30 Years of Focus, Resilience and Growth.

INVESTING IN COMMUNITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Year Ended December 31, 2019

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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.

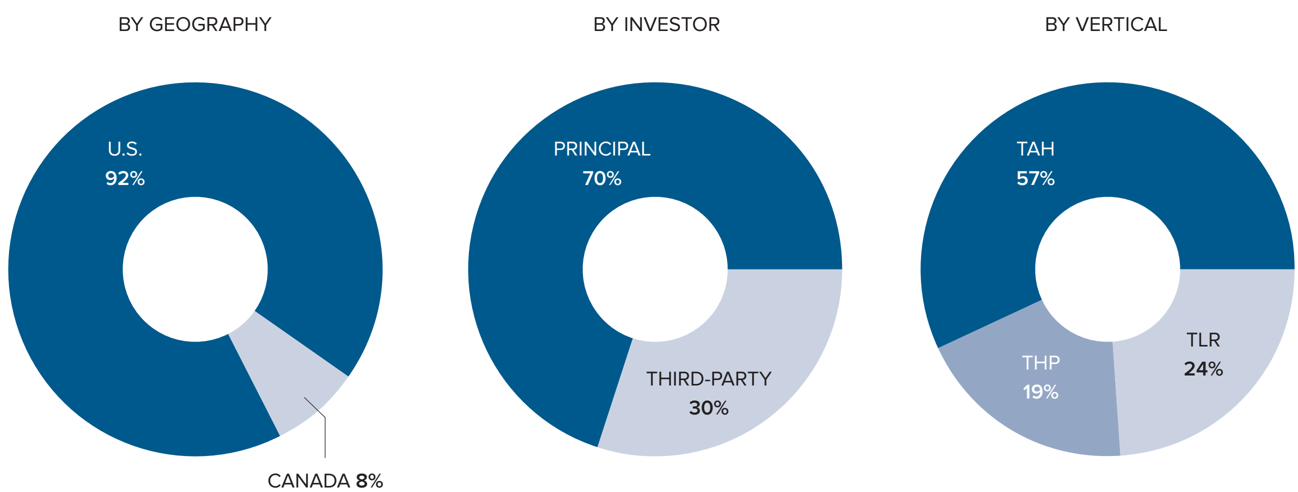
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

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	Three months			Twelve months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	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	Three months			Twelve months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	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 2019	Three months 2018	Three months Variance	Twelve months 2019	Twelve months 2018	Twelve months 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 2019	Three months 2018	Three months Variance	Twelve months 2019	Twelve months 2018	Twelve months 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 (in thousands of U.S. dollars)	Three months			Twelve months		
	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 (in thousands of U.S. dollars)	Three months			Twelve months		
	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.

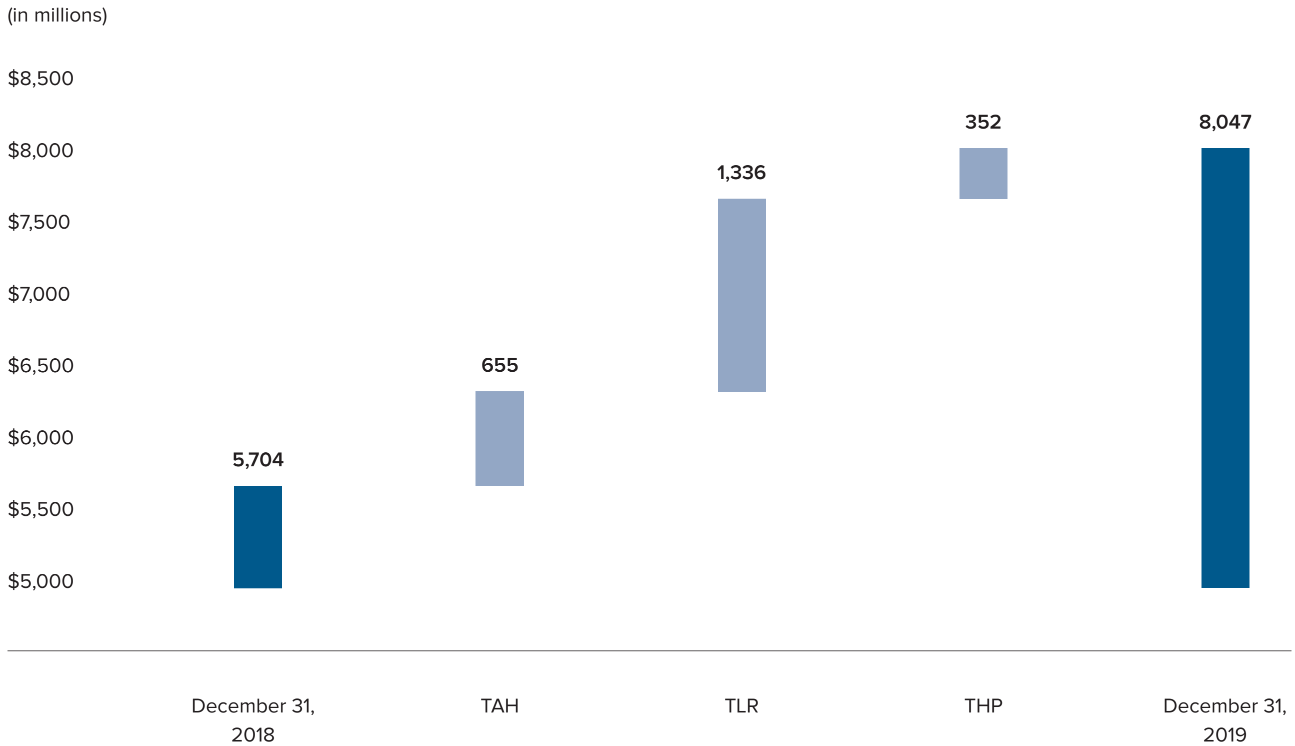
As of December 31, 2019, the Company had two outstanding mortgage loans totalling $11.2 million (C$14.5 million). In November 2017, the Company financed the acquisition of its head office in Toronto with a mortgage carrying a fixed interest rate of 4.38% per annum compounded semi-annually. On September 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)**

	Three months 2019	Three months 2018	Three months Variance	Twelve months 2019	Twelve months 2018	Twelve months Variance
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	Three months			Twelve months		
(in thousands of U.S. dollars)	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.

	Three months					Twelve months				
For the periods ended December 31 (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) 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) 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.

	Three months			Twelve months		
For the periods ended December 31, 2019 (in thousands of U.S. dollars)	Tricon's share	Total managed portfolio	Tricon's share (%)	Tricon's share	Total managed portfolio	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%

	Three months			Twelve months		
For the periods ended December 31, 2018 (in thousands of U.S. dollars)	Tricon's share	Total managed portfolio	Tricon's share (%)	Tricon's share	Total managed portfolio	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 1).

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 1). 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**	

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)

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)

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 1, 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 1, 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 1).

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining[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 1, 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 1). 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 1.

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

- Adjusted EBITDA is defined as net income (loss) from continuing and discontinued operations attributable to shareholders of Tricon before income tax (from both consolidating and investment entities), interest (from both consolidating and investment entities), amortization, stock option expense, transaction costs and non-recurring and non-cash expenses.
- Adjusted net income is defined as net income (loss) from continuing and discontinued operations attributable to shareholders of Tricon before transaction costs and non-recurring and non-cash expenses.
- Adjusted basic EPS is defined as adjusted net income divided by the weighted average basic common shares outstanding in the period. Adjusted diluted EPS is defined as adjusted net income, plus the interest expense recognized on any dilutive convertible debt (net of the tax impact of that interest), divided by the weighted average diluted common shares outstanding in the period, assuming the conversion of all 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	Three months		Twelve months	
(in thousands of U.S. dollars)	2019	2018	2019	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 1 for a discussion of our use of non-IFRS measures.

For the periods ended December 31 (in thousands of U.S. dollars)		Three months		Twelve months	
		2019	2018	2019	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 1 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 • 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 • 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 • Development management and advisory fees from The Johnson Companies LP • 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 • 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 • 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 • 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 • Unrealized investment income from changes in the fair value of the underlying properties • 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.

TRICON

CELEBRATING **30 YEARS**

7 St. Thomas Street, Suite 801 Toronto, Ontario M5S 2B7

T 416 925 7228 **F** 416 925 7964 www.triconcapital.com