potentially impact investment performance. Moreover, notwithstanding efforts to implement and enforce strong policies and practices regarding service providers, we may not successfully detect and prevent fraud, incompetence or theft by service providers, which could expose us to liability or responsibility for associated damages and cause us to incur fines or penalties. In addition, any delay in identifying a service provider or removal or termination of existing service providers would require our investees to seek new vendors or providers, which could create delays and adversely affect their operating results.

### Increased expenses

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on our business, cash flows, financial condition and results of operations. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. There is a risk that property taxes may be increased as a result of revaluations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a revaluation. Additionally, utility expenses have been subject to considerable price fluctuations over the past several years and any significant increase in these costs that we cannot charge back to our residents may have an adverse effect on our business, cash flows, financial condition and results of operations.

### Substitutions for rental properties

Demand for rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental properties may be adversely affected.

An economic downturn may also impact job markets and the ability of tenants to afford the rents associated with certain rental properties, which may result in increased demand for lower-cost rental options. Such a reduction in demand may have an adverse effect on rental revenues.

### Tenant relief laws

As the landlord of numerous properties, TAH and TLR are involved from time to time in evicting residents who are not paying their rent or who are otherwise in material violation of the terms of their lease. Eviction activities impose legal and managerial expenses that increase costs and expose us to potential negative publicity. The eviction process is typically subject to legal barriers, mandatory "cure" policies, internal policies and procedures and other sources of expense and delay, each of which may delay our ability to gain possession and stabilize the property. Additionally, state, provincial and local landlord-tenant laws may impose legal duties to assist residents in relocating to new housing, or restrict the landlord's ability to remove the resident on a timely basis or to recover certain costs or charge residents for damage residents cause to the landlord's premises. Because such laws vary by state, province and locality, TAH and TLR must be familiar with and take all appropriate steps to comply with all applicable landlord-tenant laws, and need to incur supervisory and legal expenses to ensure such compliance. To the extent that our investees do not comply with state, provincial or local laws, they may be subjected to civil litigation filed by individuals, in class actions or actions by state or local law enforcement and their and the Company's reputation and financial results may suffer. TAH and TLR may be required to pay their adversaries' litigation fees and expenses if judgment is entered against them in such litigation or if they settle such litigation.

### Title risk

TAH's acquisition of homes is often completed through a title company with an owner's title insurance policy being obtained. However, U.S. distressed single-family homes are often acquired through trustee auctions. Although TAH conducts due diligence and employs a title company to review title on target housing assets prior to purchasing such homes, title on the homes purchased through foreclosure sales and auctions is occasionally only assumed weeks after the purchase. Furthermore, an owner's title insurance policy is not available to protect against the inherent title risk arising through the foreclosure auction process. In the event that TAH fails to independently and properly assess a title risk or fails to assume one or more homes because of such failed analysis, it may not achieve its expected returns or yields relating to such investment.

### Homeowners' association issues

A number of our properties are located within homeowners' associations ("HOAs"), which are private entities that regulate the activities of and levy assessments on properties in a residential subdivision. HOAs in which we own properties may have or enact onerous or arbitrary rules that restrict our ability to renovate, market or lease our properties or require us to renovate or maintain such properties at standards or costs that are in excess of our planned operating budgets. Such rules may include requirements for landscaping, limitations on signage promoting a property for lease or sale, or the use of specific construction materials in renovations. Some HOAs also impose limits on the number of property owners who may rent their homes, which if met or exceeded, would cause us to incur additional costs to resell properties within the HOA and may also result in opportunity costs of lost rental income. Many HOAs impose restrictions on the conduct of occupants of homes and the use of common areas, and we may have residents who violate HOA rules and for which we may be liable as the property owner. The boards of directors of the HOAs in which we own properties may not make important disclosures about the properties or may block our access to HOA records, initiate litigation, restrict our ability to sell our properties, impose assessments, or arbitrarily change the HOA rules. We may be unaware of or unable to review or comply with HOA rules before purchasing a property and any such excessively restrictive or arbitrary regulations may cause us to sell such property at a loss, prevent us from renting such property, or otherwise reduce our cash flow from such property, which would have an adverse effect on our financial condition and performance.

### Government subsidies

Some of TAH's rental income is derived from government subsidized rental support programs, such as the Section 8 program operated by the U.S. Department of Housing and Urban Development. A reduction or elimination of government funding of such programs could result in higher rental turnover and downward pressure on rental rates, which could negatively impact TAH's financial performance.

### Guarantees of project debt

The Company may agree to provide financial assistance to the subsidiary entities in which it invests. Such financial assistance may include the provision of payment guarantees to a project entity's lenders of acquisition financing, construction debt or long-term financing, and the provision of construction completion guarantees. Such guarantees may be joint or several with other partners in a particular investment. The Company's and its partners' guarantees of project-level obligations may not be in proportion to their respective investments in the project entity. The provision of such guarantees may reduce the Company's capacity to borrow funds under its separate credit facilities, which may impact its ability to finance its operations. If such guarantees are called upon for payment or performance, they may have a negative impact on the Company's cash position and financial performance. If the Company provides a joint guarantee with an investment partner, a default by the partner in its payment or performance obligation under the guarantee could cause the Company to pay a disproportionate amount in satisfaction of the guarantee, which may have a negative impact on the Company's cash position and financial performance.

**Risks related to Tricon Housing Partners**

### Operational and credit risks

On a strategic and selective basis, our private investment vehicles provide financing to develop properties. The residential real estate development business involves significant risks that could adversely affect THP performance, including: the developer may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in selling the properties; the developer may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations for the properties; the developer may not be able to sell properties on favourable terms or at all; construction costs, total investment amounts and THP's share of remaining funding may exceed our estimates; and projects may not be completed and delivered as planned.

THP investments are made through the financing of local developers, including Johnson, and, consequently, we rely to a great extent on those developers to successfully manage their development projects. Furthermore, given the Company's majority interest in Johnson, we rely on Johnson's ability to execute on portions of our investment strategy in THP. Investments in partnerships, joint ventures or other entities may involve risks not present were a third party not involved, including the possibility that the development partners might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, the development partners might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals. In addition, we do not have sole control of certain important decisions relating to these development properties, including decisions relating to: the sale of the development properties; refinancing; timing and amount of distributions of cash from such development properties; and capital improvements. Any of these factors could negatively impact the value of our investments and financial condition.

The above risks are also relevant to TLR.

## Risks relating to Private Funds and Advisory

In addition to the general risks described above, the following risks are inherent in our Private Funds and Advisory business.

### Formation of future investment vehicles

The ability to raise capital for any future investment vehicles remains subject to various conditions which Tricon cannot control, including the negotiation and execution of definitive legal documentation and commitments made by third-party investors. There can be no assurance that any capital will be raised through future investment vehicles or that any future warehoused investments of the Company will be acquired by any other future vehicles. A failure to raise sufficient capital through other investment vehicles could result in lower assets under management and impair our future revenues and growth.

### Structure of future investment vehicles

There can be no assurance that the manner in which contractual fees, general partner distributions, performance fees and/or investment income are calculated in respect of future investment vehicles will be the same as the active investment vehicles, including with respect to the treatment of the Company's principal investments in such vehicles. Any such changes could result in the Company earning less contractual fees, general partner distributions and/or performance fees from the same assets under management as compared to the active investment vehicles and could expose the Company's principal investment in such future investment vehicles to increased risk, including, but not limited to, the risk of reduced investment income (at comparable investment performance levels) and the increased risk of loss of capital of the Company.

### Ongoing investment performance

We believe that our ongoing investment performance is one of the most important factors for the success and growth of Private Funds and Advisory activities. Poor investment performance could impair our ability to raise future private capital, which could result in lower assets under management and could impact our ability to earn contractual fees. In addition, our ability to earn performance fees is directly related to our investment performance and therefore poor investment performance may cause us to earn less or no performance fees.

### Investment vehicle governance

The governing agreements for certain active investment vehicles provide that the general partner or manager of the investment vehicle may be removed by the investors in certain prescribed circumstances, including in some cases (and with the approval of a prescribed number of investors) without cause. These agreements may not provide for termination payments to the general partner or manager in the event of removal without cause. The removal of the general partner or the manager of an active investment vehicle prior to the termination of such investment vehicle could materially adversely affect the reputation of Tricon, reduce assets under management and, as a result, lower our contractual fees and performance fees.

### Capital commitment

The third-party investors in Tricon's investment vehicles comprise a relatively small group of reputable, primarily institutional, investors. To date, each of these investors has met its commitments on called capital and we have received no indications that any investor will be unable to meet its capital commitments in the future. While our experience with our investors suggests that commitments will be honoured, and notwithstanding the adverse consequences to a defaulting investor under the terms of the applicable investment vehicle, no assurances can be given that an investor will meet its entire commitment over the life of an investment vehicle. A failure by one or more investors to satisfy a drawdown request could impair an investment vehicle's ability to fully finance its investment, which could have a material adverse effect on the performance and value of that investment, which in turn could negatively impact the Company's financial condition.

## Risks related to a public company and common shares

### Stock exchange prices

The market price of our common shares could fluctuate significantly as a result of many factors, including the following:

- economic and stock market conditions generally and specifically as they may impact participants in the real estate industry;
- our earnings and results of operations and other developments affecting our business;
- changes in financial estimates and recommendations by securities analysts following our common shares;
- earnings and other announcements by, and changes in market evaluations of, participants in the real estate industry;
- changes in business or regulatory conditions affecting participants in the real estate industry;
- addition or departure of the Company's executive officers and other key personnel;
- sales or perceived sales of additional common shares; and
- trading volume of the common shares.

In addition, the financial markets may experience significant price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset value or prospects of such companies. Accordingly, the market price of our common shares may decline even if our operating results or prospects have not changed. The value of the common shares is also subject to market fluctuations based upon factors which influence the Company's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, social and governance practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the common shares by those institutions, which could adversely affect the trading price of the common shares.

**Additional capital**

The Company's ability to carry on its business generally, and in particular to take advantage of investment opportunities, may require it to raise additional capital. Additional capital may be sought through public or private debt or equity financings by Tricon or another Tricon entity and may result in dilution to or otherwise may have a negative effect on existing Tricon shareholders. Further, there can be no assurances that additional financing will be available to Tricon when required or desired by Tricon, on advantageous terms or at all, which may adversely affect Tricon's ability to carry on its business.

**Dividends**

Holders of common shares do not have a right to dividends on such shares unless declared by the Board of Directors. Although the Board has established a dividend policy authorizing the declaration and payment of dividends to holders of common shares on a quarterly basis, the declaration of dividends is at the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds to believe that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Company's assets would thereby be less than the aggregate quantum of its liabilities. Liabilities of the Company will include those arising in the ordinary course of business and indebtedness.

**Future sales and dilution**

The Company's articles permit the issuance of an unlimited number of common shares, and shareholders have no pre-emptive rights in connection with such further issuances. The Board has the discretion to determine the price and the terms of issue of further issuances of common shares and securities convertible into common shares. Any future issuances of common shares could be dilutive to shareholder interests at the time of issuance.

**Holding company**

Tricon Capital Group Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, investors are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business and makes its investments through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's performance and growth are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay distributions will depend on their operating results and may be subject to applicable laws and regulations and to contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

**Financial reporting and other public company requirements**

The Company is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange rules, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on Tricon's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, and could result in a lower trading price of its common shares.

Management does not expect that Tricon's disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected in a timely manner or at all.

## 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) | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
|---|---|---|---|---|
| **Financial statement results** | | | | |
| Total revenue and investment income | $ 73,943 | $ 58,670 | $ 55,445 | $ 58,656 |
| Net income | 45,259 | 32,457 | 12,356 | 24,063 |
| Basic earnings per share | 0.23 | 0.16 | 0.08 | 0.17 |
| Diluted earnings per share | 0.22 | 0.15 | 0.04 | 0.16 |

| For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | December 31, 2018 | September 30, 2018 | June 30, 2018 | March 31, 2018 |
|---|---|---|---|---|
| **Financial statement results** | | | | |
| Total revenue and investment income from continuing operations | $ 60,320 | $ 65,889 | $ 54,014 | $ 95,911 |
| Total investment income from discontinued operations | – | – | 19,602 | 1,568 |
| Net income | 43,297 | 33,826 | 39,763 | 99,469 |
| Basic earnings per share | 0.30 | 0.25 | 0.29 | 0.74 |
| Diluted earnings per share | 0.23 | 0.24 | 0.29 | 0.46 |

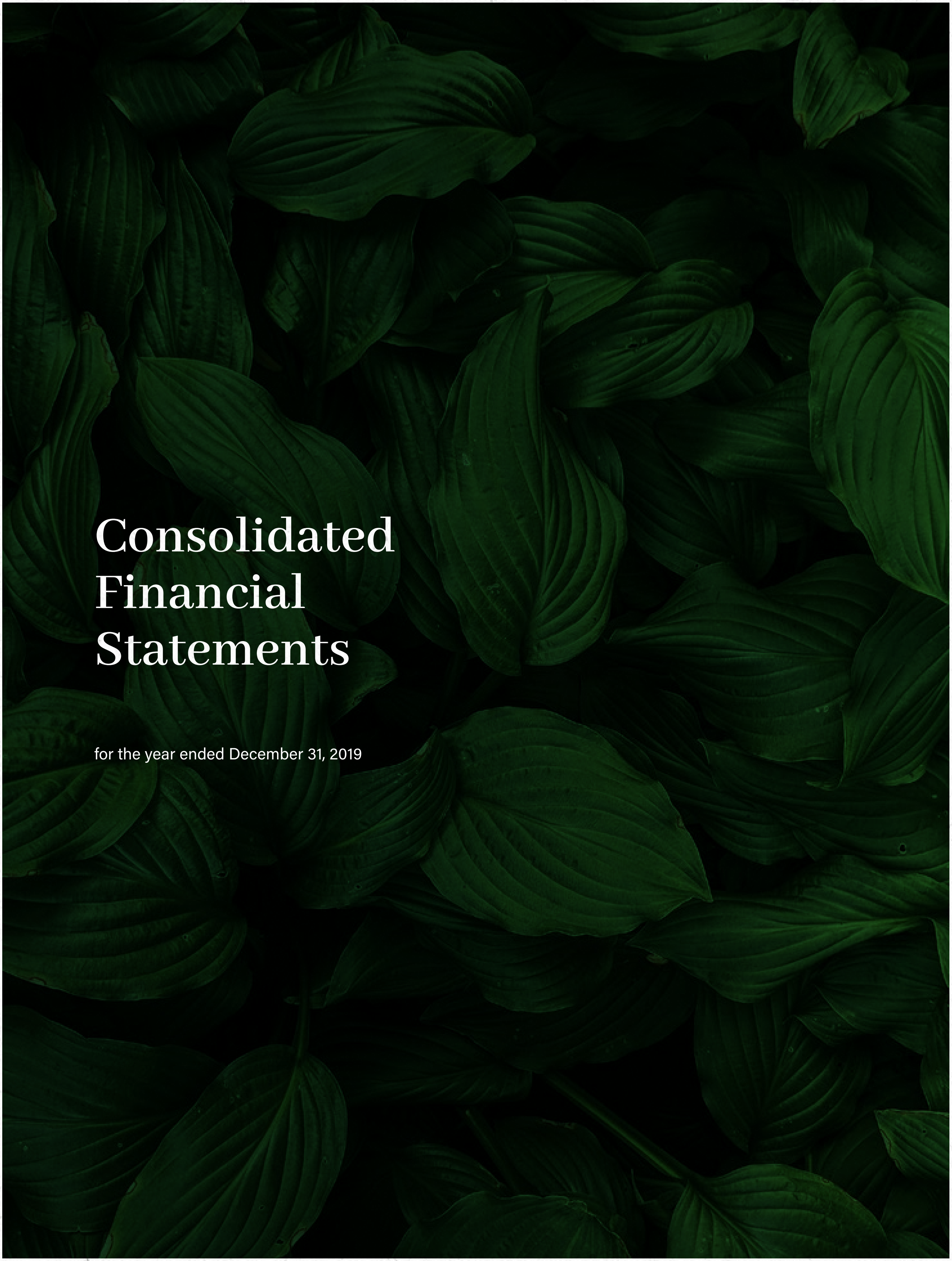
The following tables show selected IFRS measures for the past three years.

| For the twelve months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated) | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Financial statement results** | | | |
| Total revenue and investment income from continuing operations | $ 246,714 | $ 276,134 | $ 169,066 |
| Total investment income from discontinued operations | – | 21,170 | 7,381 |
| Net income | 114,135 | 216,355 | 69,348 |
| Basic earnings per share | 0.65 | 1.57 | 0.54 |
| Diluted earnings per share | 0.63 | 1.28 | 0.54 |
| Dividends per share | C$ 0.28 | C$ 0.28 | C$ 0.26 |

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Total assets | $ 2,302,289 | $ 1,687,662 | $ 1,430,723 |
| Debt | 470,553 | 374,716 | 383,604 |

The following factors have caused material changes to the Company's financial results over the past three years:

- On May 9, 2017, TAH completed the acquisition of Silver Bay Realty Trust Corp. ("Silver Bay"), which owned 9,054 homes and had a similar investment strategy to TAH whereby it targeted the Sun Belt and middle market households. As a result of the acquisition, with 16,660 homes, TAH became the fourth largest publicly-owned single-family rental company in the U.S. at that time. The acquisition of Silver Bay resulted in an increase in Tricon's total assets of $242.2 million;
- On June 27, 2018, the Company entered into a joint venture arrangement ("TAH JV-1") with two leading institutional investors to acquire and manage a portfolio of 10,000–12,000 single-family rental homes, thus introducing third-party capital to the TAH business vertical and growing TAH's total managed homes by 5,624 homes or 35% to date. Since the launch of the joint venture, Tricon's investment in TAH has grown by $300.9 million;
- On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities in an effort to simplify Tricon's overall business model and focus on housing sectors where the Company can achieve scale and industry leadership. As a result of the sale, in 2018, Tricon recognized a gain of $21.2 million and a reduction in total assets of $83.5 million; and
- On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "U.S. Multi-Family Portfolio"), thus establishing a new U.S. multi-family platform for Tricon. The acquisition of the U.S. Multi-Family Portfolio, which consists of 23 properties totalling 7,289 suites in 13 major markets, resulted in an increase in Tricon's total assets of $429.1 million and investment income of $13.5 million in 2019.



# Consolidated Financial Statements

for the year ended December 31, 2019

# *Independent auditor's report*

To the Shareholders of Tricon Capital Group Inc.

## *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tricon Capital Group Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

**What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

## *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

*PricewaterhouseCoopers LLP*
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*
*T: +1 416 863 1133, F: +1 416 365 8215*

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Derek Hatoum.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 24, 2020

## CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

| | Notes | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | $ 8,908 | $ 7,773 |
| Amounts receivable | | 8,952 | 17,934 |
| Prepaid expenses and deposits | | 796 | 819 |
| Investments – Tricon American Homes | 4, 6 | 1,365,007 | 1,145,221 |
| Investments – Tricon Lifestyle Rentals | 4, 5, 6 | 525,932 | 129,838 |
| Investments – Tricon Housing Partners | 4, 6 | 300,653 | 307,564 |
| Intangible assets | 11 | 16,396 | 20,733 |
| Deferred income tax assets | 10 | 44,749 | 36,135 |
| Other assets | 12, 13 | 30,896 | 21,645 |
| **Total assets** | | **$ 2,302,289** | **$ 1,687,662** |
| **LIABILITIES** | | | |
| Amounts payable and accrued liabilities | 8 | $ 26,055 | $ 6,429 |
| Dividends payable | 14 | 10,474 | 7,350 |
| Long-term incentive plan | 17 | 21,409 | 21,407 |
| Debt | 7, 13 | 470,553 | 374,716 |
| Deferred income tax liabilities | 10 | 98,584 | 81,226 |
| Derivative financial instruments | 9 | 657 | 3,936 |
| Other liability | 5, 9 | 13,375 | – |
| **Total liabilities** | | **641,107** | **495,064** |
| **Equity** | | | |
| Share capital | 5, 15 | 1,201,061 | 793,521 |
| Share capital reserve | 5 | (13,057) | – |
| Contributed surplus | | 20,223 | 17,468 |
| Cumulative translation adjustment | | 19,396 | 19,525 |
| Retained earnings | | 425,515 | 353,220 |
| Total shareholders' equity | | 1,653,138 | 1,183,734 |
| Non-controlling interest | | 8,044 | 8,864 |
| **Total equity** | | **1,661,182** | **1,192,598** |
| **Total liabilities and equity** | | **$ 2,302,289** | **$ 1,687,662** |

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

Approved by the Board of Directors

David Berman

Michael Knowlton

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

| For the years ended | Notes | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| **Revenue** | | | |
| Contractual fees | 18, 19 | $ 31,383 | $ 26,256 |
| General partner distributions | 18, 19 | 1,064 | 1,316 |
| Performance fees | 18, 19 | 7,448 | 2,775 |
| | | 39,895 | 30,347 |
| **Investment income** | | | |
| Investment income – Tricon American Homes | 18, 19 | 162,193 | 218,932 |
| Investment income – Tricon Lifestyle Rentals | 18, 19 | 34,980 | 15,406 |
| Investment income – Tricon Housing Partners | 18, 19 | 9,646 | 11,449 |
| | | 206,819 | 245,787 |
| | | 246,714 | 276,134 |
| **Expenses** | | | |
| Compensation expense | 17 | 37,681 | 36,875 |
| General and administration expense | | 11,683 | 9,800 |
| Interest expense | 7 | 32,439 | 31,686 |
| Net change in fair value of derivative financial instruments and other liability | 9 | (2,961) | (27,680) |
| Loss on debt extinguishment | | – | 5,349 |
| Transaction costs | 5 | 32,626 | 90 |
| Amortization and depreciation expense | 11, 12 | 6,274 | 5,540 |
| Realized and unrealized foreign exchange gain | | (42) | (1,511) |
| | | 117,700 | 60,149 |
| **Income before income taxes** | | **129,014** | **215,985** |
| Income tax expense – current | 10 | (5,410) | (639) |
| Income tax expense – deferred | 10 | (9,469) | (22,118) |
| **Net income from continuing operations** | | **$ 114,135** | **$ 193,228** |
| Investment income from discontinued operations and gain from disposal of investments held for sale – Tricon Lifestyle Communities | 18, 19 | – | 21,170 |
| Income tax recovery from discontinued operations – deferred | 10 | – | 1,957 |
| **Net income from discontinued operations** | | **$ –** | **$ 23,127** |
| **Net income** | | **$ 114,135** | **$ 216,355** |
| **Attributable to:** | | | |
| Shareholders of Tricon | | 111,562 | 215,951 |
| Non-controlling interest | | 2,573 | 404 |
| **Net income** | | **$ 114,135** | **$ 216,355** |
| **Other comprehensive income** | | | |
| ***Items that will be reclassified subsequently to net income*** | | | |
| Cumulative translation reserve | | (129) | 341 |
| **Comprehensive income for the year** | | **$ 114,006** | **$ 216,696** |
| **Attributable to:** | | | |
| Shareholders of Tricon | | $ 111,433 | $ 216,292 |
| Non-controlling interest | | 2,573 | 404 |
| **Comprehensive income for the year** | | **$ 114,006** | **$ 216,696** |
| **Basic earnings per share attributable to shareholders of Tricon** | | | |
| Continuing operations | 16 | $ 0.65 | $ 1.40 |
| Discontinued operations | 16 | – | 0.17 |
| **Basic earnings per share attributable to shareholders of Tricon** | 16 | **$ 0.65** | **$ 1.57** |
| **Diluted earnings per share attributable to shareholders of Tricon** | | | |
| Continuing operations | 16 | $ 0.63 | $ 1.14 |
| Discontinued operations | 16 | – | 0.14 |
| **Diluted earnings per share attributable to shareholders of Tricon** | 16 | **$ 0.63** | **$ 1.28** |
| **Weighted average shares outstanding – basic** | 16 | **172,735,776** | **137,157,260** |
| **Weighted average shares outstanding – diluted** | 16 | **191,081,128** | **162,112,882** |

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

| | Notes | Share capital | Share capital reserve | Contributed surplus | Cumulative translation adjustment | Retained earnings | Total shareholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2019** | | **$ 793,521** | **$ –** | **$ 17,468** | **$ 19,525** | **$ 353,220** | **$ 1,183,734** | **$ 8,864** | **$ 1,192,598** |
| Net income | | – | – | – | – | 111,562 | 111,562 | 2,573 | 114,135 |
| Shares issued to acquire Starlight U.S. Multi-Family (No. 5) Core Fund | 5, 15 | 405,491 | (13,057) | – | – | – | 392,434 | – | 392,434 |
| Cumulative translation reserve | | – | – | – | (129) | – | (129) | – | (129) |
| Distributions to non-controlling interest | | – | – | – | – | – | – | (3,393) | (3,393) |
| Dividends/Dividend reinvestment plan | 14 | 3,793 | – | – | – | (38,575) | (34,782) | – | (34,782) |
| Repurchase of common shares | 15 | (3,067) | – | – | – | (692) | (3,759) | – | (3,759) |
| Debentures conversion | 15 | 100 | – | – | – | – | 100 | – | 100 |
| Stock options | 17 | 258 | – | 579 | – | – | 837 | – | 837 |
| Shares repurchased and reserved for restricted share awards | 17 | (590) | – | 225 | – | – | (365) | – | (365) |
| Deferred share units | 17 | 1,555 | – | 1,951 | – | – | 3,506 | – | 3,506 |
| **Balance at December 31, 2019** | | **$ 1,201,061** | **$ (13,057)** | **$ 20,223** | **$ 19,396** | **$ 425,515** | **$ 1,653,138** | **$ 8,044** | **$ 1,661,182** |
| **Balance at January 1, 2018** | | **$ 713,553** | **$ –** | **$ 16,754** | **$ 19,184** | **$ 167,849** | **$ 917,340** | **$ 10,955** | **$ 928,295** |
| Net income | | – | – | – | – | 215,951 | 215,951 | 404 | 216,355 |
| Cumulative translation reserve | | – | – | – | 341 | – | 341 | – | 341 |
| Distributions to non-controlling interest | | – | – | – | – | – | – | (2,495) | (2,495) |
| Dividends/Dividend reinvestment plan | 14 | 9,138 | – | – | – | (29,157) | (20,019) | – | (20,019) |
| Repurchase of common shares | 15 | (2,310) | – | – | – | (1,423) | (3,733) | – | (3,733) |
| Debentures conversion | 15 | 72,125 | – | – | – | – | 72,125 | – | 72,125 |
| Stock options | 17 | 470 | – | 1,147 | – | – | 1,617 | – | 1,617 |
| Shares repurchased and reserved for restricted share awards | 17 | (1,723) | – | – | – | – | (1,723) | – | (1,723) |
| Deferred share units | 17 | 2,268 | – | (433) | – | – | 1,835 | – | 1,835 |
| **Balance at December 31, 2018** | | **$ 793,521** | **$ –** | **$ 17,468** | **$ 19,525** | **$ 353,220** | **$ 1,183,734** | **$ 8,864** | **$ 1,192,598** |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

| For the years ended | Notes | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| CASH PROVIDED BY (USED IN) | | | |
| **Operating activities** | | | |
| Net income | | $ 114,135 | $ 216,355 |
| Adjustments for non-cash items | | | |
| Amortization and depreciation expense | 11, 12 | 6,274 | 5,540 |
| Deferred income taxes | 10 | 9,469 | 20,161 |
| Long-term incentive plan | 17 | 679 | 10,254 |
| Annual incentive plan | 17 | 4,049 | 2,084 |
| Amortization of debentures discount and issuance costs | 7 | 4,299 | 5,922 |
| Accrued investment income – Tricon American Homes | 6 | (162,193) | (218,932) |
| Accrued investment income – Tricon Lifestyle Rentals | 6 | (34,980) | (15,406) |
| Accrued investment income – Tricon Housing Partners | 6 | (9,646) | (11,449) |
| Accrued investment income from discontinued operations – Tricon Lifestyle Communities | 6 | – | (21,170) |
| Net change in fair value of derivative financial instruments and other liability | 9 | (2,961) | (27,680) |
| Loss on debt extinguishment | | – | 5,349 |
| Unrealized foreign exchange gain | | (2,228) | (164) |
| Distributions to non-controlling interest | | (3,393) | (2,495) |
| Advances made to investments | 6 | (197,067) | (205,086) |
| Distributions received from investments | 6 | 200,631 | 148,227 |
| | | (72,932) | (88,490) |
| Changes in non-cash working capital items | 22 | 28,631 | (9,469) |
| **Net cash (used in) provided by operating activities from continuing operations** | | **(44,301)** | **(97,959)** |
| Advances made to investments held for sale | 6 | – | (304) |
| Proceeds from disposal of investments held for sale | 6 | – | 80,944 |
| **Net cash (used in) provided by operating activities from discontinued operations** | | **–** | **80,640** |
| **Net cash (used in) provided by operating activities** | | **(44,301)** | **(17,319)** |
| **Investing activities** | | | |
| Purchase of building, furniture, office and computer equipment, and leasehold improvements | 12 | (10,017) | (7,087) |
| Placement fees | 11 | – | (5,000) |
| **Net cash (used in) provided by investing activities** | | **(10,017)** | **(12,087)** |
| **Financing activities** | | | |
| Lease payments | 13, 23 | (180) | (104) |
| Repurchase of common shares | 15 | (3,759) | (5,456) |
| Equity issuance costs | 5, 15 | (223) | – |
| Debt financing, net | 7, 23 | 91,317 | 47,574 |
| Dividends paid | 14 | (31,725) | (19,584) |
| **Net cash (used in) provided by financing activities** | | **55,430** | **22,430** |
| **Effect of foreign exchange rate difference on cash** | | **23** | **(64)** |
| **Change in cash during the year** | | **1,135** | **(7,040)** |
| **Cash – beginning of year** | | **7,773** | **14,813** |
| **Cash – end of year** | | **$ 8,908** | **$ 7,773** |
| **Supplementary information** | | | |
| ***Cash paid on*** | | | |
| Income taxes | | **$ 1,224** | **$ 2,638** |
| Interest | | **$ 27,824** | **$ 26,900** |

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

# 1. NATURE OF BUSINESS

Tricon Capital Group Inc. ("Tricon" or the "Company") is a residential real estate company primarily focused on rental housing in North America. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. As general partner, sponsor and/or manager of various private commingled funds, separate accounts, syndicated investments and joint ventures ("Investment Vehicles"), the Company earns contractual fee revenue, namely asset management fees, general partner distributions, development fees and performance fees.

Tricon was incorporated on June 16, 1997 under the Business Corporations Act (Ontario) and its head office is located at 7 St. Thomas Street, Suite 801, Toronto, Ontario, M5S 2B7. The Company is domiciled in Canada. Tricon became a public company on May 20, 2010, and its common shares are listed on the Toronto Stock Exchange ("TSX") (symbol: TCN).

These consolidated financial statements were approved for issue on February 24, 2020 by the Board of Directors of Tricon.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## Basis of preparation and measurement

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook – Accounting. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Tricon's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements, are disclosed in Note 3.

These consolidated financial statements have been prepared under the historical cost convention, except for: (i) investments in Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners; and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The Company presents its consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the consolidated financial statements provide information on the Company's current assets and current liabilities (Note 20). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

## Accounting standards adopted in the current year

### IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

Effective January 1, 2019, the Company has adopted IFRIC Interpretation 23, Uncertainty over Income Tax Treatments (''IFRIC 23'') on a modified retrospective basis. IFRIC 23 clarifies how the requirements of IAS 12, Income Taxes, should be applied when there is uncertainty over income tax treatments. The adoption of IFRIC 23 did not have a significant impact on the Company's consolidated financial statements.

## Foreign currency translation

### Currency translation

Foreign currency transactions (Canadian dollar) are translated into U.S. dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in global currencies are translated into U.S. dollars using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the consolidated statements of comprehensive income.

**Subsidiaries**

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries with a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses are translated at average exchange rates. The Company uses monthly average exchange rates due to the volume of transactions each month; and

(iii) all resulting exchange differences are recognized in other comprehensive income.

The consolidated subsidiaries and their respective functional currencies are as follows:

| Name | Functional Currency |
|---|---|
| Tricon Holdings Canada Inc. | U.S. dollar |
| Tricon Housing Partners US II (Canada) GP Ltd. | Canadian dollar |
| Tricon Capital GP Inc. | Canadian dollar |
| Tricon Housing Partners US Co-Investment Inc. | U.S. dollar |
| Tricon Housing Partners US II A Incentive LP | U.S. dollar |
| Tricon Housing Partners US II B/C Incentive LP | U.S. dollar |
| Tricon Holdings USA LLC | U.S. dollar |
| Tricon USA Inc. | U.S. dollar |
| Tricon JDC LLC | U.S. dollar |
| The Johnson Companies LP ("Johnson") | U.S. dollar |
| Tricon Development Group LP ("TDG") | Canadian dollar |
| Tricon US TopCo LLC | U.S. dollar |
| Tricon US FTA LLC[1] | U.S. dollar |
| CCR Texas Agent Inc. | U.S. dollar |
| Tricon Head Office Inc. | Canadian dollar |
| SFR JV-1 GP LLC | U.S. dollar |
| SFR JV-1 Class B LLC | U.S. dollar |
| SFR JV-1 Class B REIT LLC | U.S. dollar |

(1) Tricon US FTA LLC was dissolved on July 31, 2019.

## Consolidation

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company meets the definition of an investment entity and, as such, investments in subsidiaries (other than those that provide investment-related services) are accounted for at FVTPL, rather than by consolidating them. All of the subsidiaries that provide investment-related services, including the Company's Canadian and U.S. asset management operating entities that earn contractual fees and performance fees from private funds, continue to be consolidated.

The Company applies the acquisition method to account for business combinations. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The amounts attributable to non-controlling interests are presented separately in the consolidated statements of comprehensive income below net income, and are included in the equity section of the consolidated balance sheets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealized gains or losses on transactions between the companies are eliminated. Amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

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

### Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Associates that are held as part of the Company's investment portfolio are carried on the balance sheet at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28, Investments in Associates and Joint Ventures, which allows investments that are held by the Company to be recognized and measured at FVTPL and accounted for in accordance with IFRS 9, Financial Instruments and IFRS 13, Fair Value Measurement, with changes in fair value recognized in the consolidated statements of comprehensive income.

The Company's associates include:

| Name | Type | Principal place of business | Country of incorporation | Ownership interest % | Voting rights %[1] |
|---|---|---|---|---|---|
| Tricon Housing Partners US LP[2] | Limited Partnership | USA | USA | 68% | 68% |
| Tricon Housing Partners US Syndicated Pool I LP | Limited Partnership | USA | USA | 20% | 50% |
| Tricon Housing Partners US Syndicated Pool II LP | Limited Partnership | USA | USA | 20% | 50% |
| Tricon Housing Partners US II A LP[2] | Limited Partnership | USA | USA | 1% | >50% |
| Tricon Housing Partners US II B LP[2] | Limited Partnership | USA | USA | 16% | >50% |
| Tricon Housing Partners US II B2 LP[2] | Limited Partnership | USA | USA | 1% | >50% |
| Tricon Housing Partners US II C LP[2] | Limited Partnership | USA | USA | <1% | >50% |
| CCR Texas Equity LP | Limited Partnership | USA | USA | 10% | 50% |
| CCR Texas Holdings LP | Limited Partnership | USA | USA | 9% | 50% |
| Vistancia West Equity LP | Limited Partnership | USA | USA | 7% | 50% |
| Vistancia West Holdings LP | Limited Partnership | USA | USA | 6% | 50% |
| FF Texas Equity LP | Limited Partnership | USA | USA | 10% | 50% |
| FF Texas Holdings LP | Limited Partnership | USA | USA | 10% | 50% |
| Conroe CS Texas Equity LP | Limited Partnership | USA | USA | 10% | 50% |
| Conroe CS Texas Holdings LP | Limited Partnership | USA | USA | 10% | 50% |
| Tegavah Equity LP | Limited Partnership | USA | USA | 10% | 50% |
| Tegavah Holdings LP | Limited Partnership | USA | USA | 9% | 50% |
| Lake Norman Equity LP | Limited Partnership | USA | USA | 7% | 50% |
| Lake Norman Holdings LP | Limited Partnership | USA | USA | 7% | 50% |
| Arantine Hills Equity LP | Limited Partnership | USA | USA | 7% | 50% |
| Arantine Hills Holdings LP | Limited Partnership | USA | USA | 7% | 50% |
| Viridian Equity LP | Limited Partnership | USA | USA | 18% | 50% |
| Viridian Holdings LP | Limited Partnership | USA | USA | 17% | 50% |
| THPAS Holdings JV-1 LLC | Limited Partnership | USA | USA | 11% | 50% |

(1) In respect of major decisions only.

(2) Tricon does not control these entities in accordance with the criteria set out in IFRS 10, Consolidated Financial Statements.

### Fixed assets

Building, furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated depreciation and impairment. Leasehold improvements and right-of-use assets are amortized on a straight-line basis over their useful lives, which is typically their lease term. All other depreciation expense is recorded on a straight-line basis over the estimated useful lives of the fixed assets, as follows:

| | |
|---|---|
| Building | 30 years |
| Furniture and office equipment | 2–5 years |
| Computer equipment | 2–5 years |

Estimated useful lives of fixed assets are reviewed and adjusted, if appropriate, at each financial year-end. As described below in Impairment of non-financial assets, fixed assets are also reviewed at each balance sheet date to determine whether there is an indication of impairment.

### Placement fees and rights to performance fees intangible assets

Placement fees represent costs incurred to secure investment management contracts. Performance fee rights represent costs incurred to obtain rights to receive future performance fees from certain Investment Vehicles. These are accounted for as intangible assets carried at cost less accumulated amortization. Amortization is recorded using the straight-line method and is based on the estimated useful lives of the associated Investment Vehicles, which is generally eight years.

### Johnson intangibles

The contractual development fee intangibles from Johnson represent an estimate of the future management fees, development fees and commissions that Tricon expects to collect over the lives of the projects that Johnson managed at the time of the business combination. They are amortized by project over the estimated periods that the Company expects to collect these fees, which is approximately seven years for management fees and lot development fees.

The customer relationship intangible from Johnson represents an estimate of the potential management fees, development fees and commissions that Tricon could collect, based on potential future projects resulting from Johnson's existing customer relationships at the time of the business combination, and as such are considered to be definite-life intangibles.

### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a cash-generating unit as it is the lowest level within the Company at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the greater of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

### Impairment of non-financial assets

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible impairment or reversal of a previously recorded impairment at each reporting date. Other long-lived assets include goodwill and it is reviewed for impairment annually or at any time if an indicator of impairment exists.

### Financial instruments

#### Financial assets

The Company's financial assets are comprised of cash, amounts receivable and investments in Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners. Financial assets are initially measured at fair value and subsequently classified and measured in one of three categories: amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

Transaction costs related to investments are expensed as incurred in the consolidated statements of comprehensive income.

Gains and losses arising from changes in the fair value of investments are presented in the consolidated statements of comprehensive income within investment income.

Financial assets and liabilities classified and measured at FVTPL are presented within changes in operating assets and liabilities in the consolidated statements of cash flows.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all of the risks and rewards of ownership.

The Company assesses, at each balance sheet date, whether or not there is an expected credit loss with respect to amounts receivable. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the receivable does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income.

**Financial liabilities**

Financial liabilities within the scope of IFRS 9 are initially measured at fair value and subsequently classified and measured at FVTPL or amortized cost, as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

The Company's financial liabilities consist of amounts payable and accrued liabilities, dividends payable, debt, derivative financial instruments and other liability.

Interest expense is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Gains or losses from the modification of borrowing terms during the year are recognized over the remaining life of the borrowing by adjusting the effective interest rate, on the basis that the terms and conditions of the liability remained largely unchanged. Should the modification be considered substantial, the original financial liability is derecognized and a new financial liability is recognized at fair value.

**Derivative financial instruments and other liability**

Derivative financial instruments, which are comprised of the conversion and redemption options related to the convertible debentures, are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with the resulting gain or loss reflected in net income. Derivatives are valued using model calibration. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges, over-the-counter markets and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Other liability represents obligations of the Company to purchase its own equity, which is initially recognized at the present value of the redemption amount and is reclassified from equity as a share capital reserve and subsequently recognized at FVTPL. If the obligations expire without exercise, the carrying amount of the liability is reclassified to equity.

**Compound financial instruments**

Compound financial instruments issued by the Company comprise convertible unsecured subordinated debentures that can be converted to share capital at the option of the holder. The Company may settle the conversion right in cash in lieu of common shares unless the holder has explicitly indicated that they do not wish to receive cash. The cash settlement amount depends on the weighted average trading price of the common shares of the Company. This settlement option requires the Company to record the conversion option as a derivative financial instrument measured at fair value at each reporting period, with changes in fair value recorded in net income.

In addition, the debentures contain a redemption option, subject to several conditions, which allows the Company to redeem the debentures, in whole or in part, and the Company may settle the redemption option either in cash at par plus accrued and unpaid interest or in common shares, with the number of common shares to be issued depending on the weighted average trading price of the common shares of the Company. The redemption option is recorded as a derivative financial instrument measured at fair value at each reporting period, with changes in fair value recorded in net income.

The host liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The conversion and redemption options are considered to be interrelated and therefore are treated as a single compound embedded derivative which is recognized at fair value.

Any directly attributable transaction costs are allocated entirely to the host liability component.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported on the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. As of December 31, 2019, the Company does not have any assets or liabilities that are subject to an offsetting agreement.

### Leases

At the lease commencement date, a right-of-use asset and lease liability are recognized on the consolidated balance sheets for all leases, with the exception of short-term and low-value leases.

Right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs and subsequently accounted for at cost less accumulated depreciation and impairment.

Lease liabilities are initially measured at the present value of future lease payments, discounted at the rate implicit in the lease if that rate can be readily determined; or if not, at the Company's incremental borrowing rate for a similar term and with similar security.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of comprehensive income using the effective interest method.

### Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital to settle restricted share awards or for cancellation, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders.

### Earnings per share

#### Basic

Basic earnings per share is determined using the weighted average number of shares outstanding including vested deferred share units, taking into account on a retrospective basis any increases or decreases caused by share splits or reverse share splits occurring after the reporting period, but prior to the consolidated financial statements being authorized for issue.

#### Diluted

The Company considers the effects of stock compensation and convertible debentures in calculating diluted earnings per share. Diluted earnings per share is calculated by adjusting net income attributable to shareholders of the Company and the weighted average number of shares outstanding based on the assumption of the conversion of all potentially dilutive shares on a weighted average basis from the beginning of the year or, if later, the date the stock compensation or convertible debentures were issued to the balance sheet date.

### Dividends

Dividends on common shares are recognized in the consolidated financial statements in the year in which the dividends are approved by Tricon's Board of Directors.

### Current and deferred income taxes

Income tax expense includes current and deferred income taxes. Income tax expense is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity.

Current income taxes are the expected taxes payable on the taxable income for the year, using income tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to income taxes payable in respect of previous years. The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Investment income

Investment income includes gains and losses arising on the remeasurement of investments at FVTPL, including foreign exchange gains and losses.

### Revenue

Revenue from contracts with customers comprises contractual fees, general partner distributions and performance fees. The Company earns contractual fees by managing an investment portfolio of residential real estate assets on behalf of and in partnership with third-party investors in the U.S. and Canada. Specifically, the Company earns contractual fees in exchange for providing asset management services to private Investment Vehicles. This includes managing investments in Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners. Asset management services are satisfied over time and revenues for such services are recognized as services are provided. The Company recognizes revenue based on the best estimate of the amounts earned for those services, which typically reflects annual contractual fees of 1–2% of committed or invested capital throughout the lives of the Investment Vehicles. Contractual fees earned in exchange for providing asset management services are billed on a quarterly basis.

The Company also earns contractual fees in exchange for providing development management and advisory services to third parties and/or related parties through Johnson and TDG. Development management and advisory services are satisfied over time. Revenues are recognized based on the best estimate of the amounts earned for those services, which typically reflects contractual fees of 2–4% of the sales price of single-family lots, residential land parcels and commercial land within master-planned communities for Johnson, and 4–5% of overall development costs of purpose-built rental apartments for TDG. The Company includes consideration in the transaction price only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized will not reverse. Specifically for Johnson, consideration for these services is variable as it is dependent upon the occurrence of a future event that is the sale of the developed property. Revenue is typically recognized as the development of the investment property is complete, and control has been transferred to the respective buyer. Contractual fees earned in exchange for providing development management and advisory services are billed upon the sale of the investment property.

For general partner distributions, the timing and pattern of revenue recognition are consistent with contractual fees earned from providing asset management services.

The Company earns performance fees in exchange for providing asset management services to Investment Vehicles. Performance fees are earned once targeted returns are achieved. Performance fees are calculated based on fixed percentages of the distributions of each of the Investment Vehicles in excess of predetermined thresholds as outlined in the governing documents for the respective Investment Vehicle. The Company includes consideration in the transaction price only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized will not reverse. Consideration for these services is variable as it is dependent upon the occurrence of a future event that is the repayment of investor capital and a predetermined rate of return. Revenue from performance fees is typically earned and recognized towards the end of the life of the Investment Vehicle.

The Company is obligated to continue to provide asset management, development management and advisory services over the remaining terms of the contracts with its customers. The Company will recognize revenue on these remaining performance obligations based on the amounts determined in accordance with the above policy, at each reporting date. Determining the timing of the satisfaction of performance obligations and estimating the transaction price are significant judgments applied. As it relates to the expected amount of revenue earned for the performance of development management and advisory services, the Company uses the most likely amount method to estimate the variable consideration to include in the transaction price. This is because the amount of revenue earned is dependent upon a future event that is the sale of the developed properties.

### Compensation arrangements

#### Stock option plan

The Company accounts for its stock option plan by calculating the fair value of the options as of the grant date using a Black-Scholes option pricing model and observable market inputs. This fair value is recognized as compensation cost using the graded vesting method over the vesting period of the options.

#### Annual Incentive Plan (“AIP”)

The Board of Directors approved a new Annual Incentive Plan (“AIP”) in March 2018.

The Company’s AIP provides for an aggregate bonus pool based on the sum of all employees’ individual AIP targets. The portion of the pool attributable to senior executive management is market-benchmarked and subject to an adjustment factor, as approved by the Board, 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. Equity-based AIP awards are granted in a combination of deferred share units (“DSUs”), performance share units (“PSUs”), stock options and restricted shares, pursuant to the Company’s Deferred Share Unit Plan (“DSUP”), Performance Share Unit Plan (“PSUP”), Stock Option Plan and Restricted Share Plan, respectively.

#### Long-term incentive plan (“LTIP”)

LTIP expense is generated from two sources: (i) 50% of the Company’s share of performance fees or carried interest from Investment Vehicles, paid in cash when received; and (ii) 15% of THP1 US investment income, payable in DSUs which vest in equal tranches over a three-year period (previously a five-year period) pursuant to the LTIP as amended on May 6, 2019. Amounts under the LTIP are allocated among employees in accordance with the plan.

For the LTIP generated from the Company's share of performance fees or carried interest from Investment Vehicles, the Company estimates the LTIP liability by determining the performance fees at each reporting date based on the estimated fair value of the underlying investments. Changes in the LTIP liability are recognized in the consolidated statements of comprehensive income.

For the LTIP generated from the Company's investment income in THP1 US, as the deferred shares vest equally on the anniversary dates following the grant date over a three-year period, the compensation expenses are recognized over a four-year period on a graded vesting basis.

**Directors' fees**

In 2019, one-half of each independent Director's base annual retainer was paid in DSUs which vested immediately upon their grant. In addition, an independent Director may elect each year to receive a portion of the balance of his or her fees (including his or her base annual retainer and any additional retainer) in DSUs, which also vest on the date of their grant. Any remaining balance of such fees not payable in DSUs is paid in cash. The DSUs granted to Directors are governed by the DSUP.

### Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale.

A non-current asset (or disposal group) is classified as held or sale if it is available for immediate sale in its present condition subject only to usual and customary terms and the sale is highly probable. Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The Company's investment in Tricon Lifestyle Communities was classified as held for sale in early 2018 and disposed of on June 29, 2018. The results of discontinued operations, net of tax, and net cash flows from discontinued operations are presented separately on the face of the consolidated statements of comprehensive income and consolidated statements of cash flows, respectively.

### Reportable segments

As a result of the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund in the second quarter of 2019 (Note 5), Tricon now has five reportable segments: principal investing in Tricon American Homes ("TAH"), Tricon Lifestyle Rentals U.S. ("TLR U.S."), Tricon Lifestyle Rentals Canada ("TLR Canada") and Tricon Housing Partners ("THP"); and Private Funds and Advisory ("PF&A"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision-makers.

### Accounting standards and interpretations issued but not yet adopted

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to the definition of a business in IFRS 3, Business Combinations ("IFRS 3"). The amendments provide further guidance on the determination of whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020.

In October 2018, IASB issued amendments to IAS 1, Presentation of Financial Statements ("IAS 1"), and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") to provide further clarification on the definition of materiality, specifying that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments resulted in consequential amendments to other IFRSs to use a consistent definition of materiality throughout IFRSs and the conceptual framework for financial reporting. These amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after January 1, 2020.

In September 2019, IASB amended its new and old Financial Instruments standards, IFRS 9, Financial Instruments ("IFRS 9") and IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), as well as the related standard on disclosures, IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs"). The amendments modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. The amendments to IFRS 9, IAS 39 and IFRS 7 are effective for annual reporting periods beginning on or after January 1, 2020. As the Company does not apply hedge accounting, phase 1 of the amendments related to IBOR reform is not applicable to Tricon, and therefore will have no significant impact.

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 consolidated financial statements of the Company.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments applied that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below. Actual results could differ from these estimates and the differences may be material.

### Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Significant estimates are required in determining the Company's consolidated income tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Judgment is also required in determining whether deferred income tax assets should be recognized on the consolidated balance sheets. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered when future taxable profit will be available against which the temporary differences can be utilized. The Company assesses deferred income tax liabilities on its investments in TAH and TLR based on a reduction of its investment as opposed to a sale of underlying assets held by the investment.

### Fair value and impairment of financial instruments

Certain financial instruments are recorded in the Company's consolidated balance sheets at values that are representative of or approximate fair value.

The fair values of the Company's investments in Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners are determined using the valuation methodologies described in Note 6. By their nature, these valuation techniques require the use of assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the investment income recognized in a particular period.

### Fair value of incentive plans

Management is required to make certain assumptions and to estimate future financial performance to estimate the fair value of incentive plans at each consolidated balance sheet date. Significant estimates and assumptions relating to such incentive plans are disclosed in Notes 2 and 17. The LTIP requires management to estimate future non-IFRS earnings measures, namely future performance fees relative to each Investment Vehicle. Future non-IFRS measures are estimated based on current projections, and are updated at least annually, taking into account actual performance since inception.

### Determination of investment entity status

In accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"), an investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income (including rental income), or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties.

During the year, Tricon acquired Starlight U.S. Multi-Family (No. 5) Core Fund (Note 5) and concurrently announced that it was exploring the opportunity for asset management and property management synergies between its U.S. single-family and multi-family portfolios. Tricon also introduced its longer-term goal to become a predominantly rental housing company and an efficient operator/manager of these underlying businesses. Notwithstanding this goal, contractual fee income earned from existing and new third-party capital will continue to be a significant source of cash flow for the Company.

As a result of this transformative strategic change, the Company recognizes that its primary purpose has shifted to generating recurring cash flows from owning rental housing and, therefore, it has ceased to be an investment entity under IFRS 10. While the assessment was being made, the Company continued to report its investments under the investment entity accounting framework as at December 31, 2019, with the intention to fully transition to a rental housing company. The timing of exactly when to transition from investment entity to rental housing company is highly judgmental. The Company believes this transition occurred in January 2020, but had the transition occurred earlier, the basis of presentation discussed in Note 26 would be required, which would cause results in the current year to be different.

## 4. INVESTMENTS

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

**Investments – Tricon Lifestyle Rentals ("TLR")** are investments in multi-family rental properties, including development assets and existing income-producing assets in Canada and the United States. TLR Canada'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. TLR U.S. invests in and operates multi-family rental apartments, with a current focus largely on Class A garden-style apartments in the U.S. Sun Belt.

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, which owned a portfolio of 23 garden-style multi-family properties totalling 7,289 suites located primarily in the U.S. Sun Belt (see Note 5).

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

On September 17, 2019, the Company announced that it had entered into a joint venture arrangement ("THPAS JV-1") with a leading institutional investor to target investments in master-planned communities and the development of single-family "build-to-rent" communities in U.S. Sun Belt markets. The total equity committed to this venture is $450,000, including $400,000 from the investor and $50,000 from Tricon. On January 22, 2020, the Company completed the syndication of 50% of one of its direct THP investments to THPAS JV-1.

Until the second quarter of 2018, the Company had also invested in Tricon Lifestyle Communities ("TLC") – Investments in manufactured housing communities, where land parcels were leased to owners of prefabricated homes. Investments in TLC were disposed of on June 29, 2018.

The Company makes these investments via equity investments and loan advances. Advances made to investments are added to the carrying value when paid; distributions from investments are deducted from the carrying value when received. The following is a summary of the composition of the Company's investments:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | Internal debt instruments | Equity | Total investment | Internal debt instruments | Equity | Total investment |
| Investments – TAH | | | | | | |
| TAH wholly-owned | $ – | $ 1,220,021 | $ 1,220,021 | $ – | $ 1,099,086 | $ 1,099,086 |
| TAH JV-1 | – | 144,986 | 144,986 | – | 46,135 | 46,135 |
| | – | 1,365,007 | 1,365,007 | – | 1,145,221 | 1,145,221 |
| Investments – TLR | | | | | | |
| TLR U.S. | – | 429,060 | 429,060 | – | – | – |
| TLR Canada | – | 96,872 | 96,872 | – | 70,199 | 70,199 |
| Assets held for sale within TLR | – | – | – | – | 59,639 | 59,639 |
| | – | 525,932 | 525,932 | – | 129,838 | 129,838 |
| Investments – THP | | | | | | |
| Commingled funds | – | 106,405 | 106,405 | – | 118,931 | 118,931 |
| Direct investments | – | 127,568 | 127,568 | – | 111,342 | 111,342 |
| Separate accounts and side-cars | 16,757 | 49,923 | 66,680 | 18,874 | 58,417 | 77,291 |
| | 16,757 | 283,896 | 300,653 | 18,874 | 288,690 | 307,564 |
| **Total** | **$ 16,757** | **$ 2,174,835** | **$ 2,191,592** | **$ 18,874** | **$ 1,563,749** | **$ 1,582,623** |

The underlying loan instruments within the Company's THP investments, if utilized, are denominated in U.S. dollars and bear interest at rates between 9.95% and 11.95%, compounded monthly.

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

The following table summarizes the balances in THP investments that are managed by Tricon, presented in the functional currency of the investment:

| (in thousands of dollars) THP investments | Currency | Tricon commitment | Advances[1] | Unfunded commitment | Project fees | Cash distributions | Total distributions | Investments at fair value[2] |
|---|---|---|---|---|---|---|---|---|
| **As at December 31, 2019[3]** | | | | | | | | |
| Total USD investments | USD | $ 529,171 | $ 507,039 | $ 78,550 | $ 36,869 | $ 365,512 | $ 402,381 | $ 295,221 |
| Total CAD investments | CAD | 20,000 | 12,493 | 7,507 | – | 11,730 | 11,730 | 5,432 |
| **Investments – THP** | | | | | | | | **$ 300,653** |
| **As at December 31, 2018[3]** | | | | | | | | |
| Total USD investments | USD | $ 444,973 | $ 471,674 | $ 29,682 | $ 30,680 | $ 315,663 | $ 346,343 | $ 300,965 |
| Total CAD investments | CAD | 20,000 | 12,462 | 7,538 | – | 8,977 | 8,977 | 6,599 |
| **Investments – THP** | | | | | | | | **$ 307,564** |

(1) In certain cases, distributions received during the investment period can be recalled and re-advanced, leading to a higher advance amount than total commitment.
(2) Investments at fair value as of December 31, 2019 and December 31, 2018 are shown in thousands of U.S. dollars.
(3) Commitment, unfunded commitment, advances and distributions are shown in fund or separate account originating currency.

The controlled subsidiaries which are not consolidated by the Company include:

| Name | Type | Principal place of business | Country of incorporation | Ownership interest % | Voting rights %[1] |
|---|---|---|---|---|---|
| Tricon SF Home Rental ULC | Holding Company | USA | Canada | 100% | 100% |
| Tricon American Homes LLC | Holding Company | USA | USA | 100% | 100% |
| SFR JV-1 Holdings LP | Limited Partnership | USA | USA | 51% | 51% |
| SFR JV-1 LP | Limited Partnership | USA | USA | 33% | 33% |
| Tricon Housing Partners Canada III Co-Investment Ltd. | Holding Company | Canada | Canada | 100% | 100% |
| Tricon USA Lender Inc. | Holding Company | USA | Canada | 100% | 100% |
| Tricon Lender II Inc. | Holding Company | USA | Canada | 100% | 100% |
| Trinity Falls Holdings LP | Limited Partnership | USA | USA | 98% | 50% |
| Bryson MPC Holdings LLC | Limited Partnership | USA | USA | 98% | 50% |
| TAH REIT LLC | Holding Company | USA | USA | 100% | 100% |
| Tricon/COB MHC LP | Limited Partnership | USA | USA | 98% | 67% |
| Tricon Lifestyle Rentals Investment LP | Limited Partnership | Canada | Canada | 100% | 100% |
| TLR Property Management LP | Limited Partnership | Canada | Canada | 100% | 100% |
| Tricon Property Management LP | Limited Partnership | Canada | Canada | 100% | 100% |
| TLR Saturn Master LP | Limited Partnership | USA | USA | 100% | 100% |
| Scrivener Square LP | Limited Partnership | Canada | Canada | 100% | 100% |
| Summerhill Shops LP | Limited Partnership | Canada | Canada | 100% | 100% |
| Tricon WDL LP | Limited Partnership | Canada | Canada | 100% | 100% |
| Tricon Gloucester LP | Limited Partnership | Canada | Canada | 100% | 100% |
| Tricon SLR US Multifamily LLC | Holding Company | USA | USA | 100% | 100% |
| Tricon SLR US Multifamily I LP | Limited Partnership | USA | USA | 100% | 50% |

(1) In respect of major decisions only.

## 5. ACQUISITION OF STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "U.S. Multi-Family Portfolio") by acquiring, among other things, all of the issued and outstanding limited partnership units of the U.S. Multi-Family Portfolio by issuing 50,779,311 Tricon common shares at $7.99 (C$10.60) per share, totalling $405,714, in an all-share transaction (the "Transaction").

In connection with the Transaction, the Company indirectly acquired the U.S. Multi-Family Portfolio's 23 core-plus multi-family properties that were valued at approximately $1.3 billion and also assumed approximately $920,000 of the U.S. Multi-Family Portfolio's existing debt upon closing (Note 6).

The Company incurred $28,196 of transaction costs directly related to the acquisition, of which $27,973 were expensed (comprised of investment banking, consulting and other transitional services, legal, finance and tax, due diligence and other fees) and $223 were charged directly to share capital in connection with the issuance of Tricon's common shares. As at December 31, 2019, transaction costs of $12,411 remained payable, which was fully paid on January 13, 2020.

As part of the Transaction, the Company entered into a put and call agreement with certain former unitholders of Starlight U.S. Multi-Family (No. 5) Core Fund ("Option Holders") for an aggregate of 1,634,217 Tricon common shares. Under the terms of this agreement and the subsequent amendment agreed to on October 2, 2019, the Company has the right during the one-year period commencing on the six-month anniversary of the Transaction date to purchase from the Option Holders, as applicable, all or a portion of the put/call shares for an aggregate purchase price equal to the put/call price, which must be equal to or greater than C$11.49 per share. Similarly, the Option Holders have the right to sell to the Company between January 31, 2020 and June 11, 2020 an amount of Tricon common shares equal in aggregate to the put/call shares for an aggregate purchase price equal to the put/call price. The put/call price per share is defined as the quoted market price of a Tricon common share on the put/call date.

On the Transaction date, the Company recognized a put liability measured at the fair value of its common shares of $7.99 (C$10.60) multiplied by the number of Tricon common shares that are subject to the put right noted above, totalling $13,057. The put liability is classified as other liability and the corresponding share capital has been designated as a share capital reserve in the consolidated balance sheets in accordance with IAS 32, Financial Instruments: Presentation. The change in the value of the put liability is measured as the change during the period in the quoted market price of the Company's common shares that are subject to the put right, and is recorded in the consolidated statements of comprehensive income (Note 9).

## 6. FAIR VALUE ESTIMATION

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

The following describes the categories within the fair value hierarchy:

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

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

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

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

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | |
| Investments – TAH | | | | | | |
| TAH wholly-owned | $ – | $ – | $ 1,220,021 | $ – | $ – | $ 1,099,086 |
| TAH JV-1 | – | – | 144,986 | – | – | 46,135 |
| | – | – | 1,365,007 | – | – | 1,145,221 |
| Investments – TLR | | | | | | |
| TLR U.S. | – | – | 429,060 | – | – | – |
| TLR Canada | – | – | 96,872 | – | – | 70,199 |
| Assets held for sale within TLR | – | – | – | – | – | 59,639 |
| | – | – | 525,932 | – | – | 129,838 |
| Investments – THP | | | | | | |
| Commingled funds | – | – | 106,405 | – | – | 118,931 |
| Direct investments | – | – | 127,568 | – | – | 111,342 |
| Separate accounts and side-cars | – | – | 66,680 | – | – | 77,291 |
| | – | – | 300,653 | – | – | 307,564 |
| | **$ –** | **$ –** | **$ 2,191,592** | **$ –** | **$ –** | **$ 1,582,623** |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments (Note 9) | $ – | $ 657 | $ – | $ – | $ 3,936 | $ – |

There have been no transfers between levels for the years ended December 31, 2019 and December 31, 2018.

### Financial assets valuation methodologies

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Valuation Committee at least once every quarter, in line with the Company's quarterly reporting dates. The Valuation Committee consists of individuals who are knowledgeable and have experience in the fair value techniques for the investments held by the Company. The Valuation Committee decides on the appropriate valuation methodologies for new investments and contemplates changes in the valuation methodology for existing investments. Additionally, the Valuation Committee analyzes the movements in each investment's value, which involves assessing the validity of the inputs applied in the valuation. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

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

**Investments – Tricon American Homes**

All of the Company's investments in TAH subsidiary entities are held through a wholly-owned subsidiary, Tricon SF Home Rental ULC, which also invests in a joint venture partnership ("TAH JV-1") as a limited partner. The fair value of the Company's investment in Tricon SF Home Rental ULC is calculated based on the underlying net assets' fair value. The fair value of the net assets of the various entities, including the investment in TAH JV-1, is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

The table below represents 100% of the assets and liabilities of TAH entities wholly-owned by the Company as well as TAH JV-1 operating entities. The third-party investors' 66.3% ownership interest in the TAH JV-1 operating entities is deducted as part of other net liabilities to arrive at the Company's investment in TAH.

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Fair value of managed homes | $ 4,304,590 | $ 3,327,404 |
| Debt | (2,542,717) | (2,046,433) |
| Other net liabilities[1,2] | (396,866) | (135,750) |
| **Investments – TAH** | **$ 1,365,007** | **$ 1,145,221** |

(1) Other net liabilities include working capital of Tricon SF Home Rental ULC and its wholly-owned subsidiaries as well as TAH JV-1 working capital, partner-level debt and third-party investor interests.

(2) Other net liabilities include a floating-rate partner-level subscription loan (the "TAH JV-1 subscription loan"). The loan has a balance of $186,000 at December 31, 2019 (2018 – $119,500) and a maturity date of August 2021. Tricon's proportionate share of the TAH JV-1 subscription loan balance at December 31, 2019 is $62,620 (2018 – $40,232).

**Fair value of managed homes**

Home values typically do not change materially in the short term, and capital expenditures generally do not significantly impact values in the first three to six months after purchase. As a result, homes acquired in the last two quarters are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to October 1, 2019 were valued at November 30, 2019. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at December 31, 2019.

As of December 31, 2019, TAH managed 21,077 homes, of which 15,453 were wholly-owned rental properties. During the year ended December 31, 2019, homes were valued using a combination of the Home Price Index ("HPI") and Broker Price Opinion ("BPO") valuation methodologies. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past twelve months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties. The data used to fair value the rental properties is specific to the zip code in which the property is located. During the year, the HPI increase net of capital expenditures was 3.0% compared to a 6.1% increase in 2018.

In addition to the investment properties generating rental income, a small percentage of the investment properties are held for sale ("for-sale homes"). These for-sale homes were originally purchased as rental properties but subsequently selected for sale through the investee's active asset management process. All for-sale homes are valued at fair value less costs to sell.

If the prices of single-family rental properties managed by TAH were to increase or decrease by 1% (December 31, 2018 – 1%), the impact on investments in TAH fair value at December 31, 2019 would be $35,473 and ($35,473), respectively (December 31, 2018 – $30,987 and ($30,987)).

The weighted average of the quarterly HPI change was 0.7%. If the change in the quarterly HPI increased or decreased by 0.5%, the impact on investments in TAH fair value at December 31, 2019 would be $12,888 and ($12,888), respectively (December 31, 2018 – $13,542 and ($13,542)).

**Debt**

The fair value of external debt is based on a discounted cash flow model at a market rate of interest that TAH would have obtained for similar financing. It was determined that the carrying value of variable term loans approximates fair value, considering their variable interest terms. The fair values of the fixed term loans were estimated by modelling the contractual cash flows required under the loans and discounting them back to their present values using market interest rate data and bid prices at the end of the year.

A summary of TAH's debt outstanding as of December 31, 2019 is as follows:

| (in thousands of U.S. dollars) | Effective interest rates | Maturity dates | Debt balance[5] December 31, 2019 | Debt balance[5] December 31, 2018 |
|---|---|---|---|---|
| TAH JV-1 warehouse credit facility[1,2] | LIBOR+2.50% | October 2020 | $ 211,200 | $ 95,832 |
| Term loan-2[3] | LIBOR+1.95% | October 2020 | 96,077 | – |
| Warehouse credit facility[4] | LIBOR+2.65% | November 2020 | 29,864 | 100,546 |
| Securitization loan, TAH 2016-1 | 3.59% | November 2021 | 357,478 | 361,440 |
| Securitization loan, TAH 2017-1 | 3.50% | September 2022 | 461,301 | 462,594 |
| Term loan-1 | LIBOR+2.00% | October 2022 | 375,000 | 347,582 |
| Securitization loan, TAH 2017-2 | 3.58% | January 2024 | 364,574 | 364,574 |
| Securitization loan, TAH 2018-1 | 3.86% | May 2025 | 313,865 | 313,865 |
| Securitization loan, TAH JV-1 2019-1[2] | 3.12% | March 2026 | 333,358 | – |
| **Total debt at operating entities[5]** | | | **$ 2,542,717** | **$ 2,046,433** |

(1) The TAH JV-1 warehouse credit facility has a maximum borrowing capacity of $300,000 and a one-year extension option. Tricon's proportionate share of the TAH JV-1 warehouse credit facility balance at December 31, 2019 was $71,104 (2018 – $32,263).

(2) TAH JV-1 closed the TAH JV-1 2019-1 securitization loan on September 26, 2019. The transaction involved the issuance and sale of six classes of fixed-rate pass-through certificates with a weighted average coupon of 3.12% and a term to maturity of 6.5 years. The gross transaction proceeds represent approximately 70% of the value of the securitized portfolio. The certificates have a face amount of $333,358 and approximately $265,000 of the proceeds was used to pay down the existing TAH JV-1 warehouse credit facility. Tricon's proportionate share of the TAH JV-1 2019-1 securitization loan balance at December 31, 2019 was $112,231 (2018 – nil).

(3) On December 12, 2019, TAH entered into a new term loan facility of $96,077 which matures in ten months and has two one-year extension options. The loan carries a floating interest rate of one-month LIBOR plus 1.95%, has an aggregate loan-to-value ratio of 70% and is secured by mortgages on 705 single-family rental homes.

(4) The warehouse credit facility has a maximum borrowing capacity of $150,000 and a one-year extension option.

(5) The fair value of debt at TAH approximates cost.

As of December 31, 2019, TAH, and the Company where applicable as its sponsor, were in compliance with the financial covenants and other undertakings outlined in the loan agreements. The one-month LIBOR during the year ended December 31, 2019 ranged from 1.69% to 2.51%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the year ended December 31, 2019 would have been $2,437 (2018 – $2,949) higher. If interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the year ended December 31, 2019 would have been $1,901 (2018 – $2,805) lower. TAH has interest rate caps on its floating-rate debt that limit exposure to interest rate increases.

**Investments – Tricon Lifestyle Rentals**

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

**Tricon Lifestyle Rentals U.S.**

The table below represents 100% of the assets and liabilities of the stabilized U.S. multi-family rental portfolio which is wholly-owned by Tricon.

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Fair value of properties[1] | $ 1,344,844 | $ – |
| Debt | (916,340) | – |
| Other net assets[2] | 556 | – |
| **Investments – TLR U.S.** | **$ 429,060** | **$ –** |

(1) The fair value of the U.S. Multi-Family Portfolio's properties at December 31, 2019 approximates the fair value at the time of acquisition given the proximity of the acquisition to the valuation date.

(2) Other net assets include working capital of TLR Saturn Master LP and its wholly-owned subsidiaries.

A summary of the TLR U.S. debt outstanding as of December 31, 2019 is as follows:

| | | | Debt balance[1] | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | Effective interest rates | Maturity dates | December 31, 2019 | December 31, 2018 |
| Credit facility | LIBOR+3.75% | December 2020 | $ 115,890 | $ – |
| Portfolio mortgage – Tranche A | LIBOR+1.15% | November 2023 | 160,090 | – |
| Portfolio mortgage – Tranche B | 3.92% | November 2024 | 400,225 | – |
| Portfolio mortgage – Tranche C | 3.95% | November 2025 | 240,135 | – |
| **Total debt at operating entities** | | | **$ 916,340** | **$ –** |

(1) The fair value of debt at TLR U.S. approximates cost.

**Tricon Lifestyle Rentals Canada**

The table below represents 100% of the assets and liabilities of TLR Canada entities, including those project partnership entities not wholly-owned by Tricon. The third-party investors' ownership interests in the project partnerships are deducted as part of other net liabilities to arrive at Tricon's investment in TLR Canada.

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Fair value of properties | $ 608,729 | $ 448,968 |
| Debt[1] | (233,183) | (137,831) |
| Other net liabilities[2] | (278,674) | (240,938) |
| **Investments – TLR Canada** | **$ 96,872** | **$ 70,199** |

(1) The fair value of debt at TLR Canada approximates cost.

(2) Other net liabilities include working capital of Tricon Lifestyle Rentals Investment LP and its wholly-owned subsidiaries as well as project-level working capital and third-party investor interests.

Property values typically do not change materially in the short term, and development expenditures generally do not significantly impact values in the first twelve months after purchase. As a result, properties acquired within the past twelve months are recorded at their purchase price plus the cost of development expenditures.

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

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

| | | | December 31, 2019 | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| Description | Valuation technique(s) | Significant unobservable input | Range of inputs | Weighted average of inputs | Range of inputs | Weighted average of inputs | Other inputs and key information |
| **TLR Canada** | Waterfall distribution model<br><br>Net asset value, determined using income approach | a) Discount rate[1]<br>b) Future cash flow[2]<br>c) Appraised value[3] | 8.0%<br>1 – 8 years | 8.0%<br>4 years | 6.0%<br>1 – 2 years | 6.0%<br>1.5 years | Entitlement risk, construction risk and leasing risk are taken into account in determining the discount rate.<br><br>Price per square foot, timing of project funding requirements and distributions, stabilized net operating income. |

(1) Discount rates are applied to unlevered future cash flows. Generally, an increase in future cash flow will result in an increase in the fair value of the investments. An increase in the discount rate will result in a decrease in the fair value of the investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(2) Estimating future cash flows involves modelling project cash flows to determine the quantum and timing of construction cost requirements and expected operating cash flows. Estimates of project cash flows are based on detailed quarterly and annual budgets and include estimates of construction and development costs, anticipated rental rates, operating margins and absorption rates for each project.

(3) On an annual basis, the Company obtains external valuations dated December 1 for certain TLR Canada investments. As at December 31, 2019, the external valuations for Tricon's interest in three TLR Canada investments totalled $54,561. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant inputs within the appraised value are stabilized revenues and expenses, discount rates and the value of land per square foot. Management has assessed whether any significant market changes have occurred subsequent to the date of valuation and has determined that the value remained unchanged at December 31, 2019.

**Sensitivity**

For those investments valued using discounted cash flows, an increase of 1% in the discount rate results in a decrease in fair value of $2,947 and a decrease of 1% in the discount rate results in an increase in fair value of $3,234 (December 31, 2018 – ($830) and $849, respectively).

For those investments valued using appraised values, an increase of 5% in the appraised land value per square foot would result in an increase in fair value of $2,056, and a decrease of 5% in the appraised land value per square foot would result in a decrease in fair value of $2,056 (December 31, 2018 – $860 and ($860), respectively).

**Disposition of assets**

In 2019, TLR U.S. completed the disposition of its development holdings by selling its 90% interest in The McKenzie, a 183-unit purpose-built rental building in Dallas, Texas, and The Maxwell, a 325-unit rental building in Frisco, Texas.

**Investments – Tricon Housing Partners**

Tricon establishes wholly-owned subsidiaries that invest in limited partnerships of commingled funds, separate accounts and side-cars. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of each limited partnership's net assets at each measurement date.

For investments in commingled funds and separate accounts, the fair value of each limited partnership's net assets is determined by the waterfall distribution calculations specified in the relevant limited partnership agreement. The inputs into the waterfall distribution calculations include the fair value of the land development project and working capital held by the limited partnerships. The fair values of the land development projects are based on appraisals prepared by an external third-party valuator or on internal valuations.

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-cars are held through the Company's wholly-owned subsidiaries. A side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner.

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

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

| | | | December 31, 2019 | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| Description | Valuation technique(s) | Significant unobservable input | Range of inputs | Weighted average of inputs | Range of inputs | Weighted average of inputs | Other inputs and key information |
| **Commingled funds**<br>Equity investments | Net asset value, determined using discounted cash flow | a) Discount rate[1]<br>b) Future cash flow[2] | | | | | Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. |
| U.S. funds | | | 12.5% – 20.0%<br>1 – 9 years | 14.6%<br>2.3 years | 12.5% – 20.0%<br>1 – 10 years | 14.6%<br>2.1 years | **U.S. funds:** Lower of 20% and the expected return for the project, subsequently adjusted downward as development risk is mitigated over project life. |
| Canadian funds | | | 8.0% – 18.0%<br>1 – 7 years | 10.6%<br>1.5 years | 8.0% – 18.0%<br>1 – 8 years | 10.1%<br>1.2 years | **Canadian funds:** Discounted at contractual interest rate; may include contingent interest cash flows (received when developers' project returns exceed the underlying contractual interest), which are discounted using the same method as U.S. funds. |
| **Separate accounts, side-cars and direct investments** | | | | | | | |
| Equity investments | Waterfall distribution model | a) Discount rate[1]<br>b) Future cash flow[2]<br>c) Appraised value[3] | 12.5% – 24.0%<br>1 – 16 years | N/A[3]<br>13 years | 15.0% – 24.0%<br>1 – 17 years | N/A[3]<br>13.6 years | Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate.<br>Price per acre of land, timing of project funding requirements and distributions. |
| Debt investments | Net asset value, determined using discounted cash flow | a) Discount rate[1]<br>b) Future cash flow[2] | 10.0% – 12.0%<br>2 – 5 years | 11.1%<br>4.4 years | 10.0% – 12.0%<br>2 – 6 years | 11.3%<br>5.1 years | Estimated probability of default |

(1) Generally, an increase in future cash flow will result in an increase in the fair value of debt instruments and fund equity investments. An increase in the discount rate will result in a decrease in the fair value of debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(2) Estimating future cash flows 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 include estimates of construction and development costs, anticipated selling prices and absorption rates for each project.

(3) On an annual basis, the Company obtains external valuations for its separate account equity and side-car investments excluding THP US SP1 LP, THP US SP2 LP and THPAS JV-1. As at December 31, 2019, the external valuations for Tricon's interest in eight separate account equity and side-car investments totalled $44,478. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per acre.

### Sensitivity

For those investments valued using discounted cash flows, an increase of 1% in the discount rate results in a decrease in fair value of $4,054 and a decrease of 1% in the discount rate results in an increase in fair value of $4,268 (December 31, 2018 – ($3,856) and $3,879, respectively).

**Disposition of investments – Tricon Lifestyle Communities**

The Company's investment in Tricon Lifestyle Communities was held through a wholly-owned subsidiary, Tricon Manufactured Housing Communities ULC, which carried the investment at fair value. The fair value of the Company's investment was estimated based on the Company's proportionate share of the net assets of the TLC limited partnership. The fair value of the net assets was based on a sum-of-the-parts approach, where assets and liabilities were measured at fair value individually.

On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172,500. The net proceeds to Tricon were $85,186, which included $83,548 in proceeds from the disposal and $1,638 in reimbursement of expenses.

**Continuity of investments**

The following presents the changes in Level 3 instruments for the years ended December 31, 2019 and December 31, 2018:

**TAH**

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Opening balance | $ 1,145,221 | $ 884,115 |
| Advances made to investments | 131,193 | 170,174 |
| Distributions received from investments | (73,600) | (128,000) |
| Investment income | 162,193 | 218,932 |
| **Ending balance** | **$ 1,365,007** | **$ 1,145,221** |
| Unrealized fair value gain included in net income on investments still held | 162,193 | 218,932 |

**TLR**

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Opening balance | $ 129,838 | $ 89,225 |
| Non-cash acquisition of the U.S. Multi-Family Portfolio (Note 5) | 405,714 | – |
| Advances made to investments | 30,485 | 25,974 |
| Distributions received from investments[1] | (75,085) | (767) |
| Investment income | 34,980 | 15,406 |
| **Ending balance** | **$ 525,932** | **$ 129,838** |
| Unrealized fair value gain included in net income on investments still held | 25,262 | 15,406 |

**THP**

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Opening balance | $ 307,564 | $ 306,637 |
| Advances made to investments | 35,389 | 8,938 |
| Distributions received from investments | (51,946) | (19,460) |
| Investment income | 9,646 | 11,449 |
| **Ending balance** | **$ 300,653** | **$ 307,564** |
| Unrealized fair value gain included in net income on investments still held | 9,646 | 11,449 |

(1) Includes proceeds from the disposition of legacy U.S. development holdings.

## Financial liabilities valuation methodologies

The Company's financial liabilities measured at FVTPL include derivative financial instruments related to conversion/redemption options on its convertible debentures. Derivative financial instruments related to the conversion and redemption features of the convertible debentures are valued using model calibration, as discussed in Note 9. Inputs to the valuation models are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

The put liability is classified as other liability and is measured at the present value of the redemption amount, which equates to the quoted market price of Tricon's common shares as at the valuation date, as discussed in Note 9.

Quantitative information about fair value measurements (Level 2) using significant observable inputs other than quoted prices included in Level 1 is as follows:

| 2022 convertible debentures | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Risk-free rate[1] | 1.70% | 2.60% |
| Implied volatility[2] | 20.78% | 22.35% |
| Dividend yield[3] | 2.63% | 2.89% |

(1) Risk-free rates were from the U.S. dollar swap curves matching the terms to maturity of the debentures.
(2) Implied volatility was computed from the trading volatility of the Company's stock over a comparable term to maturity and the volatility of USD/CAD exchange rates.
(3) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

Cash, amounts receivable, amounts payable and accrued liabilities (including interest payable), dividends payable, and revolving term credit facility are measured at cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

## 7. DEBT

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Revolving term credit facility | $ 297,000 | $ 209,250 |
| Convertible debentures | 161,311 | 157,112 |
| Mortgages | 11,153 | 7,150 |
| Lease obligation (Note 13) | 1,089 | 1,204 |
| **Total debt** | **$ 470,553** | **$ 374,716** |

### Revolving term credit facility

On July 31, 2019, the Company and its syndicate of lenders (comprised of Canadian and U.S. banks) completed an amendment and restatement of Tricon's corporate revolving credit facility (the "Facility"), increasing the total available credit facility by $135,000 to $500,000. The Facility amendment includes extending the maturity of the Facility to July 31, 2022, reducing interest rates by up to 50 basis points and reducing standby fees by up to 21.25 basis points, depending on the Company's senior funded debt-to-EBITDA ratio. The remaining key terms of the Facility remain substantially unchanged. Transaction costs in relation to the amendment were expensed during the period.

The Company has provided a general security agreement creating a first priority security interest on the assets of the Company. As part of the Facility, the Company has designated $15,000 to issue letters of credit as security against contingent obligations related to its TLR Canada investments. As at December 31, 2019, the letters of credit outstanding totalled $6,301 (C$8,184), which expire on January 25, 2021.

During the year ended December 31, 2019, the minimum balance drawn on the Facility was $209,250, and the maximum amount drawn was $390,000.

Advances under the Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 1.75% to 2.75% above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 2.75% to 3.75% above the respective reference rate. Standby fees ranging from 60 to 85 basis points of the unutilized portion of the total commitment are payable, with reference to the senior funded debt-to-EBITDA ratio, on a quarterly basis. Total interest expense incurred under the Facility for the year ended December 31, 2019 amounted to $17,819 (2018 – $12,677), which includes standby charges of $1,169 (2018 – $1,317). The weighted average interest rate during the year ended December 31, 2019 was 5.91% (2018 – 5.48%).

The Facility agreement requires the Company to maintain the following covenants: (i) a senior funded debt-to-EBITDA ratio of 4.00:1 until November 15, 2019; 3.50:1 for each fiscal quarter ending between November 16, 2019 and December 31, 2021; and 3.25:1 for each fiscal quarter ending thereafter; (ii) a minimum interest coverage ratio of 1.40:1 for each fiscal quarter ending prior to December 31, 2021 and 1.50:1 for each fiscal quarter ending thereafter; and (iii) a consolidated total funded debt-to-capital not to exceed 55%. The Company was in compliance with each of the covenants of the Facility.

### Convertible debentures

#### 2022 convertible debentures

On March 17, 2017, the Company completed the offering, on a bought deal basis, of $172,500 aggregate principal amount of 5.75% extendible convertible unsecured debentures (the "2022 convertible debentures"), including $22,500 aggregate principal amount of 2022 convertible debentures issued pursuant to the exercise of underwriters' over-allotment options. The net offering proceeds to the Company were $164,554 after transaction costs of $7,946.

Upon the closing of the acquisition of Silver Bay on May 9, 2017, the 2022 convertible debentures became convertible to common shares of the Company in accordance with their terms, and their maturity date was extended to March 31, 2022.

The 2022 convertible debentures bear interest at 5.75% per annum, which is payable semi-annually in arrears in March and September, and are convertible into common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount of 2022 convertible debentures (equivalent to a conversion price of approximately $10.46 per common share (equivalent to C$13.59 as of December 31, 2019)).

The Company may settle the conversion right in cash in lieu of common shares unless the holder has explicitly indicated that it does not wish to receive cash.

The 2022 convertible debentures may not be redeemed by the Company prior to March 31, 2020, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after March 31, 2020 and prior to March 31, 2021, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price (as defined in the trust indenture governing the 2022 convertible debentures) of the Company's common shares on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to their final maturity date, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest. The Company has an option to settle the redemption right, where applicable, by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the Current Market Price of the Company's common shares on the fifth trading day immediately preceding the date fixed for redemption or the maturity date. For the year ended December 31, 2019, $100 principal amount was converted into 9,560 common shares.

The host liability component of the outstanding 2022 convertible debentures recognized on the consolidated balance sheets was calculated as follows:

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Principal amount outstanding | $ 172,400 | $ 172,500 |
| Less: Transaction costs (net of amortization) | (3,884) | (5,454) |
| Liability component on initial recognition | 168,516 | 167,046 |
| Debentures discount (net of amortization) | (7,205) | (9,934) |
| **2022 convertible debentures** | **$ 161,311** | **$ 157,112** |

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. The fair value of the host liability component of the 2022 convertible debentures was $177,777 as of December 31, 2019 and $168,994 as of December 31, 2018. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market interest rate for debt with similar terms.

### Mortgages

The Company has two mortgage loans in connection with its head office in Toronto. The first mortgage carries a fixed interest rate of 4.38% compounded semi-annually and matures on November 22, 2024. The second mortgage, obtained on September 19, 2019, carries a fixed interest rate of 3.99% compounded semi-annually and matures on November 27, 2024. Total interest expense incurred on the mortgages for the year ended December 31, 2019 was $354 (2018 – $331). As at December 31, 2019, the outstanding principal amount was $11,153 (C$14,486). The Company was in compliance with the covenants and other undertakings outlined in the loan agreements.

The coupon/stated interest rates and effective interest rates are as follows:

| (in thousands of U.S. dollars) | Coupon/stated interest rates | Effective interest rates | Maturity dates | Debt balance December 31, 2019 | Debt balance December 31, 2018 |
|---|---|---|---|---|---|
| **Fixed rate** | | | | | |
| 2022 convertible debentures | 5.75% | 6.85% | 2022 | $ 161,311 | $ 157,112 |
| Mortgages[1] | 4.25% | 4.30% | 2024 | 11,153 | 7,150 |
| Lease obligation | N/A | 5.60% | 2026 | 1,089 | 1,204 |
| **Total fixed-rate debt** | **5.62%** | **6.68%** | | **$ 173,553** | **$ 165,466** |
| **Variable rate** | | | | | |
| Revolving term credit facility | LIBOR+3.75% | 5.91% | 2022 | 297,000 | 209,250 |
| **Total debt** | | | | **$ 470,553** | **$ 374,716** |

(1) Includes both of the Company's mortgage loans outstanding. Interest rates are presented as a weighted average based on loan principal.

The scheduled principal repayments and debt maturities are as follows:

| (in thousands of U.S. dollars) | Revolving term credit facility | Convertible debentures | Mortgages | Lease obligation | Total |
|---|---|---|---|---|---|
| 2020 | $ – | $ – | $ 284 | $ 135 | $ 419 |
| 2021 | – | – | 296 | 148 | 444 |
| 2022 | 297,000 | 172,400 | 309 | 163 | 469,872 |
| 2023 | – | – | 322 | 179 | 501 |
| 2024 | – | – | 9,942 | 195 | 10,137 |
| 2025 and thereafter | – | – | – | 269 | 269 |
| | 297,000 | 172,400 | 11,153 | 1,089 | 481,642 |
| Transaction costs (net of amortization) | | | | | (3,884) |
| Debentures discount (net of amortization) | | | | | (7,205) |
| **Total debt** | | | | | **$ 470,553** |

### Interest expense

The table below provides a summary of the components of interest expense.

| (in thousands of U.S. dollars)<br>For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Credit facility interest | $ 17,819 | $ 12,677 |
| Debentures interest | 11,472 | 14,522 |
| Debentures discount amortization | 2,729 | 4,104 |
| Interest on lease obligation | 65 | 52 |
| Mortgages interest | 354 | 331 |
| **Total interest expense** | **$ 32,439** | **$ 31,686** |

## 8. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

Amounts payable and accrued liabilities consist of trade payables and accrued liabilities, AIP liability, income taxes payable and interest payable, as follows:

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade payables and accrued liabilities[1] | $ 17,789 | $ 1,898 |
| AIP liability (Note 17) | 2,742 | 1,227 |
| Income taxes payable | 1,947 | 59 |
| Interest payable | 3,577 | 3,245 |
| **Total amounts payable and accrued liabilities** | **$ 26,055** | **$ 6,429** |

(1) Trade payables and accrued liabilities include $12,411 of transaction costs payable in relation to the acquisition of the U.S. Multi-Family Portfolio (Note 5).

## 9. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER LIABILITY

The conversion and redemption features of the convertible debentures are combined pursuant to IFRS 9, Financial Instruments: Recognition and Measurement, and are measured at fair value at each reporting period using model calibration. The conversion and redemption components were valued using a binomial pricing model and then the valued amount was calibrated to the traded price of the underlying debentures. The valuation model uses market-based inputs, including the spot price of the underlying equity, implied volatility of the equity and USD/CAD foreign exchange rates, risk-free rates from the U.S. dollar swap curves and dividend yields related to the equity. The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

The put liability is measured at the present value of the redemption amount, which equates to the quoted market price of Tricon's common shares as at the valuation date.

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

| (in thousands of U.S. dollars) | Derivative financial instruments | Other liability[1] | Total |
|---|---|---|---|
| **December 31, 2019** | | | |
| Derivative financial instruments and other liability – beginning of year | $ 3,936 | $ – | $ 3,936 |
| Put liability recognized | – | 13,057 | 13,057 |
| Fair value changes (based on market price) | (3,279) | 318 | (2,961) |
| **Derivative financial instruments and other liability – end of year** | **$ 657** | **$ 13,375** | **$ 14,032** |

| (in thousands of U.S. dollars) | Derivative financial instruments[2] | Other liability | Total |
|---|---|---|---|
| **December 31, 2018** | | | |
| Derivative financial instruments and other liability – beginning of year | $ 37,494 | $ – | $ 37,494 |
| Derivative financial instruments converted into common shares of the Company[2] | (5,878) | – | (5,878) |
| Fair value changes (based on market price) | (27,680) | – | (27,680) |
| **Derivative financial instruments and other liability – end of year** | **$ 3,936** | **$ –** | **$ 3,936** |

(1) On June 11, 2019, the put liability of $13,057 (C$17,323) was recognized in connection with the put right on common shares issued to acquire Starlight U.S. Multi-Family (No. 5) Core Fund (Note 5). The put liability ending balance of C$17,372 was translated to U.S. dollars at the year-end exchange rate.

(2) The comparative period included the fair value of embedded derivative payable on the 5.60% convertible unsecured subordinated debentures (the "2020 convertible debentures"), which were redeemed in full as at October 9, 2018.

For the year ended December 31, 2019, the fair value of the embedded derivative payable on the 2022 convertible debentures decreased by $3,279 and the fair value of the put liability increased by $318. The decrease in the value of the conversion option on the 2022 convertible debentures, which is reflected as income to the Company, was primarily driven by a reduction in the time remaining until option expiration, among other things. The increase in the fair value of the put right was mainly because of the decrease in the U.S. dollar to Canadian dollar exchange rate between the issuance date of June 11, 2019 and the valuation date of December 31, 2019.

The assumed conversion of the 2022 convertible debentures was dilutive (2018 – dilutive) (Note 16); as a result, the shares issuable on conversion were included (2018 – included) in the weighted average diluted shares outstanding for the year ended December 31, 2019. The comparative period in 2018 also included the impact of the assumed conversion of the 2020 convertible debentures, which were redeemed in full as at October 9, 2018.

## 10. INCOME TAXES

| (in thousands of U.S. dollars)<br>For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Income tax expense – current | $ 5,410 | $ 639 |
| Income tax expense – deferred | 9,469 | 22,118 |
| **Income tax expense from continuing operations** | **$ 14,879** | **$ 22,757** |
| **Income tax recovery from discontinued operations** | **–** | **(1,957)** |
| **Income tax expense** | **$ 14,879** | **$ 20,800** |

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

| (in thousands of U.S. dollars)<br>For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Income before income taxes from continuing operations | $ 129,014 | $ 215,985 |
| Combined statutory federal and provincial income tax rate | 26.50% | 26.50% |
| Expected income tax expense | 34,189 | 57,236 |
| Non-taxable gains on investments | (24,684) | (30,086) |
| Non-taxable gains on derivative financial instruments | (785) | (7,335) |
| Foreign tax rate differential | 77 | (350) |
| Other, including permanent differences[1] | 6,082 | 3,292 |
| **Income tax expense from continuing operations** | **$ 14,879** | **$ 22,757** |

(1) Other permanent differences are comprised of non-deductible share compensation, non-deductible debentures discount amortization and non-deductible transaction costs in relation to the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund.

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

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Deferred income tax assets** | | |
| Deferred income tax assets to be recovered after more than 12 months | $ 41,049 | $ 34,109 |
| Deferred income tax assets to be recovered within 12 months | 3,700 | 2,026 |
| **Total deferred income tax assets** | **$ 44,749** | **$ 36,135** |
| **Deferred income tax liabilities** | | |
| Deferred income tax liabilities reversing after more than 12 months | $ 98,360 | $ 80,189 |
| Deferred income tax liabilities reversing within 12 months | 224 | 1,037 |
| **Total deferred income tax liabilities** | **$ 98,584** | **$ 81,226** |

The movement of the deferred income tax accounts was as follows:

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Change in net deferred income tax liabilities** | | |
| Net deferred income tax liabilities – beginning of year | $ 45,091 | $ 23,990 |
| Charge to the statement of comprehensive income | 9,469 | 20,161 |
| Other | (725) | 940 |
| **Net deferred income tax liabilities – end of year** | **$ 53,835** | **$ 45,091** |

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

| (in thousands of U.S. dollars) | Long-term incentive plan accrual | Issuance costs | Net operating losses | Other | Total |
|---|---|---|---|---|---|
| **Deferred income tax assets** | | | | | |
| At December 31, 2018 | $ 5,944 | $ 1,930 | $ 26,379 | $ 1,882 | $ 36,135 |
| Addition/(reversal) | 512 | (862) | 5,421 | 3,543 | 8,614 |
| **At December 31, 2019** | **$ 6,456** | **$ 1,068** | **$ 31,800** | **$ 5,425** | **$ 44,749** |

| (in thousands of U.S. dollars) | Investments | Convertible debentures | Deferred placement fees | Other | Total |
|---|---|---|---|---|---|
| **Deferred income tax liabilities** | | | | | |
| At December 31, 2018 | $ 79,747 | $ 182 | $ 1,297 | $ – | $ 81,226 |
| Addition/(reversal) | 17,591 | 5 | (238) | – | 17,358 |
| **At December 31, 2019** | **$ 97,338** | **$ 187** | **$ 1,059** | **$ –** | **$ 98,584** |

The Company believes it will have sufficient future income to realize the deferred income tax assets.

## 11. INTANGIBLE ASSETS

The intangible assets are as follows:

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Placement fees | $ 4,747 | $ 5,735 |
| Rights to performance fees | – | 65 |
| Customer relationship intangible | 3,731 | 4,245 |
| Contractual development fees | 7,918 | 10,688 |
| **Total intangible assets** | **$ 16,396** | **$ 20,733** |

Intangible assets represent future management fees, development fees and commissions that Tricon expects to receive over the life of the investments that the Company manages. They are amortized by investment over the estimated periods that the Company expects to collect these fees, which range from 2 to 13 years. Amortization expense for the year ended December 31, 2019 was $4,338 (2018 – $4,282).

| (in thousands of U.S. dollars)<br>For the year ended December 31, 2019 | Opening | Additions | Amortization expense | Translation adjustment | Ending |
|---|---|---|---|---|---|
| Placement fees | $ 5,735 | $ – | $ (989) | $ 1 | $ 4,747 |
| Rights to performance fees | 65 | – | (65) | – | – |
| Customer relationship intangible | 4,245 | – | (514) | – | 3,731 |
| Contractual development fees | 10,688 | – | (2,770) | – | 7,918 |
| **Intangible assets** | **$ 20,733** | **$ –** | **$ (4,338)** | **$ 1** | **$ 16,396** |

| (in thousands of U.S. dollars)<br>For the year ended December 31, 2018 | Opening | Additions | Amortization expense | Translation adjustment | Ending |
|---|---|---|---|---|---|
| Placement fees | $ 1,415 | $ 5,000 | $ (679) | $ (1) | $ 5,735 |
| Rights to performance fees | 127 | – | (62) | – | 65 |
| Customer relationship intangible | 4,759 | – | (514) | – | 4,245 |
| Contractual development fees | 13,715 | – | (3,027) | – | 10,688 |
| **Intangible assets** | **$ 20,016** | **$ 5,000** | **$ (4,282)** | **$ (1)** | **$ 20,733** |

There were no impairments to placement fees and rights to performance fees for the years ended December 31, 2019 and December 31, 2018.

## 12. OTHER ASSETS

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Building | $ 24,987 | $ 15,540 |
| Furniture, computer and office equipment | 4,272 | 4,247 |
| Right-of-use asset (Note 13) | 987 | 1,140 |
| Leasehold improvements | 431 | 499 |
| Goodwill | 219 | 219 |
| **Total other assets** | **$ 30,896** | **$ 21,645** |

The Company acquired additional commercial condominium units at 7 St. Thomas Street, Toronto for its own use in 2019.

| (in thousands of U.S. dollars)<br>For the year ended December 31, 2019 | Opening | Additions | Depreciation expense | Translation adjustment | Ending |
|---|---|---|---|---|---|
| Building | $ 15,540 | $ 9,002 | $ (527) | $ 972 | $ 24,987 |
| Furniture, computer and office equipment | 4,247 | 1,010 | (1,183) | 198 | 4,272 |
| Right-of-use asset | 1,140 | 5 | (158) | – | 987 |
| Leasehold improvements | 499 | – | (68) | – | 431 |
| Goodwill | 219 | – | – | – | 219 |
| **Other assets** | **$ 21,645** | **$ 10,017** | **$ (1,936)** | **$ 1,170** | **$ 30,896** |

| (in thousands of U.S. dollars)<br>For the year ended December 31, 2018 | Opening | Additions | Depreciation expense | Translation adjustment | Ending |
|---|---|---|---|---|---|
| Building | $ 13,295 | $ 3,805 | $ (308) | $ (1,252) | $ 15,540 |
| Furniture, computer and office equipment | 2,051 | 2,754 | (592) | 34 | 4,247 |
| Right-of-use asset | – | 1,256 | (116) | – | 1,140 |
| Leasehold improvements | 213 | 528 | (242) | – | 499 |
| Goodwill | 219 | – | – | – | 219 |
| **Other assets** | **$ 15,778** | **$ 8,343** | **$ (1,258)** | **$ (1,218)** | **$ 21,645** |

Depreciation expense for the year ended December 31, 2019 was $1,936 (2018 – $1,258).

## 13. LEASE OBLIGATION

On April 1, 2018, the Company entered into an agreement to lease office space at 260 California Street, San Francisco. The right-of-use asset and the corresponding lease obligation related to the office lease were initially recognized at $1,256 on April 1, 2018.

As at December 31, 2019, the carrying value of the Company's lease obligation was $1,089 (December 31, 2018 – $1,204) and the carrying value of the right-of-use asset was $987. During the year ended December 31, 2019, the Company incurred interest expense of $65 (2018 – $52) related to the lease obligation and depreciation expense of $158 (2018 – $116) on the right-of-use asset.

The present value of the minimum lease payments required for the lease over the next five years and thereafter is as follows:

| (in thousands of U.S. dollars) | |
|---|---|
| 2020 | $ 192 |
| 2021 | 198 |
| 2022 | 204 |
| 2023 | 210 |
| 2024 | 216 |
| 2025 and thereafter | 279 |
| Minimum lease payments obligation | 1,299 |
| Imputed interest included in minimum lease payments | (210) |
| **Lease obligation** | **$ 1,089** |

## 14. DIVIDENDS

| (in thousands of dollars, except per share amounts) | | | Common shares | Dividend amount per share | | Total dividend amount | | Dividend reinvestment plan ("DRIP") | |
|---|---|---|---|---|---|---|---|---|---|
| Date of declaration | Record date | Payment date | outstanding | CAD | USD[1] | CAD | USD[1] | CAD | USD[2] |
| February 25, 2019 | March 31, 2019 | April 15, 2019 | 143,442,251 | $ 0.070 | $ 0.052 | $ 10,041 | $ 7,514 | $ 1,159 | $ 870 |
| May 6, 2019 | June 30, 2019 | July 15, 2019 | 194,389,386 | 0.070 | 0.053 | 13,607 | 10,398 | 1,097 | 842 |
| August 6, 2019 | September 30, 2019 | October 15, 2019 | 194,044,544 | 0.070 | 0.053 | 13,583 | 10,257 | 1,517 | 1,148 |
| November 4, 2019 | December 31, 2019 | January 15, 2020 | 194,328,744 | 0.070 | 0.054 | 13,603 | 10,474 | 1,581 | 1,212 |
| | | | | | | **$ 50,834** | **$ 38,643** | **$ 5,354** | **$ 4,072** |
| February 27, 2018 | March 31, 2018 | April 16, 2018 | 133,556,334 | $ 0.070 | $ 0.054 | $ 9,349 | $ 7,246 | $ 2,597 | $ 2,061 |
| May 9, 2018 | June 30, 2018 | July 16, 2018 | 133,849,419 | 0.070 | 0.053 | 9,369 | 7,115 | 3,046 | 2,319 |
| August 8, 2018 | September 30, 2018 | October 15, 2018 | 138,744,258 | 0.070 | 0.054 | 9,712 | 7,446 | 3,043 | 2,332 |
| November 6, 2018 | December 31, 2018 | January 15, 2019 | 143,246,968 | 0.070 | 0.051 | 10,027 | 7,350 | 1,273 | 933 |
| | | | | | | **$ 38,457** | **$ 29,157** | **$ 9,959** | **$ 7,645** |

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts recorded in equity are translated to U.S. dollars using the daily exchange rate on the date of record. Dividends payable of $10,474 recorded on the Company's balance sheet are translated to U.S. dollars using the period-end exchange rate and include $17 related to restricted shares.

(2) Dividends reinvested are translated to U.S. dollars using the daily exchange rate on the date common shares are issued.

The Company has a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders may elect to have their cash dividends automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased in the open market) at a discount, in the case of treasury issuances, of up to 5% (1% in the current year) of the Average Market Price, as defined under the DRIP, of the common shares as of the dividend payment date. If common shares are purchased in the open market, they are priced at the average weighted cost to the Company of the shares purchased.

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

For the year ended December 31, 2019, 491,716 common shares were issued under the DRIP (2018 – 1,147,704) for a total amount of $3,793 (2018 – $9,138).

## 15. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The common shares of the Company do not have par value.

As of December 31, 2019, there were 194,328,744 common shares issued by the Company (December 31, 2018 – 143,246,968), of which 194,021,133 were outstanding (December 31, 2018 – 143,011,130) and 307,611 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan (December 31, 2018 – 235,838) (Note 17).

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Number of shares issued | Share capital | | Number of shares issued | Share capital | |
| (in thousands of dollars) | (repurchased) | USD | CAD | (repurchased) | USD | CAD |
| **Beginning balance** | 143,011,130 | $ 793,521 | $ 988,711 | 133,472,861 | $ 713,553 | $ 885,310 |
| Shares issued to acquire Starlight U.S. Multi-Family (No. 5) Core Fund[1] | 50,779,311 | 405,491 | 537,967 | – | – | – |
| Shares issued under DRIP[2] | 491,716 | 3,793 | 5,046 | 1,147,704 | 9,138 | 11,720 |
| Stock options exercised[3] | 73,263 | 258 | 340 | 70,320 | 470 | 593 |
| Normal course issuer bid (NCIB)[4] | (495,402) | (3,067) | (3,906) | (431,931) | (2,310) | (2,865) |
| Deferred share units exercised[5] | 223,328 | 1,555 | 2,056 | 292,475 | 2,268 | 2,962 |
| Debentures conversion | 9,560 | 100 | 135 | 8,695,539 | 72,125 | 93,301 |
| Shares repurchased and reserved for restricted share awards[6] | (71,773) | (590) | (781) | (235,838) | (1,723) | (2,310) |
| **Ending balance** | **194,021,133** | **$ 1,201,061** | **$ 1,529,568** | **143,011,130** | **$ 793,521** | **$ 988,711** |

(1) On June 11, 2019, 50,779,311 common shares were issued at a price of $7.99 (C$10.60) to fund the acquisition of all of the issued and outstanding limited partnership units of Starlight U.S. Multi-Family (No. 5) Core Fund (Note 5). The total share capital issued was offset by $223 of equity issuance costs.

(2) In 2019, 491,716 common shares were issued under the DRIP at an average price of $7.71 (C$10.26) per share.

(3) In 2019, 215,450 vested stock options were exercised and settled by issuing 73,263 common shares.

(4) On July 10, 2019, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid (NCIB) to repurchase up to 2,000,000 of its common shares during the twelve-month period ending July 14, 2020. In 2019, the Company repurchased 495,402 of its common shares for $3,759 (C$4,944), which reduced share capital and retained earnings by $3,067 and $692, respectively. Common shares that were purchased under the NCIB were cancelled by the Company.

(5) In 2019, 223,328 common shares were issued for deferred share units (DSUs) redeemed at an average price of $6.96 (C$9.21) per share.

(6) In 2019, 71,773 shares were reserved at $8.22 (C$10.88) per share in order to settle restricted share awards granted to employees in 2019 and DRIP with respect to restricted share awards granted in 2018. The restricted shares will vest on the 12th anniversary of the grant date.

## 16. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing net income attributable to shareholders of Tricon by the sum of the weighted average number of shares outstanding and vested deferred share units during the period.

| (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)<br>For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Net income from continuing operations | $ 114,135 | $ 193,228 |
| Non-controlling interest | 2,573 | 404 |
| Net income attributable to shareholders of Tricon from continuing operations | $ 111,562 | $ 192,824 |
| Net income attributable to shareholders of Tricon from discontinued operations | – | 23,127 |
| Net income attributable to shareholders of Tricon | 111,562 | 215,951 |
| Weighted average number of common shares outstanding | 171,427,128 | 136,126,835 |
| Adjustments for vested units | 1,308,648 | 1,030,425 |
| Weighted average number of common shares outstanding for basic earnings per share | 172,735,776 | 137,157,260 |
| **Basic earnings per share** | | |
| Continuing operations | $ 0.65 | $ 1.40 |
| Discontinued operations | – | 0.17 |
| **Basic earnings per share** | **$ 0.65** | **$ 1.57** |

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has four categories of potentially dilutive shares: stock options, restricted shares (Note 15), deferred share units (Note 17) and convertible debentures (Note 9). For the stock options, restricted shares and deferred share units, the number of dilutive shares is based on the number of shares that could have been acquired at fair value with the assumed proceeds, if any, from their exercise (determined using the average market price of the Company's shares for the year then ended). For the convertible debentures, the number of dilutive shares is based on the number of common shares into which the elected amount would then be convertible. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

**Stock options, restricted shares and deferred share units**

For the year ended December 31, 2019, the Company's stock compensation plans resulted in 1,859,639 dilutive share units (2018 – 1,930,279), given that it would be advantageous to the holders to exercise their conversion rights, as the exercise prices of these potential shares are below the Company's average market share price of $7.94 (C$10.54) for the year.

**Convertible debentures**

For the year ended December 31, 2019, the Company's 2022 convertible debentures were dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in decreased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the year ended December 31, 2019, the impact of the 2022 convertible debentures was included (2018 – impact of the 2020 convertible debentures and 2022 convertible debentures was included).

| (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)<br>For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Net income attributable to shareholders of Tricon from continuing operations | $ 111,562 | $ 192,824 |
| Adjustment for convertible debentures interest expense – net of tax | 11,161 | 14,623 |
| Adjustment for loss on debt extinguishment – net of tax | – | 5,102 |
| Net change in fair value of financial instruments through profit or loss | (3,279) | (27,680) |
| Adjusted net income attributable to shareholders of Tricon from continuing operations | 119,444 | 184,869 |
| Net income attributable to shareholders of Tricon from discontinued operations | – | 23,127 |
| Adjusted net income attributable to shareholders of Tricon | $ 119,444 | $ 207,996 |
| Weighted average number of common shares outstanding | 172,735,776 | 137,157,260 |
| Adjustments for stock compensation | 1,859,639 | 1,930,279 |
| Adjustments for convertible debentures | 16,485,713 | 23,025,343 |
| Weighted average number of common shares outstanding for diluted earnings per share | 191,081,128 | 162,112,882 |
| **Diluted earnings per share** | | |
| Continuing operations | $ 0.63 | $ 1.14 |
| Discontinued operations | – | 0.14 |
| **Diluted earnings per share** | **$ 0.63** | **$ 1.28** |

## 17. COMPENSATION EXPENSE

The breakdown of compensation expense, including the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements, is set out below. AIP awards include both short-term (cash and one-year DSUs) and long-term (three-year DSUs, stock options, restricted shares and PSUs) incentives.

(in thousands of U.S. dollars)

| For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Salaries and benefits | $ 19,198 | $ 14,838 |
| Annual incentive plan ("AIP") | 13,855 | 10,391 |
| Long-term incentive plan ("LTIP") | 4,628 | 11,646 |
| **Total compensation expense** | **$ 37,681** | **$ 36,875** |

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

### Annual incentive plan

(in thousands of U.S. dollars)

| For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Cash component | $ 9,806 | $ 8,307 |
| Restricted shares and share units | 3,440 | 1,924 |
| Stock options | 173 | 6 |
| DRIP and revaluation loss[1] | 436 | 154 |
| **Total AIP expense** | **$ 13,855** | **$ 10,391** |

(1) DRIP represents additional DSUs, PSUs and restricted shares granted at a fair value per unit equal to cash dividends paid per common share.

**Cash component**

The Company's AIP provides for an aggregate bonus pool based on the sum of all employees' individual AIP targets. The portion of the pool attributable to senior executive management is market-benchmarked and subject to an adjustment factor, as approved by the Board, 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.

For the year ended December 31, 2019, the Company recognized $13,419 (2018 – $10,237) in relation to the AIP expense, of which $9,806 was settled in cash in December 2019.

**Restricted shares, share units and stock options**

The remainder of the AIP expense was awarded in: (i) DSUs with a one-year vesting period from the grant date; (ii) DSUs which will vest over a three-year period from the grant date; (iii) three-year PSUs which will be settled in cash upon vesting; and (iv) restricted shares which will vest on the 12th anniversary of the grant date. For the year ended December 31, 2019, the Company recognized $3,613 in equity-based AIP expense (2018 – $1,930), of which $2,107 was granted in performance share units (PSUs), deferred share units (DSUs) and restricted shares in December 2019. The remaining $1,506 relates to the amortization of PSUs, DSUs, stock options and restricted shares granted in the prior year. PSUs are revalued at each reporting date as the total liability amount is dependent on the Company's share price.

### Long-term incentive plan

(in thousands of U.S. dollars)

| For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Cash component | $ 2,843 | $ 8,986 |
| Share units | 975 | 1,254 |
| Stock options | 591 | 1,174 |
| DRIP[1] | 219 | 232 |
| **Total LTIP expense** | **$ 4,628** | **$ 11,646** |

(1) DRIP represents additional DSUs granted at a fair value per unit equal to cash dividends paid per common share.

#### Cash component

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

For the year ended December 31, 2019, the Company increased its accrual related to cash-component LTIP by $2,843 (2018 – increase of $8,986) as a result of an increase in expected future performance fees from Investment Vehicles that will be paid to management when cash is received from each investment over time.

#### Share units and stock options

For the year ended December 31, 2019, the Company recorded $975 in LTIP expense (2018 – $1,254) relating to investment income from THP1 US that is paid in DSUs vesting in equal tranches over a three-year period commencing on the anniversary date of each grant, pursuant to the LTIP as amended on May 6, 2019. LTIP DSU awards prior to this LTIP amendment date vested equally over a five-year period commencing on the anniversary of each grant. In 2019, the LTIP expense of $975 included $345 relating to current-year entitlements and $630 relating to prior-year entitlements.

Compensation expense related to the stock options is recognized on a graded vesting basis. For the year ended December 31, 2019, the Company recorded a stock option expense of $591 relating to prior-year entitlements.

### Stock option plan

For the year ended December 31, 2019, no stock options were granted (2018 – 426,959), and 215,450 stock options were exercised (2018 – 92,500) (Note 15). For the year ended December 31, 2019, the Company recorded a stock option expense of $764 (2018 – $1,180), comprised of $173 of AIP expense (2018 – $6) and $591 of LTIP expense (2018 – $1,174).

The following table presents the inputs used to value the stock options granted in 2018:

| For the year ended December 31 | 2018 |
|---|---|
| Risk-free interest rate (%) | 2.0 |
| Expected option life (years) | 4.6 |
| Expected volatility (%) | 22.11 |
| Average share price (CAD) during the year | 10.57 |
| Weighted average exercise price (CAD) | 9.81 |

The following table summarizes the movement in the stock option plan during the specified periods:

| For the years ended December 31 | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price (CAD) | Number of options | Weighted average exercise price (CAD) |
| Opening balance – outstanding | 4,823,960 | $ 9.18 | 4,491,001 | $ 9.08 |
| Granted | – | – | 426,959 | 9.81 |
| Exercised | (215,450) | 7.47 | (92,500) | 7.50 |
| Forfeited | (36,500) | 11.10 | (1,500) | 10.57 |
| **Ending balance – outstanding** | **4,572,010** | **$ 9.24** | **4,823,960** | **$ 9.18** |

| | | December 31, 2019 | | |
|---|---|---|---|---|
| Grant date | Expiration date | Options outstanding | Options exercisable | Exercise price on outstanding options (CAD) |
| May 19, 2010 | May 19, 2020 | 467,300 | 467,300 | $ 6.00 |
| August 3, 2010 | August 3, 2020 | 49,000 | 49,000 | 5.26 |
| May 17, 2013 | May 17, 2020 | 534,000 | 534,000 | 6.81 |
| November 25, 2013 | November 25, 2020 | 121,917 | 121,917 | 7.74 |
| March 16, 2015 | March 16, 2020 | 476,166 | 476,166 | 10.57 |
| November 17, 2015 | November 17, 2020 | 741,668 | 741,668 | 10.03 |
| November 14, 2016 | November 14, 2023 | 790,000 | 790,000 | 8.85 |
| December 15, 2017 | December 15, 2024 | 965,000 | 643,326 | 11.35 |
| December 17, 2018 | December 17, 2025 | 426,959 | 142,316 | 9.81 |
| **Total** | | **4,572,010** | **3,965,693** | **$ 9.24** |

AIP liability is recorded within amounts payable and accrued liabilities, and the equity component is included in the contributed surplus. The breakdown is presented below.

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Amounts payable and accrued liabilities (Note 8) | $ 2,742 | $ 1,227 |
| Equity – contributed surplus | 7,115 | 5,319 |
| **Total AIP** | **$ 9,857** | **$ 6,546** |

LTIP liability and equity components are presented on the balance sheet as follows:

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| LTIP – liability | $ 21,409 | $ 21,407 |
| Equity – contributed surplus | 11,872 | 11,031 |
| **Total LTIP** | **$ 33,281** | **$ 32,438** |

## 18. SEGMENTED INFORMATION

In accordance with IFRS 8, Operating Segments, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company evaluates segment performance based on the revenue and investment income of each investment vertical.

The corporate headquarters provides support functions in the areas of accounting, treasury, information technology, legal, and human resources, and therefore, it does not represent an operating segment. Such corporate expenses have been included below to provide a reconciliation to the overall results in accordance with IFRS 8.

The Company does not report balance sheet information by segment because that information is not used to evaluate performance or allocate resources between segments.

As a result of the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund in the second quarter of 2019, the Company now has five reportable segments: principal investing in Tricon American Homes ("TAH"), Tricon Lifestyle Rentals U.S. ("TLR U.S."), Tricon Lifestyle Rentals Canada ("TLR Canada") and Tricon Housing Partners ("THP"); and Private Funds and Advisory ("PF&A"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision-makers. Investment income from TLR assets held for sale is not included in any individual reportable segment in assessing segment performance, and is instead included in the corporate and other column below to provide a reconciliation to overall results.

| (in thousands of U.S. dollars)<br>For the year ended December 31, 2019 | TAH | TLR U.S. | TLR Canada | THP | PF&A | Corporate and other[2] | Total |
|---|---|---|---|---|---|---|---|
| Revenue | $ – | $ – | $ – | $ – | $ 39,895 | $ – | $ 39,895 |
| Investment income | 162,193 | 13,508 | 11,754 | 9,646 | – | 9,718 | 206,819 |
| | 162,193 | 13,508 | 11,754 | 9,646 | 39,895 | 9,718 | 246,714 |
| Compensation and general and administration expense | – | – | – | – | – | (49,364) | (49,364) |
| Interest expense | – | – | – | – | – | (32,439) | (32,439) |
| Realized and unrealized foreign exchange gain | – | – | – | – | – | 42 | 42 |
| Other expenses[1] | – | – | – | – | – | (35,939) | (35,939) |
| Income tax expense | – | – | – | – | – | (14,879) | (14,879) |
| **Net income** | **$ 162,193** | **$ 13,508** | **$ 11,754** | **$ 9,646** | **$ 39,895** | **$ (122,861)** | **$ 114,135** |

(1) Other expenses include the net change in the fair value of derivative financial instruments and other liability, transaction costs and amortization and depreciation expense.

(2) Investment income from TLR assets held for sale is included in the corporate and other column.

| (in thousands of U.S. dollars)<br>For the year ended December 30, 2018 | TAH | TLR U.S. | TLR Canada | THP | PF&A | Corporate and other[2] | Total |
|---|---|---|---|---|---|---|---|
| Revenue | $ – | $ – | $ – | $ – | $ 30,347 | $ – | $ 30,347 |
| Investment income | 218,932 | – | 11,605 | 11,449 | – | 3,801 | 245,787 |
| | 218,932 | – | 11,605 | 11,449 | 30,347 | 3,801 | 276,134 |
| Compensation and general and administration expense | – | – | – | – | – | (46,675) | (46,675) |
| Interest expense | – | – | – | – | – | (31,686) | (31,686) |
| Realized and unrealized foreign exchange gain | – | – | – | – | – | 1,511 | 1,511 |
| Other income[1] | – | – | – | – | – | 16,701 | 16,701 |
| Income tax expense | – | – | – | – | – | (22,757) | (22,757) |
| **Net income from continuing operations** | **218,932** | **–** | **11,605** | **11,449** | **30,347** | **(79,105)** | **193,228** |
| **Net income from discontinued operations[3]** | **–** | **–** | **–** | **–** | **–** | **23,127** | **23,127** |
| **Net income** | **$ 218,932** | **$ –** | **$ 11,605** | **$ 11,449** | **$ 30,347** | **$ (55,978)** | **$ 216,355** |

(1) Other income includes the net change in the fair value of derivative financial instruments, loss on debt extinguishment, transaction costs and amortization expense.

(2) Investment income from TLR assets held for sale is included in the corporate and other column. The comparative periods have been reclassified to conform with the current period presentation.

(3) Net income from discontinued operations reflects investment income and gain from disposal of investments in TLC.

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

### Transactions with related parties

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

(in thousands of U.S. dollars)

| For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Contractual fees | $ 31,383 | $ 26,256 |
| General partner distributions | 1,064 | 1,316 |
| Performance fees | 7,448 | 2,775 |
| **Total revenue** | **$ 39,895** | **$ 30,347** |
| Investment income – Tricon American Homes | $ 162,193 | $ 218,932 |
| Investment income – Tricon Lifestyle Rentals | 34,980 | 15,406 |
| Investment income – Tricon Housing Partners | 9,646 | 11,449 |
| **Total investment income from continuing operations** | **$ 206,819** | **$ 245,787** |
| **Investment income from discontinued operations and gain from disposal of investments held for sale – Tricon Lifestyle Communities** | **$ –** | **$ 21,170** |

### Balances arising from transactions with related parties

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

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Receivables from related parties included in amounts receivable | | |
| Contractual fees and other receivables from investments managed | $ 5,404 | $ 6,784 |
| Employee relocation housing loans[1] | 2,065 | 2,483 |
| Proceeds from disposal of investments held for sale | – | 4,242 |
| Loan receivables from investments in associates and joint ventures | 16,757 | 18,874 |
| Annual incentive plan | 9,857 | 6,546 |
| Long-term incentive plan | 33,281 | 32,438 |
| Dividends payable | 399 | 329 |
| Other payables to related parties included in amounts payable and accrued liabilities | 161 | 42 |

(1) The employee relocation housing loans are non-interest bearing for a term of ten years, maturing between 2024 and 2028.

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at December 31, 2019 (December 31, 2018 – nil).

### Key management compensation

Key management includes the Named Executive Officers ("NEOs"), who are the Chief Executive Officer, Chief Financial Officer and the three other most highly-compensated officers or employees of the Company. Compensation paid and awarded to key management for employee services is based on employment agreements and is as follows:

(in thousands of U.S. dollars)

| For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Total salaries and benefits | $ 2,007 | $ 2,013 |
| Total AIP | 7,725 | 7,244 |
| Total LTIP | 2,590 | 758 |
| **Total key management compensation** | **$ 12,322** | **$ 10,015** |

## 20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to certain financial risks during or at the end of the reporting period, as described below. The risk management function within the Company is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk, concentration risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity. Key financial risk management reports are produced frequently and provided to the key management personnel of the Company.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and the Company's investment risk. Market risk includes the risk of changes in interest rates, foreign currency rates and changes in market prices due to other factors, such as changes in equity prices or credit spreads. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rates and changes in foreign currency rates.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in debt instruments, the fair values of which vary depending on market interest rates. The potential impact of changes in interest rates on our investment income from debt instruments is disclosed in Note 6.

Interest rate risk arises primarily from the Company's financing arrangements (Note 7). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. To limit its exposure to interest rate risk, the Company has a balanced portfolio of fixed-rate and variable rate debt, of which the revolving term credit facility is the only debt instrument subject to a variable interest rate. If interest rates had been 50 basis points higher or lower, with all other variables held constant, interest expense for the year would have increased (decreased) by:

| For the years ended December 31 | 2019 | | 2018 | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | 50 bps increase | 50 bps decrease | 50 bps increase | 50 bps decrease |
| Interest expense | $ 1,415 | $ (1,415) | $ 1,055 | $ (1,055) |

#### Foreign currency risk

The Company has exposure to monetary and non-monetary foreign currency risk due to the effects of changes in foreign exchange rates related to consolidated Canadian subsidiaries, investments in Tricon Lifestyle Rentals and Tricon Housing Partners, and cash and debt in Canadian dollars held at the corporate level. A 1% increase or decrease in the Canadian dollar exchange rate would result in the following impacts to assets and liabilities:

| For the years ended December 31 | 2019 | | 2018 | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | 1% increase | 1% decrease | 1% increase | 1% decrease |
| **Assets** | | | | |
| Investments – Tricon Lifestyle Rentals | $ 969 | $ (969) | $ 699 | $ (699) |
| Investments – Tricon Housing Partners | | | | |
| Canadian funds | 54 | (54) | 66 | (66) |
| | **$ 1,023** | **$ (1,023)** | **$ 765** | **$ (765)** |
| **Liabilities** | | | | |
| Mortgage | 112 | (112) | 71 | (71) |
| Other liability | 134 | (134) | – | – |
| | **$ 246** | **$ (246)** | **$ 71** | **$ (71)** |

The Company manages foreign currency risk by raising equity in Canadian dollars and by matching its principal cash outflows to the currency in which the principal cash inflows are denominated.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Management believes the credit risk on cash is low because the counterparties are banks with high credit ratings. The Company has no significant concentrations of credit risk and its exposure to credit risk arises through loans and receivables which are due primarily from controlled subsidiaries and associates. The loans and receivables due from subsidiaries and associates are subject to the risk that the underlying real estate assets may not generate sufficient cash inflows in order to recover them. The Company manages this risk by:

- Ensuring a due diligence process is conducted on each investment prior to funding;
- Approving all loan disbursements by management;
- Approving of total loan facilities by the Investment Committee; and
- Actively monitoring the loan portfolio and initiating recovery procedures when necessary.

The Company assesses all counterparties, including its partners, for credit risk before contracting with them. The Company's exposure to credit risk is detailed in the table below. The Company does not include any collateral or other credit risk enhancers, which may reduce the Company's exposure.

The Company provides loans to land developers, which are represented as debt investments. The credit quality of these investments is based on the financial performance of the underlying real estate assets. For those assets that are not past due, it is believed that the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions have been renegotiated.

At December 31, 2019, the Company's exposure to credit risk arising from its investment in debt instruments was $16,757 (December 31, 2018 – $18,874). Through the equity portion of its investments, the Company is also indirectly exposed to credit risk arising on loans advanced by investees to individual real estate development projects.

As at December 31, 2019, the assets held by the Company are not past due or impaired (2018 – none).

For the year ended December 31, 2019, no unrealized gains (losses) (2018 – none) are attributable to changes in credit risk of these debt instruments.

### Concentration risk

Concentration risk arises as a result of the potential concentration of exposures, by country, geographical location, product type, industry sector or counterparty type. As at December 31, 2019, the Company's largest investment, TAH, held 21,077 homes across 18 markets, with the highest fair value investment within a single market comprising 20% of the total portfolio.

The following is a summary of the Company's concentration risk, based on the composition of the fair value of its investments – Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners balances:

(in thousands of U.S. dollars)

| State/Province | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **USA** | | |
| Texas | $ 515,893 | $ 380,837 |
| Florida | 351,485 | 221,782 |
| Georgia | 320,492 | 255,903 |
| California | 230,229 | 220,049 |
| Arizona | 227,759 | 180,630 |
| North Carolina | 157,005 | 111,915 |
| Nevada | 105,689 | 76,082 |
| Tennessee | 97,614 | – |
| Indiana | 35,974 | 28,849 |
| South Carolina | 29,260 | 30,777 |
| Colorado | 17,888 | – |
| **Canada** | | |
| Ontario | 100,105 | 74,381 |
| British Columbia | 1,956 | 2,115 |
| Alberta | 243 | 303 |
| | **$ 2,191,592** | **$ 1,583,623** |

### Liquidity risk

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

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

| (in thousands of U.S. dollars)<br>As at December 31, 2019 | Due on demand and within the year | From 1 to 2 years | From 3 to 4 years | From 5 years and later | Total |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts payable and accrued liabilities[1] | $ 26,055 | $ – | $ – | $ – | $ 26,055 |
| Lease obligation | 135 | 311 | 374 | 269 | 1,089 |
| Dividends payable | 10,474 | – | – | – | 10,474 |
| Revolving term credit facility | – | 297,000 | – | – | 297,000 |
| Debentures payable | – | 172,400 | – | – | 172,400 |
| Mortgages | 284 | 605 | 10,264 | – | 11,153 |
| Derivative financial instruments | – | 657 | – | – | 657 |
| Other liability | 13,375 | – | – | – | 13,375 |
| **Total** | **$ 50,323** | **$ 470,973** | **$ 10,638** | **$ 269** | **$ 532,203** |

(1) Transaction costs of $12,411 in relation to the U.S. Multi-Family Portfolio remained payable as at December 31, 2019 and were subsequently paid in January 2020.

| (in thousands of U.S. dollars)<br>As at December 31, 2018 | Due on demand and within the year | From 1 to 2 years | From 3 to 4 years | From 5 years and later | Total |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts payable and accrued liabilities | $ 6,429 | $ – | $ – | $ – | $ 6,429 |
| Lease obligation | 122 | 282 | 340 | 460 | 1,204 |
| Dividends payable | 7,350 | – | – | – | 7,350 |
| Revolving term credit facility | – | 209,250 | – | – | 209,250 |
| Debentures payable | – | – | 172,500 | – | 172,500 |
| Mortgage | 174 | 372 | 405 | 6,199 | 7,150 |
| Derivative financial instruments | – | – | 3,936 | – | 3,936 |
| **Total** | **$ 14,075** | **$ 209,904** | **$ 177,181** | **$ 6,659** | **$ 407,819** |

The future repayments of principal and interest on fixed-rate financial liabilities is as follows:

| (in thousands of U.S. dollars)<br>As at December 31, 2019 | Within the year | From 1 to 2 years | From 3 to 4 years | From 5 years and later | Total |
|---|---|---|---|---|---|
| **Principal** | | | | | |
| 2022 convertible debentures | $ – | $ 172,400 | $ – | $ – | $ 172,400 |
| Mortgages[1] | 284 | 605 | 10,264 | – | 11,153 |
| Lease obligation | 135 | 311 | 374 | 269 | 1,089 |
| **Interest** | | | | | |
| 2022 convertible debentures | 9,913 | 14,870 | – | – | 24,783 |
| Mortgages[1] | 464 | 891 | 770 | – | 2,125 |
| Lease obligation | 57 | 91 | 52 | 10 | 210 |
| **Total** | **$ 10,853** | **$ 189,168** | **$ 11,460** | **$ 279** | **$ 211,760** |

(1) Mortgage amounts were translated to U.S. dollars at the year-end exchange rate.

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

| (in thousands of U.S. dollars) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash | $ 8,908 | $ 7,773 |
| Amounts receivable | 8,952 | 17,934 |
| Prepaid expenses and deposits | 796 | 819 |
| Current assets | 18,656 | 26,526 |
| Amounts payable and accrued liabilities | 26,055 | 6,429 |
| Dividends payable | 10,474 | 7,350 |
| Mortgages | 284 | 174 |
| Lease obligation | 135 | 122 |
| **Net current (liabilities) assets** | **$ (18,292)** | **$ 12,451** |

During the year ended December 31, 2019, the change in the Company's liquidity resulted in a working capital deficit of $18,292 (December 31, 2018 – surplus of $12,451). The Company has determined that its current financial obligations and working capital deficit are adequately funded from the available borrowing capacity and from operating cash flows.

As of December 31, 2019, the outstanding amount under the credit facility was $297,000 (December 31, 2018 – $209,250) and $203,000 of the credit facility remained available to the Company. During the year ended December 31, 2019, the Company received distributions of $200,631 (2018 – $229,171) from its investments.

## 21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: (i) to safeguard its ability to meet financial obligations and growth objectives, including future investments; (ii) to provide an appropriate return to its shareholders; and (iii) to maintain an optimal capital structure that allows multiple financing options, should a financing need arise. The Company's capital consists of debt (including revolving term credit facility, mortgages and convertible debentures), cash and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase and cancel shares or sell assets.

As of December 31, 2019, the Company was in compliance with all financial covenants (Note 7).

## 22. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars)

| For the years ended December 31 | 2019 | 2018 |
|---|---|---|
| Amounts receivable | $ 8,982 | $ (4,428) |
| Prepaid expenses and deposits | 23 | (197) |
| Amounts payable and accruals | 19,626 | (4,844) |
| | **$ 28,631** | **$ (9,469)** |

## 23. FINANCING ACTIVITIES

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | As at December 31, 2018 | Cash flows | Foreign exchange movement | Fair value changes | Addition | Other[1] | As at December 31, 2019 |
| Revolving term credit facility | $ 209,250 | $ 87,750 | $ – | $ – | $ – | $ – | $ 297,000 |
| 2022 convertible debentures | 157,112 | – | – | – | – | 4,199 | 161,311 |
| Derivative financial instruments | 3,936 | – | – | (3,279) | – | – | 657 |
| Other liability | – | – | – | 318 | 13,057 | – | 13,375 |
| Mortgages | 7,150 | 3,567 | 436 | – | – | – | 11,153 |
| Lease obligation | 1,204 | (180) | – | – | – | 65 | 1,089 |
| **Total liabilities from financing activities** | **$ 378,652** | **$ 91,137** | **$ 436** | **$ (2,961)** | **$ 13,057** | **$ 4,264** | **$ 484,585** |

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | As at December 31, 2017 | Cash flows | Foreign exchange movement | Fair value changes | Addition | Other | As at December 31, 2018 |
| Revolving term credit facility | $ 161,500 | $ 47,750 | $ – | $ – | $ – | $ – | $ 209,250 |
| 2020 convertible debentures[2] | 60,951 | – | (2,088) | – | – | (58,863) | – |
| 2022 convertible debentures | 153,196 | – | – | – | – | 3,916 | 157,112 |
| Derivative financial instruments | 37,494 | – | – | (27,680) | – | (5,878) | 3,936 |
| Mortgage | 7,957 | (176) | (631) | – | – | – | 7,150 |
| Lease obligation | – | (104) | – | – | 1,256 | 52 | 1,204 |
| **Total liabilities from financing activities** | **$ 421,098** | **$ 47,470** | **$ (2,719)** | **$ (27,680)** | **$ 1,256** | **$ (60,773)** | **$ 378,652** |

(1) Includes amortization of debentures discount and amortization of debentures issuance costs, offset by the conversion of $100 principal amount of the 2022 convertible debentures into common shares, along with interest on lease obligation.

(2) The 2020 convertible debentures were redeemed in full as at October 9, 2018.

## 24. INDEMNIFICATION

Pursuant to Indemnification Agreements with certain General Partners of Limited Partnerships managed by the Company and certain shareholders of the Company (who are also officers and directors of the Company), the Company has agreed to indemnify the General Partners and those shareholders and, where applicable, any of their directors, officers, agents and employees (collectively, the Indemnified Parties) for any past, present or future amounts paid or payable by any of the Indemnified Parties to the Limited Partnership in the form of a capital contribution or clawback guarantee relating to performance fees for any claim or obligation, as set out in the Limited Partnership Agreements. There are no amounts payable in respect of this indemnification as of December 31, 2019 (December 31, 2018 – nil).

## 25. VARIABILITY OF RESULTS

The nature of our business does not allow for consistent year-to-year revenue comparisons.

Revenues earned from an Investment Vehicle are dependent upon where the Investment Vehicle is in its life cycle. At the beginning of the Investment Vehicle's life cycle, consistent contractual fees and general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual fees and general partner distributions start to decline as investments are realized. Performance fees that are earned at the end of the life cycle can vary significantly depending on the Investment Vehicle's performance, resulting in volatile revenue streams.

Contractual fees earned from development management and advisory services through Johnson can be variable as they are dependent upon the occurrence of a future event that is the sale of the developed property. Contractual fees earned through TDG are dependent on the project timelines and the achievement of development milestones.

Similarly, the performance of the Company's investments carried at FVTPL may not be consistent from period to period.

## 26. SUBSEQUENT EVENTS

On January 22, 2020, the Company completed the syndication of 50% of one of its direct THP investments to THPAS JV-1.

On February 24, 2020, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2020 to shareholders of record on March 31, 2020.

### Basis of presentation change

In January 2020, the Company substantially completed its transition to an owner and operator of diversified rental housing in North America and therefore ceased to be an investment entity under IFRS 10.

As a result, effective January 1, 2020, the Company will begin to consolidate the financial results of controlled subsidiaries including its investments in single-family rental homes, U.S. multi-family rental properties and certain Canadian multi-family rental properties, resulting in the introduction of these subsidiaries' assets, liabilities and non-controlling interests to the balance sheet of the Company. Similarly, these subsidiaries' income and expenses will be reported on the Company's statement of comprehensive income together with the non-controlling interests' share of income. On the date of transition, the Company will apply the requirements of IFRS 3, Business Combinations, to all subsidiaries that were previously measured at fair value through profit or loss ("FVTPL"). Concurrently, the Company will begin accounting for certain other investments in Canadian multi-family developments that meet the definition of associates or joint ventures using the equity method under IAS 28, Investments in Associates and Joint Ventures. The remaining investments in for-sale housing in the U.S. will continue to be accounted for as portfolio investments (financial assets) valued at FVTPL in accordance with IFRS 9, Financial Instruments.

The Company continues to assess the impact on its consolidated financial statements of ceasing to be an investment entity and final conclusions have not yet been made. The anticipated changes are material and will be applied on a prospective basis.

The following table summarizes the deemed consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from the consolidated investments on January 1, 2020. The Company's assessment-to-date is preliminary and subject to change.

| | | Deemed acquisitions | | | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | December 31, 2019 | Single-family rental (TAH)[1] | Multi-family rental U.S. (TLR U.S.)[2] | Multi-family rental Canada (TLR Canada)[3] | Consolidation adjustments | January 1, 2020 |
| **Assets** | | | | | | |
| Cash | $ 8,908 | $ 18,948 | $ 2,537 | $ 715 | $ – | $ 31,108 |
| Restricted cash | – | 67,519 | 16,563 | – | – | 84,082 |
| Amounts receivable | 8,952 | 991 | 3,436 | 430 | (1,084) | 12,725 |
| Prepaid expenses and deposits | 796 | 11,133 | 537 | 62 | – | 12,528 |
| Investments – Single-family rental (TAH) | 1,365,007 | – | – | – | (1,365,007) | – |
| Investments – Multi-family rental (TLR) | 525,932 | – | – | – | (525,932) | – |
| Investments – For-sale housing (THP) | 300,653 | – | – | – | – | 300,653 |
| Investments in associates | – | – | – | 75,141 | – | 75,141 |
| Investment properties | – | 4,304,590 | 1,344,844 | 35,625 | – | 5,685,059 |
| Intangible assets | 16,396 | – | – | – | – | 16,396 |
| Deferred income tax assets | 44,749 | 40,000 | – | – | – | 84,749 |
| Other assets | 30,896 | 11,325 | 273 | – | (219) | 42,275 |
| Goodwill | – | 55,649 | 79,112 | – | 219 | 134,980 |
| **Total assets** A | **$ 2,302,289** | **$ 4,510,155** | **$ 1,447,302** | **$ 111,973** | **$ (1,892,023)** | **$ 6,479,696** |
| **Liabilities** | | | | | | |
| Amounts payable and accrued liabilities | 26,055 | 49,634 | 19,197 | 1,101 | (1,084) | 94,903 |
| Tenant security deposits and prepaid rent | – | 30,094 | 3,593 | 72 | – | 33,759 |
| Dividends payable | 10,474 | – | – | – | – | 10,474 |
| Other liabilities | 13,375 | 5,435 | – | – | 1,089 | 19,899 |
| Long-term incentive plan | 21,409 | – | – | – | – | 21,409 |
| Loans and mortgages | 470,553 | 2,717,884 | 916,340 | 13,928 | (162,400) | 3,956,305 |
| Convertible debentures | – | – | – | – | 161,311 | 161,311 |
| Deferred income tax liabilities | 98,584 | 150,792 | 79,112 | – | (94,714) | 233,774 |
| Derivative financial instruments | 657 | – | – | – | – | 657 |
| Limited partners' interests[4] | – | 286,023 | – | – | – | 286,023 |
| **Total liabilities** | **641,107** | **3,239,862** | **1,018,242** | **15,101** | **(95,798)** | **4,818,514** |
| **Equity** | | | | | | |
| Total shareholders' equity | 1,653,138 | – | – | – | – | 1,653,138 |
| Non-controlling interest | 8,044 | – | – | – | – | 8,044 |
| **Total equity** | **1,661,182** | **–** | **–** | **–** | **–** | **1,661,182** |
| **Total liabilities and equity** B | **$ 2,302,289** | **$ 3,239,862** | **$ 1,018,242** | **$ 15,101** | **$ (95,798)** | **$ 6,479,696** |
| **Deemed fair value of net assets acquired** A – B | | **$ 1,270,293** | **$ 429,060** | **$ 96,872** | | |

(1) Tricon SF Home Rental ULC and its subsidiaries, including TAH JV-1, were deemed to be acquired by the Company on January 1, 2020. The deemed consideration paid reflects the fair value of the Company's investment in TAH immediately prior to the acquisition date, net of the Company's deferred tax liabilities associated with the investment of $94,714. Limited partners' interests were measured as a percentage of net assets acquired. The deemed acquisition resulted in the recognition of $55,649 of goodwill.

(2) Tricon Saturn Master LP and its wholly-owned subsidiaries were deemed to be acquired by the Company on January 1, 2020. The deemed consideration paid reflects the fair value of the Company's investment in TLR U.S. immediately prior to the acquisition date. The deemed acquisition resulted in the recognition of $79,112 of goodwill.

(3) Tricon Lifestyle Rentals Investment LP and its wholly-owned subsidiaries were deemed to be acquired by the Company on January 1, 2020. The deemed consideration paid reflects the fair value of the Company's investment in TLR Canada immediately prior to the acquisition date.

(4) Ownership interests in the TAH JV-1 partnership are in the form of limited partnership interests which are classified as liabilities under the provisions of IAS 32.

# Corporate Information

## Board of Directors

**David Berman**
Executive Chairman
and Co-Founder

**Gary Berman**
President and
Chief Executive Officer,
Director

**Camille Douglas**
Independent Director

**Ira Gluskin**
Independent Director

**Michael Knowlton**
Independent Director

**Siân M. Matthews**
Independent Director

**Geoff Matus**
Director and Co-Founder

**Peter D. Sacks**
Lead Independent Director

**Tracey Sherren**
Independent Director

**www.TriconCapital.com**

## Shareholder Information

**Exchange and Symbol**
TSX: TCN

**Corporate Head Office**
7 St. Thomas Street, Suite 801
Toronto, Ontario M5S 2B7

**Auditors**
PricewaterhouseCoopers LLP
Toronto, Ontario

**Legal Counsel**
Goodmans LLP
Toronto, Ontario

**Transfer Agent**
TSX Trust Company
100 Adelaide Street West
Toronto, Ontario M5H 4H1
1.866.393.4891
www.tsxtrust.com

## Investor Relations Contacts

**Wissam Francis**
Executive Vice President
and Chief Financial Officer
wfrancis@triconcapital.com

**Wojtek Nowak**
Managing Director,
Capital Markets
wnowak@triconcapital.com

Contains 100% post-consumer recycled fibres

RECYCLED
Paper made from recycled material
FSC® C012048

TRICON

7 St. Thomas Street, Suite 801 Toronto, Ontario M5S 2B7
T 416 925 7228 F 416 925 7964 www.TriconCapital.com