Rethinking Residential Real Estate

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Three and Nine Months Ended September 30, 2018

TRICON

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

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

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

This MD&A includes forward-looking statements pertaining to: anticipated investment performance including, in particular, project timelines and sales/rental expectations, projected development costs, projected Internal Rate of Return ("IRR"), Returns on Investment ("ROI"), expected performance fees, future cash flows and development yields; anticipated Tricon Housing Partners ("THP") Adjusted EBITDA as a percentage of invested capital; anticipated demand for homebuilding, lots, single-family rental homes and purpose-built rental apartments; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home's underwriting model; the anticipated growth of the TAH joint venture ("TAH JV-1") portfolio; the intentions to build portfolios and attract investment in TAH and Tricon Lifestyle Rentals ("TLR") and the Company's investment horizon and exit strategy for each investment vertical, including the anticipated divestiture of TLR U.S. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's Annual Information Form dated February 27, 2018 (the "AIF") and its 2017 annual MD&A, both of which are available on SEDAR at www.sedar.com.

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

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

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

1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of November 6, 2018, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon," "us," "we" or the "Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2018.

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

The Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 were prepared using International Financial Reporting Standards ("IFRS") accounting policies consistent with the Company's audited annual consolidated financial statements for the year ended December 31, 2017.

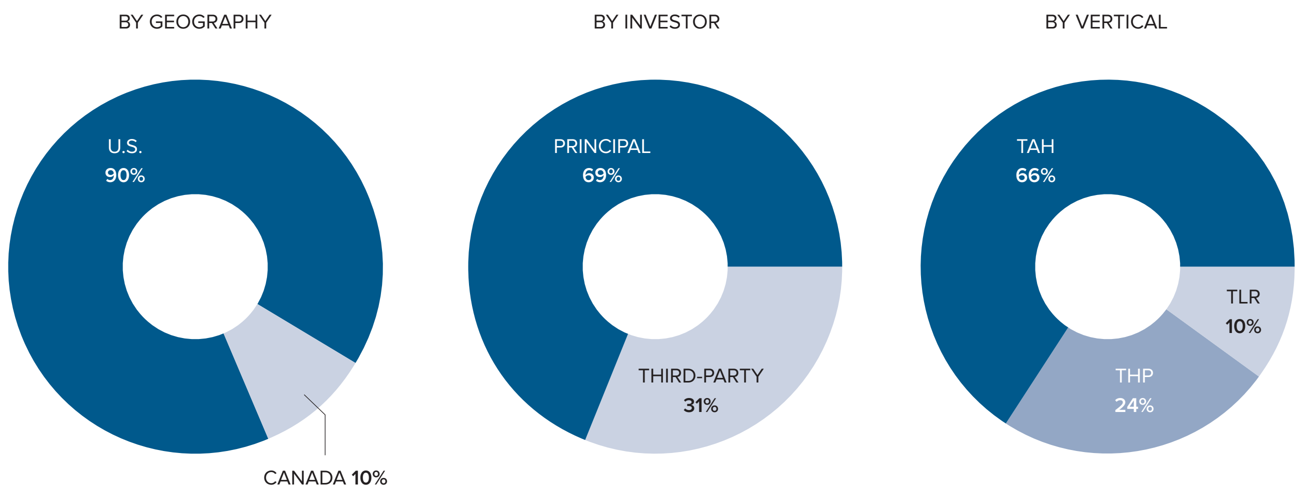
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a principal investor and asset manager focused on the residential real estate industry in North America with approximately $5.7 billion (C$7.3 billion) of assets under management as of September 30, 2018. Tricon invests in a portfolio of single-family rental homes, for-sale housing assets and purpose-built rental apartments, and manages third-party capital in connection with its investments. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $20 billion.

$5.7 BILLION

Assets Under Management (AUM)



TAH: Single-family rental homes
THP: For-sale housing
TLR: Purpose-built rental apartments

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

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

Until earlier this year, the Company had also invested in Tricon Lifestyle Communities ("TLC") – Investment in manufactured housing communities ("MHC"), where land parcels were leased to owners of prefabricated homes. Investments in TLC were disposed of on June 29, 2018. See the discussion in Section 3.1.

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

2. Private Funds and Advisory

Tricon manages third-party capital in connection with investments made alongside institutional investors including sovereign wealth funds, pension plans, endowments, strategic partners and high-net-worth investors seeking exposure to North American residential real estate, including income-producing assets and development projects. Our business objective in our Private Funds and Advisory business is to earn income through:

(i) Asset management of third-party capital invested through private investment vehicles, including private commingled funds, separate accounts, side-cars and syndicated investments ("Investment Vehicles"). The Company's asset management business includes investments in 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 services performed by Tricon Development Group Ltd. ("TDG") in respect of TLR projects in Canada.

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) and Tricon Housing Partners US Syndicated Pool II LP (THP US SP2)
  - TLR Canada – The Selby, 57 Spadina, Scrivener Square/Shops of Summerhill, West Don Lands and 6 Gloucester
  - 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 2017 Annual Information Form, available on SEDAR at www.sedar.com.

1.2 How we invest and create value

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

Tricon American Homes

Our single-family rental home investment vertical, Tricon American Homes, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 440 employees that oversee all aspects of TAH's day-to-day business activities.

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

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

On June 27, 2018, the Company entered into a joint venture arrangement ("TAH JV-1") 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 is funded by a total equity commitment of $750 million and is projected to acquire 10,000–12,000 homes over its three-year investment period. See Section 4.1 for further details.

Tricon Housing Partners

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

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

Through its investment in Houston-based Johnson, Tricon has the ability to leverage an integrated development platform with expertise in land entitlement, infrastructure, municipal bond finance and place making, and deep relationships with public and regional homebuilders and commercial developers. Johnson is an active development manager of master-planned communities in the United States and the only development manager in the United States to have six MPCs ranked in the top 50 in 2018 (source: Robert Charles Lesser & Co. Real Estate Advisors). Tricon uses Johnson's platform to (i) invest in cash flowing MPCs that generate proceeds from lot sales, commercial pad sales and the issuance of municipal bonds, and to (ii) earn development management fee income and sales commissions from the development and sale of residential lots and commercial land within the master-planned communities that Johnson manages (regardless of whether they are owned by Tricon or managed on behalf of third-party investors), thereby enhancing its investment returns.

Tricon Lifestyle Rentals

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

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

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

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

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

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

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

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. The net proceeds to Tricon were $85.2 million (refer to Section 3.2), which represents a realized return on investment (ROI) of 1.7x and a realized internal rate of return (IRR) of 25% on peak equity of $49.3 million over a four-year investment period. Management believes that the transaction's success exemplifies Tricon's ability to create shareholder value by identifying housing verticals with strong fundamental trends, delivering on value-added business plans, and opportunistically timing the entry and exit of an investment.

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

2. HIGHLIGHTS

Financial highlights

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

	Three months		Nine months	
For the periods ended September 30	2018	2017	2018	2017
Total revenue and investment income from continuing operations	$ 65,889	$ 69,408	$ 215,814	$ 108,840
Total investment income from discontinued operations	–	2,262	21,170	6,194
Net income	33,826	57,512	173,058	43,624
Basic earnings per share from:				
Continuing operations	0.25	0.41	1.11	0.31
Discontinued operations	–	0.02	0.17	0.04
Basic earnings per share	0.25	0.43	1.28	0.35
Diluted earnings per share from:				
Continuing operations	0.24	0.28	0.92	0.30
Discontinued operations	–	0.01	0.14	0.04
Diluted earnings per share	0.24	0.29	1.06	0.34
Dividends per share	C$ 0.070	C$ 0.065	C$ 0.210	C$ 0.195
Non-IFRS measures[1]				
Adjusted EBITDA	$ 74,955	$ 95,794	$ 283,191	$ 172,753
Adjusted net income	41,010	56,910	177,520	94,140
Adjusted basic EPS attributable to shareholders of Tricon	0.30	0.42	1.32	0.76
Adjusted diluted EPS attributable to shareholders of Tricon	0.27	0.37	1.15	0.70
As at September 30			2018	2017
Total assets			$ 1,644,729	$ 1,337,211
Total liabilities			520,638	420,581
Investments (including investments held for sale)			1,542,392	1,266,225
Debt			396,545	315,898
Assets under management (AUM)[2]			$ 5,664,371	$ 4,665,398

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

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

Investment highlights by vertical

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

For the periods ended September 30 (in thousands of U.S. dollars, except for percentages and units)	Three months		Nine months	
	2018	2017	2018	2017
TRICON AMERICAN HOMES				
(Refer to Sections 3.1, 3.2 and 4.1)				
Investments – TAH			**$ 1,107,962**	**$ 818,407**
Investment income – TAH	**$ 53,650**	**$ 57,043**	**180,773**	**67,358**
Net operating income (NOI)[1]	37,236	36,854	109,337	80,811
Net operating income (NOI) margin[1]	60.9%	61.6%	61.9%	61.3%
Core funds from operations	12,929	10,063	36,984	23,005
Total homes managed			16,766	16,594
Occupancy			93.1%	96.1%
Stabilized occupancy			96.3%	96.7%
Total number of homes in same home portfolio			6,626	6,626
Same home net operating income (NOI)[1]	15,197	14,076	46,390	43,583
Same home net operating income (NOI) growth[1]	8.0%	N/A	6.4%	N/A
Same home net operating income (NOI) margin[1]	58.9%	56.7%	60.7%	59.3%
TRICON HOUSING PARTNERS				
(Refer to Sections 3.1 and 3.2)				
Investments – THP			**$ 318,187**	**$ 305,118**
Investment income – THP	**$ 3,309**	**$ 4,737**	**9,506**	**16,973**
TRICON LIFESTYLE RENTALS				
(Refer to Sections 3.1, 3.2 and 4.3)				
Investments – TLR			**$ 116,243**	**$ 82,706**
Investment income – TLR	**$ 1,189**	**$ 1,663**	**4,753**	**6,441**
Units under development			~3,200	1,296
TRICON LIFESTYLE COMMUNITIES				
(Refer to Section 3.1)				
Investments held for sale – TLC			**$ –**	**$ 59,994**
Investment income from discontinued operations and gain from disposal of investments held for sale – TLC	**$ –**	**$ 2,262**	**21,170**	**6,194**
PRIVATE FUNDS AND ADVISORY				
(Refer to Sections 3.1 and 4.4)				
Third-party assets under management			$ 1,754,272	$ 1,234,012
Contractual fees and GP distributions	**$ 7,269**	**$ 5,852**	**19,464**	**17,597**
Performance fees	**472**	**113**	**1,318**	**471**

(1) These metrics exclude the impact of non-recurring expenses or insurance recoveries from hurricane-related damages.

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 unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2018.

3.1 Review of income statements

Consolidated statements of income

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months			Nine months		
	2018	2017	Variance	2018	2017	Variance
Revenue						
Contractual fees	$ 6,897	$ 5,490	$ 1,407	$ 18,383	$ 16,571	$ 1,812
General partner distributions	372	362	10	1,081	1,026	55
Performance fees	472	113	359	1,318	471	847
	7,741	5,965	1,776	20,782	18,068	2,714
Investment income						
Investment income – Tricon American Homes	53,650	57,043	(3,393)	180,773	67,358	113,415
Investment income – Tricon Housing Partners	3,309	4,737	(1,428)	9,506	16,973	(7,467)
Investment income – Tricon Lifestyle Rentals	1,189	1,663	(474)	4,753	6,441	(1,688)
	58,148	63,443	(5,295)	195,032	90,772	104,260
Total revenue and investment income	**$ 65,889**	**$ 69,408**	**$ (3,519)**	**$ 215,814**	**$ 108,840**	**$ 106,974**
Expenses						
Compensation expense	8,576	9,363	787	28,254	24,348	(3,906)
General and administration expense	2,147	1,275	(872)	7,142	5,188	(1,954)
Interest expense	8,227	6,720	(1,507)	24,794	16,514	(8,280)
Other expenses (income)	7,447	(11,739)	(19,186)	(9,617)	16,274	25,891
Realized and unrealized foreign exchange expense (gain)	1,028	2,054	1,026	(1,949)	936	2,885
	27,425	7,673	(19,752)	48,624	63,260	14,636
Income before income taxes	**38,464**	**61,735**	**(23,271)**	**167,190**	**45,580**	**121,610**
Income tax expense – current	(1,187)	(1,612)	425	(1,870)	(4,303)	2,433
Income tax expense – deferred	(3,451)	(4,557)	1,106	(15,389)	(2,993)	(12,396)
Net income from continuing operations	**33,826**	**55,566**	**(21,740)**	**149,931**	**38,284**	**111,647**
Net income from discontinued operations	**–**	**1,946**	**(1,946)**	**23,127**	**5,340**	**17,787**
Net income	**$ 33,826**	**$ 57,512**	**$ (23,686)**	**$ 173,058**	**$ 43,624**	**$ 129,434**
Attributable to:						
Shareholders of Tricon	$ 33,599	$ 57,659	$ (24,060)	$ 172,853	$ 43,867	$ 128,986
Non-controlling interest	227	(147)	374	205	(243)	448
Net income	**$ 33,826**	**$ 57,512**	**$ (23,686)**	**$ 173,058**	**$ 43,624**	**$ 129,434**
Basic EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.25	$ 0.41	$ (0.16)	$ 1.11	$ 0.31	$ 0.80
Discontinued operations	–	0.02	(0.02)	0.17	0.04	0.13
Basic EPS attributable to shareholders of Tricon	**$ 0.25**	**$ 0.43**	**$ (0.18)**	**$ 1.28**	**$ 0.35**	**$ 0.93**
Diluted EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.24	$ 0.28	$ (0.04)	$ 0.92	$ 0.30	$ 0.62
Discontinued operations	–	0.01	(0.01)	0.14	0.04	0.10
Diluted EPS attributable to shareholders of Tricon	**$ 0.24**	**$ 0.29**	**$ (0.05)**	**$ 1.06**	**$ 0.34**	**$ 0.72**
Weighted average shares outstanding – basic	**135,066,491**	**134,509,774**	**556,717**	**134,619,881**	**124,428,127**	**10,191,754**
Weighted average shares outstanding – diluted[1]	**153,776,332**	**162,610,991**	**(8,834,659)**	**161,875,071**	**127,304,287**	**34,570,784**

(1) For the three months ended September 30, 2018, 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 months ended September 30, 2018, the impact of the 2022 convertible debentures was included (2017 – included). In contrast, the Company's 2020 convertible debentures were excluded as they were anti-dilutive (2017 – included).

For the nine months ended September 30, 2018, both of the Company's 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 nine months ended September 30, 2018, the impact of the 2020 and 2022 convertible debentures was included (2017 – excluded).

The following discussion is based on selected line items of the consolidated statements of income for the three and nine months ended September 30, 2018.

Contractual fees

The following table provides further details regarding contractual fees for the three and nine months ended September 30, 2018.

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Management fees – private Investment Vehicles	$ 3,776	$ 3,031	$ 745	$ 9,704	$ 8,634	$ 1,070
Development fees – TDG	535	410	125	1,602	1,182	420
Development fees – Johnson	2,586	2,049	537	7,077	6,755	322
Contractual fees	**$ 6,897**	**$ 5,490**	**$ 1,407**	**$ 18,383**	**$ 16,571**	**$ 1,812**

Contractual fees for the three months ended September 30, 2018 totaled $6.9 million, an increase of $1.4 million from the same period in the prior year. The variance is attributable to:

- An increase of $0.7 million in management fees resulting from an additional $1.0 million fees earned from TAH JV-1, offset by a decrease of $0.2 million in fees from THP2 US, separate accounts and side-cars as distributions from these Investment Vehicles resulted in lower investment balances.
- An increase of $0.5 million in Johnson development fees from increased commercial activity at Cross Creek Ranch and other communities this quarter compared to the same period in the prior year (see Section 4.4).

Contractual fees for the nine months ended September 30, 2018 totaled $18.4 million, an increase of $1.8 million from the same period in the prior year. The variance is attributable to the same reasons as above, including an increase in management fees from TAH JV-1, an increase in Johnson development fees, and an increase in TDG development fees in relation to the advancement of the 57 Spadina multi-family rental development project.

Investment income – Tricon American Homes

The following table provides details regarding the components of investment income from TAH for the three and nine months ended September 30, 2018. 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 September 30 (in thousands of U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Total revenue	$ 61,170	$ 59,838	$ 1,332	$ 176,751	$131,763	$ 44,988
Total operating expenses	(23,500)	(23,976)	476	(66,980)	(51,944)	(15,036)
Net operating income (NOI)[1,2,3]	**$ 37,670**	**$ 35,862**	**$ 1,808**	**$ 109,771**	**$ 79,819**	**$ 29,952**
Fair value gain[2,4]	42,345	62,985	(20,640)	155,706	92,686	63,020
Other expenses[2,5]	(6,720)	(20,959)	14,239	(27,503)	(62,440)	34,937
Interest expense[2]	(19,606)	(20,845)	1,239	(57,162)	(42,707)	(14,455)
Third-party investor interests[2]	(39)	–	(39)	(39)	–	(39)
Investment income – TAH	**$ 53,650**	**$ 57,043**	**$ (3,393)**	**$ 180,773**	**$ 67,358**	**$ 113,415**

(1) KPI measure; see Section 8.1.

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

(3) Includes $434 of non-recurring storm-related insurance recoveries for the three and nine months ended September 30, 2018 (2017 – storm-related expenses of $992). Excluding the impact of storm-related items, NOI would have been $37,236 (2017 – $36,854) and $109,337 (2017 – $80,811), respectively. See Section 4.1.

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

(5) Other expenses are comprised of:

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Corporate overhead	$ (5,008)	$ (5,705)	$ 697	$ (15,835)	$ (15,745)	$ (90)
Transaction costs and non-recurring items[6]	289	(11,565)	11,854	(8,082)	(43,292)	35,210
Depreciation and non-cash items[6]	(754)	(1,078)	324	(2,341)	(1,863)	(478)
Deferred tax (expense) recovery	–	(2,611)	2,611	2	(1,540)	1,542
Tricon's share of TAH JV-1 partner-level expenses	(1,247)	–	(1,247)	(1,247)	–	(1,247)
Other expenses	**$ (6,720)**	**$ (20,959)**	**$ 14,239**	**$ (27,503)**	**$ (62,440)**	**$ 34,937**

(6) Comparative periods have been reclassified to conform with the current period presentation.

TAH's investment income was $53.7 million for the three months ended September 30, 2018, a decrease of $3.4 million compared to the same period in 2017. The variance in investment income is attributable to:

- A decrease of $20.6 million in fair value gain as the combination of the BPO and HPI methodologies resulted in fair value growth of 1.5% in the third quarter of 2018 compared to 2.5% for the same period in 2017. Consistent with previous quarters, home price appreciation 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), net of capital expenditures. The HPI increase this quarter was 1.5% (6.0% annualized) compared to a 1.2% HPI increase in the third quarter of 2017 (4.8% annualized). BPOs were obtained on 154 homes this quarter compared to 2,784 homes for the same period in 2017.
- An increase of $1.8 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description) in spite of having a smaller portfolio of leased homes. NOI increased as a result of higher rent growth and expense containment achieved across the portfolio (see Section 4.1; see also footnote 2 in the table above).
- A decrease of $14.2 million in other expenses primarily as a result of transaction costs and non-recurring items. $11.6 million of transaction costs related to the TAH 2017-1 securitization facility were incurred in the three months ended September 30, 2017.
- A decrease of $1.2 million in interest expense as a result of a lower outstanding debt balance throughout the quarter, combined with a decrease in the portfolio weighted average interest rate (3.7% for Q3 2018 versus 4.1% for Q3 2017).

TAH's investment income for the nine months ended September 30, 2018 was $180.8 million compared to $67.4 million for the same period in 2017, an increase of $113.4 million. The increase is attributable to:

- An increase of $63.0 million in fair value gain as a result of home price appreciation on a larger portfolio, as Silver Bay homes were acquired in the second quarter of 2017.
- An increase of $30.0 million in NOI as a result of additional NOI contribution from Silver Bay homes for the full nine months as opposed to five months in the prior year, as well as strong rent growth and expense containment achieved across the portfolio (see footnote 2 in the table above).
- A decrease of $34.9 million in other expenses primarily as a result of non-recurring transaction costs of $8.1 million largely related to the Silver Bay integration, compared to $43.3 million of transaction costs in the same period in 2017 incurred for the Silver Bay acquisition and integration, as well as the TAH 2017-1 securitization.
- An offsetting increase of $14.5 million in interest expense as a result of a higher outstanding debt balance throughout the year (reflecting the closing date for the Silver Bay acquisition in May 2017).

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three and nine months ended September 30, 2018.

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
THP1 US	$ 175	$ 1,392	$ (1,217)	$ (1,397)	$ 6,787	$ (8,184)
THP2 US	(530)	379	(909)	(142)	1,373	(1,515)
THP3 Canada[1]	580	239	341	384	364	20
Trinity Falls	2,469	1,821	648	8,512	5,464	3,048
Separate accounts[2]	571	727	(156)	2,200	2,035	165
Side-cars[3]	44	179	(135)	(51)	950	(1,001)
Investment income – THP	**$ 3,309**	**$ 4,737**	**$ (1,428)**	**$ 9,506**	**$ 16,973**	**$ (7,467)**

(1) Includes a foreign exchange gain of $0.2 million and loss of $0.3 million for the three and nine months ended September 30, 2018, respectively, compared to a gain of $0.2 million and $0.6 million for the same periods in 2017.

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

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

Investment income for the three months ended September 30, 2018 was $3.3 million, a decrease of $1.4 million compared to $4.7 million for the same period in 2017. The variance is mainly attributable to:

- A decrease of $1.2 million in investment income from THP1 US as a result of continued unfavourable budget revisions within the fund, attributable to higher construction costs, extended development timelines and demand for smaller, lower-margin homes (see Section 4.2). Additionally, distributions of $26.6 million throughout 2017 reduced the fund's outstanding investment balance.
- A decrease of $0.9 million in investment income from THP2 US related to: (i) a decline in the value of THP2 US' underlying investment in The New Home Company, a public homebuilder listed on the New York Stock Exchange; and (ii) updates to the valuations of two multi-family assets in Texas in anticipation of near-term dispositions of these assets at current market valuations.
- An offsetting increase of $0.6 million from Trinity Falls as a result of an additional 300 acres of adjacent land acquired in the fourth quarter of 2017 which increased expected future cash flow from the project.

Investment income for the nine months ended September 30, 2018 was $9.5 million, a decrease of $7.5 million compared to $17.0 million for the same period in 2017. The variance is mainly attributable to the reasons described above with an additional decrease of $1.0 million in investment income from side-cars as budgets continue to be revised for extended development timelines and the higher cost environment.

Investment income – Tricon Lifestyle Rentals

The following table provides details regarding investment income from TLR for the three and nine months ended September 30, 2018.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Operating (losses) income during development	$ (190)	$ 321	$ (511)	$ 242	$ 882	$ (640)
Fair value gain	2,381	–	2,381	8,256	4,013	4,243
Other (expenses) gain[1]	(746)	1,376	(2,122)	(3,414)	1,642	(5,056)
Interest expense	(256)	(34)	(222)	(331)	(96)	(235)
Investment income – TLR	**$ 1,189**	**$ 1,663**	**$ (474)**	**$ 4,753**	**$ 6,441**	**$ (1,688)**

(1) Other (expenses) gain are comprised of:

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Translation adjustment	$ 858	$ 1,128	$ (270)	$ (794)	$ 2,078	$ (2,872)
Non-controlling interests	(1,137)	291	(1,428)	(1,941)	(160)	(1,781)
Corporate overhead	(79)	(43)	(36)	(253)	(276)	23
Deferred tax expense	(387)	–	(387)	(419)	–	(419)
Transaction costs and non-recurring costs	(1)	–	(1)	(7)	–	(7)
Other (expenses) gain	**$ (746)**	**$ 1,376**	**$ (2,122)**	**$ (3,414)**	**$ 1,642**	**$ (5,056)**

For the three months ended September 30, 2018, investment income from TLR was $1.2 million, a decrease of $0.5 million from $1.7 million for the same period in 2017. The main reasons for this variance include:

- An increase in fair value gain of $2.4 million in the third quarter of 2018 driven by fair value gains at 57 Spadina and construction and leasing progress on TLR U.S. projects, whereas no fair value gain was recognized in the comparative period in 2017.
- A corresponding increase of $2.1 million in other expenses, as the fair value gain resulted in a $1.4 million increase in income attributable to non-controlling interests and a $0.4 million increase in deferred tax expense, along with a $0.3 million reduction in favourable currency translation adjustment.
- A decrease of $0.5 million in operating income during development, as the ancillary income prior to construction trailed off at 57 Spadina, which commenced construction in 2018, and initial operating losses were incurred as The Selby and both TLR U.S. projects started preparing for lease-up beginning in late 2018.

For the nine months ended September 30, 2018, investment income from TLR was $4.8 million, a decrease of $1.7 million from $6.4 million for the same period in 2017. The main drivers of this variance include a $5.1 million increase in other expenses and a $0.6 million decrease in operating income during development, partially offset by an increase of $4.2 million in fair value gain, for the same reasons noted above.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Salaries and benefits	$ 3,485	$ 3,100	$ (385)	$ 10,730	$ 10,268	$ (462)
Annual incentive plan ("AIP")	4,161	5,471	1,310	13,130	12,704	(426)
Long-term incentive plan ("LTIP")	930	792	(138)	4,394	1,376	(3,018)
Total compensation expense	**$ 8,576**	**$ 9,363**	**$ 787**	**$ 28,254**	**$ 24,348**	**$ (3,906)**

Compensation expense for the three months ended September 30, 2018 decreased by $0.8 million compared to the same period in the prior year, largely attributable to a decrease in AIP expense which was accrued in accordance with the amended AIP framework described in the condensed interim consolidated financial statements and in Section 9.6 of this MD&A.

Compensation expense for the nine months ended September 30, 2018 increased by $3.9 million compared to the same period in the prior year. The variance is primarily a result of a $3.0 million increase in long-term incentive plan ("LTIP") expense as a result of an increase in expected future performance fees from commingled funds and separate accounts/side-car investments that will be paid to management when cash is received from each Investment Vehicle over time. Additionally, the Company incurred an increase in payroll costs of $0.5 million in the period attributable to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments, as well as an increase in annual incentive plan ("AIP") expense of $0.4 million accrued in accordance with the amended AIP framework as stated above.

General and administration expense

General and administration expense for the three and nine months ended September 30, 2018 increased by $0.9 million and $2.0 million, respectively, compared to the same periods in the prior year. Both variances are primarily attributable to office relocation expenses and one-time professional fees, as well as a general increase 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 September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2018	2017	Variance	2018	2017	Variance
Credit facility interest	$ 3,220	$ 1,664	$ (1,556)	$ 9,403	$ 4,493	$ (4,910)
Debentures interest	3,865	3,935	70	11,650	9,247	(2,403)
Debentures discount amortization	1,037	1,121	84	3,457	2,774	(683)
Mortgage interest	88	–	(88)	250	–	(250)
Interest on lease obligation	17	–	(17)	34	–	(34)
Total interest expense	**$ 8,227**	**$ 6,720**	**$ (1,507)**	**$ 24,794**	**$ 16,514**	**$ (8,280)**

Interest expense was $8.2 million for the three months ended September 30, 2018 compared to $6.7 million for the same period last year, an increase of $1.5 million. The increase was primarily driven by a higher outstanding credit facility balance and effective interest rate throughout the quarter (see Section 3.2).

Interest expense for the nine months ended September 30, 2018 increased by $8.3 million from the comparable period in 2017 primarily as a result of the reasons noted above, as well as $2.4 million of incremental debentures interest expense and $0.7 million of incremental debentures discount amortization associated with the 2022 convertible debentures issued on March 17, 2017 in connection with the Silver Bay transaction (see Section 3.2).

Other expenses (income)

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2018	2017	Variance	2018	2017	Variance
Net change in fair value of derivative financial instruments	$ 629	$ (13,455)	$ (14,084)	$ (19,097)	$ 9,863	$ 28,960
Loss on debt extinguishment	5,349	–	(5,349)	5,349	–	(5,349)
Transaction costs	–	419	419	180	2,335	2,155
Amortization expense	1,469	1,297	(172)	3,951	4,076	125
Total other expenses (income)	**$ 7,447**	**$ (11,739)**	**$ (19,186)**	**$ (9,617)**	**$ 16,274**	**$ 25,891**

There was a net increase in the fair value of the conversion feature of the Company's outstanding convertible debentures for the three months ended September 30, 2018 (2017 – net decrease), which is reflected as an expense (2017 – income) of the Company. The increase during the quarter reflects the fair value loss incurred on the 2022 convertible debentures attributable primarily to the strengthened Canadian dollar compared to the U.S. dollar, partially offset by an overall decrease in the Company's share price on the Toronto Stock Exchange ("TSX") between June 30, 2018 and September 30, 2018.

On August 30, 2018, the Company gave notice to debenture holders of its intention to redeem in full all of the outstanding balance of the 2020 convertible debentures effective October 9, 2018 (see Section 3.2). As a result, the fair value of the embedded derivative payable on the 2020 convertible debentures increased during the quarter, representing the value of the conversion feature being fully marked to market given the expected imminent conversion of substantially all outstanding 2020 convertible debentures prior to the redemption date on October 9, 2018. Further, the unamortized balance of debentures discount and issuance costs of $4,416 and $933, respectively, were recognized as a $5,349 loss on debt extinguishment given the proximity of the redemption date. The unamortized balance of debentures discount and issuance costs would otherwise have been amortized over the original remaining term to maturity of the debentures.

In comparison, there was a net decrease in the fair value of the conversion feature of the Company's outstanding convertible debentures for the nine months ended September 30, 2018 (2017 – net increase), which is reflected as income (2017 – expense) of the Company. The significant change in the value of the conversion option was mainly because of the decrease in the Company's share price on the TSX.

Income tax expense

Income tax expense for the three months ended September 30, 2018 decreased compared to the third quarter of 2017 as a result of an overall decrease in net income. For the nine months ended September 30, 2018, income tax expense was higher than the same period in the prior year as a result of an increase in the deferred tax expense of $12.4 million, which was partially offset by a decrease in the current tax expense of $2.4 million. The increase in deferred tax expense compared to the same periods in the prior year was primarily the result of the significant increase in investment income from TAH, whereas the decrease in current income tax expense reflects lower investment income from THP.

Disposition of Tricon Lifestyle Communities

On June 29, 2018, TLC completed the previously-announced sale of its portfolio of 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. At the time of sale, the carrying value of investment properties on TLC's balance sheet was $146.3 million, resulting in a gain from disposal of investment properties of $26.2 million in the three months ended June 30, 2018. For the nine months ended September 30, 2018, investment income from the discontinued operations of TLC was $21.2 million after deducting transaction costs and proceeds to TLC's operating partner.

The following table provides details regarding net income from discontinued operations – TLC for the nine months ended September 30, 2018.

For the period ended September 30, 2018 (in thousands of U.S. dollars)	Nine months
Fair value gain on investments held for sale	$ 33,597
Transaction costs on disposal[1]	(4,882)
Non-controlling interest, including incentive fees	(5,562)
Other expenses[2]	(1,983)
Investment income from discontinued operations – TLC	**$ 21,170**
Income tax recovery from discontinued operations – deferred	1,957
Net income from discontinued operations	**$ 23,127**

(1) Transaction costs related to the disposition include broker commissions, debt defeasance fees, legal fees and other due diligence costs.

(2) Other expenses include net operating income less corporate overhead, interest expense and vertical-level tax expense.

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Assets							
Cash	$ 6,720	$ 21,792	$ 11,809	$ 14,813	$ 9,687	$ 7,206	$ 22,680
Amounts receivable	17,257	17,657	13,465	13,506	11,148	18,181	18,801
Prepaid expenses and deposits	970	479	674	622	5,280	4,191	3,660
Cash held in escrow	–	–	–	–	–	–	148,310
Investments – Tricon American Homes	1,107,962	1,064,140	1,012,757	884,115	818,407	766,364	297,512
Investments – Tricon Housing Partners	318,187	312,727	309,273	306,637	305,118	301,378	525,090
Investments – Tricon Lifestyle Rentals	116,243	107,074	90,759	89,225	82,706	79,250	54,910
Investments held for sale – Tricon Lifestyle Communities	–	–	63,946	62,074	59,994	56,929	73,607
Intangible assets	21,829	22,924	18,893	20,016	21,214	22,410	23,626
Deferred income tax assets	33,732	29,950	26,787	23,937	22,390	19,330	13,969
Other assets	21,829	21,077	17,033	15,778	1,267	1,246	1,345
Total assets	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**	**$ 1,430,723**	**$ 1,337,211**	**$ 1,276,485**	**$ 1,183,510**
Liabilities							
Amounts payable and accrued liabilities	$ 14,532	$ 19,438	$ 6,432	$ 11,273	$ 18,315	$ 20,903	$ 10,965
Dividends payable	7,503	7,115	7,251	6,906	6,988	6,702	5,524
Long-term incentive plan	16,492	16,154	16,145	15,224	13,522	13,246	12,509
Debt	396,545	417,659	448,738	383,604	315,898	301,680	56,216
Other liabilities	–	–	–	–	–	–	313,260
Deferred income tax liabilities	71,404	64,386	57,647	47,927	41,777	34,103	33,461
Derivative financial instruments	14,162	17,768	8,241	37,494	24,081	37,534	4,195
Total liabilities	**520,638**	**542,520**	**544,454**	**502,428**	**420,581**	**414,168**	**436,130**
Equity							
Share capital	758,830	717,485	715,288	713,553	716,461	713,428	569,552
Contributed surplus	19,096	17,473	16,426	16,754	19,568	16,574	15,682
Cumulative translation adjustment	19,189	19,336	20,420	19,184	17,063	18,408	19,316
Retained earnings	317,472	291,319	258,907	167,849	152,373	101,702	130,047
Total shareholders' equity	1,114,587	1,045,613	1,011,041	917,340	905,465	850,112	734,597
Non-controlling interest	9,504	9,687	9,901	10,955	11,165	12,205	12,783
Total equity	**1,124,091**	**1,055,300**	**1,020,942**	**928,295**	**916,630**	**862,317**	**747,380**
Total liabilities and equity	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**	**$ 1,430,723**	**$ 1,337,211**	**$ 1,276,485**	**$ 1,183,510**

Investments – Tricon American Homes

Investments in TAH increased by $223.8 million to $1.1 billion as at September 30, 2018, from $884.1 million as at December 31, 2017. The increase was driven by:

- Advances of $148.6 million primarily for the acquisition and renovation of rental homes, including a $37.4 million contribution to TAH JV-1.
- Investment income of $180.8 million consisting of $155.7 million of fair value gains and $109.8 million of NOI, offset by $57.2 million of interest expense, $8.1 million of non-recurring transaction costs and $19.4 million of other expenses.
- Offsetting cash distributions of $105.5 million, including repatriation of $37.0 million from the sale of properties to TAH JV-1 net of repayment of debt (see Section 4.1).

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at September 30, 2018
Investments – TAH	**$ 884,115**	**$ 148,574**	**$ 180,773**	**$ (105,500)**	**$ 1,107,962**

Investments – Tricon Housing Partners

Investments in THP increased by $11.6 million to $318.2 million as at September 30, 2018, from $306.6 million as at December 31, 2017. The increase is a result of investment income of $9.5 million combined with aggregate advances to Investment Vehicles of $8.7 million, of which $3.9 million was contributed to Trinity Falls. This increase was partially offset by distributions of $6.7 million, of which $4.9 million was distributed from separate accounts and side-car investments.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income (loss)	Distributions	As at September 30, 2018
THP1 US	$ 92,731	$ 1,546	$ (1,397)	$ (862)	$ 92,018
THP2 US	26,983	743	(142)	–	27,584
THP3 Canada	9,651	71	384	(935)	9,171
Trinity Falls	95,301	3,900	8,512	–	107,713
Separate accounts[1]	69,135	64	2,200	(3,661)	67,738
Side-cars[2]	12,836	2,399	(51)	(1,221)	13,963
Investments – THP	**$ 306,637**	**$ 8,723**	**$ 9,506**	**$ (6,679)**	**$ 318,187**

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

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

Investments – Tricon Lifestyle Rentals

Investments in TLR increased by $27.0 million to $116.2 million as at September 30, 2018, from $89.2 million as at December 31, 2017. The investment balance is comprised of $56.0 million invested in TLR Canada and $60.2 million invested in TLR U.S. The overall increase during the nine months ended September 30, 2018 was mainly driven by advances of $22.3 million relating to the acquisition of new TLR Canada projects, the purchase of an additional 10% ownership interest in 57 Spadina, and construction progress on existing projects, along with investment income of $4.8 million (consisting of $8.3 million of fair value gains offset by $3.5 million of other net expenses – see Section 3.1).

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at September 30, 2018
Investments – TLR	**$ 89,225**	**$ 22,265**	**$ 4,753**	**$ –**	**$ 116,243**

Investments held for sale – Tricon Lifestyle Communities

On June 29, 2018, TLC completed the previously-announced sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. The net proceeds to Tricon were $85.2 million, which included $83.5 million in proceeds from the disposal and $1.6 million in reimbursed expenses. The net proceeds represent a realized ROI of 1.7x and a realized IRR of 25% on peak equity of $49.3 million over a four-year investment period. Tricon has received distributions of $79.9 million to date; the remaining proceeds of $5.3 million are included in amounts receivable as at September 30, 2018.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Proceeds from disposal of investments held for sale	As at September 30, 2018
Investments held for sale – TLC	**$ 62,074**	**$ 304**	**$ 21,170**	**$ (83,548)**	**$ –**

(in thousands of U.S. dollars)	September 30, 2018
Sales proceeds from disposition of investment properties	$ 172,500
Settlement of mortgage balances	(77,621)
Transaction costs on disposition	(4,882)
Other net liabilities	(102)
Distributions to non-controlling interest	(6,347)
Proceeds from disposition of investments held for sale to Tricon	$ 83,548
Reimbursable expenses	1,638
Total proceeds to Tricon	**$ 85,186**

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	September 30, 2018	December 31, 2017
Revolving term credit facility	USD	$ 365,000	June 2020	LIBOR+3.25%	$ 200,250	$ 161,500
2020 convertible debentures[2]	CAD	$ 40,615	October 2018	5.60%	31,375	60,951
2022 convertible debentures	USD	$ 172,500	March 2022	5.75%	156,127	153,196
Mortgage	CAD	$ 9,832	November 2024	4.38%	7,596	7,957
Lease obligation	USD	$ 1,197	March 2026	5.60%	1,197	–
					$ 396,545	**$ 383,604**

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other expenses (income)). The 2020 convertible unsecured subordinated debentures and the mortgage are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at September 30, 2018: 1.2945 and at December 31, 2017: 1.2545.

(2) The 2020 convertible debentures were redeemed in full on October 9, 2018.

The Company has access to a $365.0 million corporate revolving credit facility provided by a syndicate of lenders. As of September 30, 2018, $200.3 million was drawn from the facility, and the Company had a cash balance of $6.7 million.

On August 30, 2018, the Company gave notice to debenture holders of its intention to redeem in full all of the outstanding balance of 5.60% convertible unsecured subordinated debentures due March 31, 2020 (the "2020 convertible debentures") effective October 9, 2018, and elected to satisfy the redemption proceeds by the issuance of common shares of the Company. During the month of September 2018, certain holders exercised their right to convert a total of C$45.1 million principal amount of the debentures into 4,598,974 common shares of the Company at a conversion price of C$9.80. Including C$8,000 principal amount which had been converted in the second quarter of 2018, C$45.1 million principal amount of debentures was converted into 4,599,790 common shares in the first nine months of 2018.

Subsequent to quarter-end, and prior to October 9, 2018, certain holders exercised their right to convert C$34.3 million aggregate principal amount of the debentures into 3,497,344 common shares of the Company. On October 9, 2018, the remaining balance of C$6.3 million principal amount of the debentures was redeemed and 598,405 common shares were issued on the redemption. Accrued interest of C$1.38 per C$1,000 principal amount of debentures redeemed was paid in cash. Cash was also paid in lieu of any fractional shares that would otherwise have been issued on conversion or redemption. In total, the Company issued 8,695,539 common shares in connection with the conversion or redemption of C$85.7 million aggregate principal amount of 2020 convertible debentures during 2018.

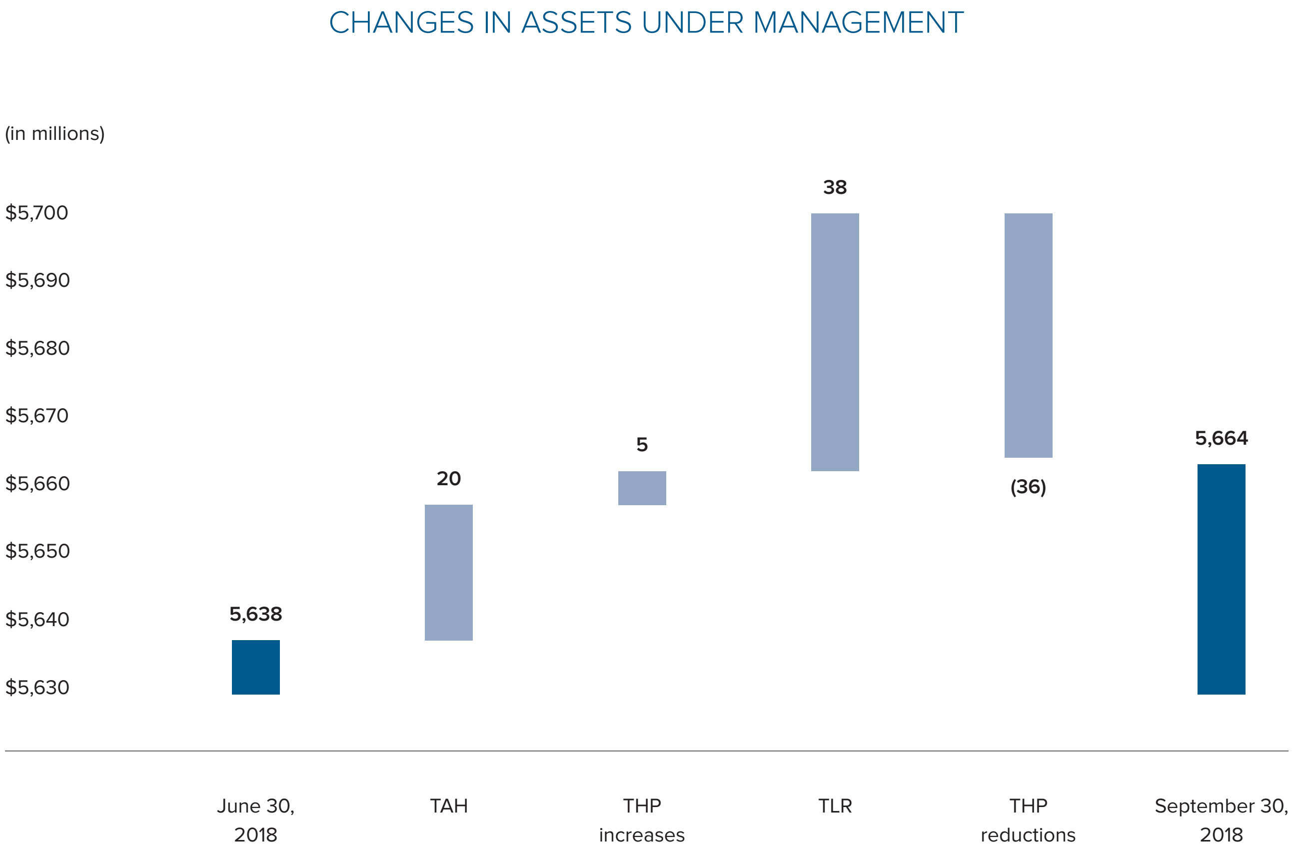
As of September 30, 2018, there was $172.5 million in outstanding aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Company (the "2022 convertible debentures"). The 2022 convertible debentures bear interest at 5.75% per annum and are convertible into 16,491,397 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$13.54 as of September 30, 2018). In the first nine months of 2018, there were no conversions of the 2022 convertible debentures.

As of September 30, 2018, the Company had an outstanding mortgage loan of $7.6 million (C$9.8 million), which was used to finance the acquisition of the Company's new head office in Toronto. The mortgage carries a fixed interest rate of 4.38% per annum compounded semi-annually and matures on November 22, 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 $1.2 million as at September 30, 2018.

3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $5.7 billion as at September 30, 2018, representing an increase of $26.4 million since June 30, 2018. Refer to Section 8.2 for a detailed description of AUM.



As shown in the chart above, which summarizes the changes in AUM over the period on a vertical-by-vertical basis, the changes in AUM since June 30, 2018 were:

- An increase of $19.6 million in TAH AUM driven by $44.0 million of fair value adjustments (excluding projected future disposition fees) related to home price appreciation in the portfolio, net of a reduction in principal AUM from the transfer of wholly-owned homes from TAH to TAH JV-1 and the resulting distribution to Tricon of $37.0 million (see Section 4.1).
- An increase of $37.6 million in TLR AUM resulting from construction expenditures and fair value gains recognized.
- A $4.8 million increase in THP AUM primarily as a result of investment income of $2.5 million from Trinity Falls and $0.6 million from THP3 Canada, as well as foreign exchange adjustments.
- A decrease of $35.6 million in THP AUM predominantly as a result of $15.3 million of distributions from Cross Creek Ranch, and $8.4 million of capital distributions from THP2 US, as well as distributions across other projects.

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)	September 30, 2018[1]	June 30, 2018[1]	March 31, 2018[1]	December 31, 2017[1]	September 30, 2017[1]	June 30, 2017[1]	March 31, 2017[1]
PRINCIPAL INVESTMENTS[2]							
Tricon American Homes	**$ 3,267,062**	**$ 3,247,512**	**$ 2,866,838**	**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**
Tricon Housing Partners							
THP1 US	101,447	101,272	103,102	103,706	108,972	109,229	112,208
THP2 US	30,716	31,246	30,898	30,858	31,831	31,452	30,895
THP3 Canada	14,994	15,049	15,444	15,790	15,687	15,905	15,324
Trinity Falls	114,014	111,545	107,882	105,502	100,544	98,723	96,902
Separate accounts	76,038	77,392	77,306	77,499	74,393	75,703	74,261
Side-cars	16,698	17,149	17,714	17,970	26,124	25,945	20,042
Tricon Housing Partners	**353,907**	**353,653**	**352,346**	**351,325**	**357,551**	**356,957**	**349,632**
Tricon Lifestyle Rentals							
Canada	134,846	119,314	71,290	71,918	64,878	60,876	57,739
U.S.	154,284	139,738	119,697	104,515	94,529	81,811	66,443
Tricon Lifestyle Rentals	**289,130**	**259,052**	**190,987**	**176,433**	**159,407**	**142,687**	**124,182**
Tricon Lifestyle Communities[3]	**–**	**–**	**146,000**	**137,780**	**136,371**	**134,310**	**132,406**
Principal investments	**$ 3,910,099**	**$ 3,860,217**	**$ 3,556,171**	**$ 3,383,525**	**$ 3,431,386**	**$ 3,325,283**	**$ 1,878,216**
PRIVATE FUNDS AND ADVISORY							
Tricon American Homes	**$ 497,500**	**$ 497,500**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Tricon Housing Partners							
THP1 US	26,324	26,687	26,711	26,729	29,168	29,428	31,413
THP2 US	176,115	192,603	200,171	226,524	232,039	233,741	226,642
THP1 Canada	–	106	626	634	638	643	726
THP2 Canada	22,820	23,110	23,603	24,257	24,304	23,374	22,544
THP3 Canada	105,841	104,046	105,284	108,203	108,774	104,115	101,589
Separate accounts	417,670	431,460	431,460	435,790	429,750	444,562	441,100
Side-cars	212,139	212,517	212,517	212,517	212,517	212,516	160,916
Syndicated investments	19,945	20,970	22,301	25,268	26,003	26,182	25,546
Tricon Housing Partners	**980,854**	**1,011,499**	**1,022,673**	**1,059,922**	**1,063,193**	**1,074,561**	**1,010,476**
Tricon Lifestyle Rentals	**275,918**	**268,364**	**178,555**	**178,862**	**170,819**	**156,419**	**145,423**
Private Funds and Advisory	**$ 1,754,272**	**$ 1,777,363**	**$ 1,201,228**	**$ 1,238,784**	**$ 1,234,012**	**$ 1,230,980**	**$ 1,155,899**
Total assets under management	**$ 5,664,371**	**$ 5,637,580**	**$ 4,757,399**	**$ 4,622,309**	**$ 4,665,398**	**$ 4,556,263**	**$ 3,034,115**

(1) USD/CAD exchange rates used at each balance sheet date are: at Sep 30, 2018: 1.2945; June 30, 2018: 1.3168; Mar 31, 2018: 1.2894; Dec 31, 2017; 1.2545; Sep 30, 2017: 1.2480; Jun 30, 2017: 1.2977; Mar 31, 2017: 1.3299.

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

(3) Tricon Lifestyle Communities assets under management were disposed of in the second quarter of 2018.

3.4 Subsequent events

On October 9, 2018, the Company completed the redemption of its outstanding 5.60% convertible unsecured subordinated debentures due March 31, 2020. Refer to Section 3.2.

On November 6, 2018, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after January 15, 2019 to shareholders of record on December 31, 2018.

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

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

4.1 Tricon American Homes

TAH continued to generate strong operating metrics during the quarter, led by the execution of its revenue management program and ongoing internalization of its repairs and maintenance functions. Highlights for the quarter include an 8.0% year-over-year same home NOI growth, 6.7% blended rent growth for the consolidated and same home portfolio, and a 60.9% NOI margin (or a 58.9% same home NOI margin).

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.

On August 31, 2018, TAH and TAH JV-1 finalized a purchase and sale agreement pursuant to which TAH sold 508 homes that it had acquired in the second and third quarters of 2018 to TAH JV-1 at cost (including renovation and closing costs). The net proceeds to Tricon (after repayment of underlying debt) were $37.0 million and no gain or loss was recorded.

TAH also purchased 810 homes during the quarter (771 homes net of dispositions) through its organic acquisition program for an average purchase price of $165,000 per home, which is inclusive of capital expenditures incurred to date. Of these acquisitions, 711 were acquired by TAH JV-1 and 99 were TAH wholly-owned homes. TAH is currently targeting an average of 800 acquisitions per quarter, recognizing that this figure may dip into the 700 to 800 range in the fourth quarter of 2018 and first quarter of 2019 as a result of fewer home listings in the winter months. As of September 30, 2018, TAH managed a portfolio of 16,619 rental homes (16,766 total homes, including 147 homes held for sale), of which 1,219 are owned by TAH JV-1.

TAH's stabilized occupancy rate (which excludes homes that were recently acquired and not yet leased) was 96.3% at September 30, 2018, reflecting strong market demand for rental homes. The leased portfolio occupancy rate decreased during the quarter from 95.2% at June 30, 2018 to 93.1% at September 30, 2018 as a result of significant acquisition volume during the quarter. Rent growth remained strong this quarter as TAH achieved average rent growth of 6.7% overall, comprised of 9.4% on new leases and 5.4% on renewals. This significant increase in rental rates reflects both market conditions and the positive impact of TAH's revenue management program.

TAH received $2.9 million of insurance proceeds during the quarter, of which $0.4 million was recorded against repairs and maintenance expense as a recovery of previously disbursed amounts and $2.5 million was recognized as non-recurring income. This relates to homes damaged in the third quarter of 2017 as a result of Hurricanes Harvey and Irma. These homes were insured under property and casualty insurance policies, which cover wind and flood damage, as well as business interruption costs, subject to certain deductibles and limits. TAH incurred total property damage costs of $4.1 million in 2017 and received $2.9 million in the third quarter of 2018 after deductibles. Hurricane Florence, which made landfall in the Carolinas in September 2018, did not cause significant damage to TAH's rental homes and did not materially impact the financial results.

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.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
TAH wholly-owned homes	15,547	15,995	15,584	15,218	16,594	16,660	7,821
TAH JV-1 homes	1,219	–	–	–	–	–	–
Total homes managed	16,766	15,995	15,584	15,218	16,594	16,660	7,821
Less homes held for sale	147	47	89	109	1,613	153	322
Rental homes	16,619	15,948	15,495	15,109	14,981	16,507	7,499
Homes acquired	810	505	396	160	–	9,054	168
Less homes disposed	(39)	(94)	(30)	(1,536)	(66)	(215)	(112)
Net homes acquired (disposed) during the quarter[1]	771	411	366	(1,376)	(66)	8,839	56
Occupancy	93.1%	95.2%	95.3%	95.8%	96.1%	96.9%	95.6%
Stabilized occupancy	96.3%	97.1%	96.9%	96.7%	96.7%	97.2%	96.5%
Annualized turnover rate	27.7%	30.9%	24.9%	27.6%	31.4%	31.2%	25.6%
Average monthly rent	$ 1,336	$ 1,315	$ 1,296	$ 1,283	$ 1,256	$ 1,243	$ 1,247
Average quarterly rent growth – renewal	5.4%	4.8%	4.3%	4.0%	4.0%	4.4%	4.3%
Average quarterly rent growth – new move-in	9.4%	9.4%	6.3%	5.0%	5.6%	5.7%	6.0%
Average quarterly rent growth – blended	6.7%	6.4%	5.0%	4.4%	4.6%	4.9%	5.0%

(1) Of the net homes acquired during the quarter, 711 were acquired by TAH JV-1. This figure excludes the 508 homes that TAH JV-1 purchased from TAH.

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 September 30 (in thousands of U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Total revenue[1]	$ 61,170	$ 59,838	$ 1,332	$ 176,751	$131,763	$ 44,988
Property taxes	9,472	9,266	(206)	27,366	20,068	(7,298)
Repairs, maintenance and turnover[2]	6,857	7,563	706	18,998	15,729	(3,269)
Property management fees	4,266	4,184	(82)	12,418	9,286	(3,132)
Property insurance	986	1,152	166	2,925	2,759	(166)
Homeowners' association (HOA) costs	772	720	(52)	2,234	1,667	(567)
Other direct expenses	1,147	1,091	(56)	3,039	2,435	(604)
Total operating expenses	23,500	23,976	476	66,980	51,944	(15,036)
Net operating income (NOI)	**$ 37,670**	**$ 35,862**	**$ 1,808**	**$ 109,771**	**$ 79,819**	**$ 29,952**
Net operating income (NOI) margin	**61.6%**	**59.9%**		**62.1%**	**60.6%**	
Net operating income (NOI), excluding impact of hurricanes	**$ 37,236**	**$ 36,854**	**$ 382**	**$ 109,337**	**$ 80,811**	**$ 28,526**
Net operating income (NOI) margin, excluding impact of hurricanes	**60.9%**	**61.6%**		**61.9%**	**61.3%**	
Fair value gain	42,345	62,985	(20,640)	155,706	92,686	63,020
Other expenses[3]	(6,720)	(20,959)	14,239	(27,503)	(62,440)	34,937
Interest expense[3]	(19,606)	(20,845)	1,239	(57,162)	(42,707)	(14,455)
Third-party investor interests	(39)	–	(39)	(39)	–	(39)
Investment income – TAH (per Tricon income statement)	**$ 53,650**	**$ 57,043**	**$ (3,393)**	**$ 180,773**	**$ 67,358**	**$ 113,415**

	Three months 2018	Three months 2017	Three months Variance	Nine months 2018	Nine months 2017	Nine months Variance
Warehouse credit facility interest	$ 1,459	$ 883	$ (576)	$ 5,326	$ 2,715	$ (2,611)
Securitization debt 2015-1 interest	–	3,415	3,415	–	8,815	8,815
Securitization debt 2016-1 interest	3,371	3,357	(14)	10,118	10,071	(47)
Securitization debt 2017-1 interest	4,169	1,798	(2,371)	12,506	1,798	(10,708)
Securitization debt 2017-2 interest	3,436	–	(3,436)	10,295	–	(10,295)
Securitization debt 2018-1 interest	3,158	–	(3,158)	5,711	–	(5,711)
Silver Bay acquisition warehouse facility interest	384	11,392	11,008	2,869	19,308	16,439
Term loan interest	3,629	–	(3,629)	10,337	–	(10,337)
Interest expense	$ 19,606	$ 20,845	$ 1,239	$ 57,162	$ 42,707	$ (14,455)
Weighted average interest rate	3.7%	4.1%		3.7%	3.7%	

(1) Includes bad debt expense of $489 (2017 – $713) and $1,388 (2017 – $1,738) for the three and nine months ended September 30, 2018, respectively.
(2) Includes $434 of non-recurring storm-related insurance recoveries (2017 – storm-related expenses of $992) for the three and nine months ended September 30, 2018.
(3) Refer to Section 3.1 for a discussion of other expenses and interest expense.

Total portfolio

During the third quarter of 2018, TAH's total revenue increased by $1.3 million or 2% to $61.2 million compared to $59.8 million in the same period in 2017. The increase of $1.3 million in rental revenue is attributable to the higher rent growth achieved across the entire portfolio in spite of having 3% fewer leased homes contributing to rental revenue. Note that the majority of the homes acquired in the third quarter of 2018 were vacant and did not contribute to NOI throughout the entire quarter, while the comparative period in 2017 included a full quarter of NOI generated from the 1,613 homes held for sale. The revenue growth throughout the quarter, partly offset by a 0.7% NOI margin decrease (as discussed below), contributed to a 1% net increase in NOI to $37.2 million in the third quarter of 2018 compared to $36.9 million in the same period in 2017.

TAH's NOI margin decreased to 60.9% compared to 61.6% for the same period in the prior year. The decrease is a result of higher turn costs associated with a larger number of homes turned this quarter (922 homes) compared to the same period in the prior year (895 homes) as well as operating costs incurred on vacant homes prior to occupancy with no offsetting revenue. These portfolio metrics exclude $1.0 million of non-recurring storm-related incremental expenses for the three months ended September 30, 2017 and $0.4 million of related insurance recoveries for the three months ended September 30, 2018.

TAH's fair value gain in the three months ended September 30, 2018 was $42.3 million compared to $63.0 million in the three months ended September 30, 2017. The gain during the quarter was a result of BPO valuations on 154 homes as well as HPI valuations (see Section 9.1) on the remaining homes, reflecting ongoing home price appreciation supported by strong demand fundamentals in TAH's target markets. The HPI increase this quarter was 1.5% (6.0% annualized) compared to a 1.2% HPI increase in the third quarter of 2017 (4.8% annualized). The combination of the BPO and HPI methodologies resulted in fair value growth of 1.5% in the third quarter of 2018 compared to 2.5% for the same period in 2017.

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 September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Investment income – TAH	$ 53,650	$ 57,043	$ (3,393)	$ 180,773	$ 67,358	$ 113,415
Fair value gain[1]	(42,345)	(62,985)	20,640	(155,706)	(92,686)	(63,020)
Third-party investor interests	39	284	(245)	39	706	(667)
Depreciation and non-cash items[2]	754	1,078	(324)	2,341	1,863	478
Deferred tax expense (recovery)	–	2,611	(2,611)	(2)	1,540	(1,542)
Deferred financing costs	307	(525)	832	644	(60)	704
Tricon's share of TAH JV-1 partner-level expenses	1,247	–	1,247	1,247	–	1,247
Funds from operations (FFO)	**$ 13,652**	**$ (2,494)**	**$ 16,146**	**$ 29,336**	**$ (21,279)**	**$ 50,615**
Transaction costs and non-recurring items[2,3]	(723)	12,557	(13,280)	7,648	44,284	(36,636)
Core funds from operations (Core FFO)	**$ 12,929**	**$ 10,063**	**$ 2,866**	**$ 36,984**	**$ 23,005**	**$ 13,979**

(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) Comparative periods have been reclassified to conform with the current period presentation.

(3) Results for the nine months ended September 30, 2018 include loan facility issuance costs of $7,570 and other non-recurring costs of $2,956 (including Silver Bay integration-related expenses of $851 and non-recurring legal costs of $890), offset by $2,878 in storm-related insurance recoveries. Results for the nine months ended September 30, 2017 include transaction costs of $12,030 related to the Silver Bay acquisition, Silver Bay integration-related expenses of $4,322, loan facility issuance costs of $26,378, repair costs for hurricane damage of $992, and other non-recurring costs of $562.

For the third quarter of 2018, Core FFO increased by $2.9 million or 28% to $12.9 million compared to $10.1 million in the same period in the prior year. This variance was driven by growth in NOI and lower interest expense associated with a lower debt balance and a decrease in the portfolio weighted average interest rate (see Section 3.1).

Same home portfolio

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

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars, except per home data)	2018	2017	Variance	2018	2017	Variance
Operating metrics – same home						
Rental homes	6,626	6,626	–	6,626	6,626	–
Occupancy[1]	95.4%	96.6%	(1.2%)	95.4%	96.6%	(1.2%)
Annualized turnover rate	32.6%	31.9%	(0.7%)	29.6%	30.8%	1.2%
Average monthly rent	$ 1,348	$ 1,291	$ 57	$ 1,348	$ 1,291	$ 57
Average quarterly rent growth – renewal	5.6%	4.3%	1.3%	4.9%	4.4%	0.5%
Average quarterly rent growth – new move-in	8.8%	3.7%	5.1%	7.8%	4.5%	3.3%
Average quarterly rent growth – blended	6.7%	4.1%	2.6%	5.9%	4.4%	1.5%

(1) Occupancy rate is presented as at period-end.

For the 6,626 homes comprising the same home portfolio, rent growth was 6.7% (including 8.8% on new leases), offsetting a 1.2% decrease in occupancy to 95.4% from 96.6% recorded in the same period in 2017. TAH is focused on finding the appropriate balance between occupancy and rent growth, leveraging its new revenue management program. The portfolio's annualized turnover in the three months ended September 30, 2018 was 32.6%, an increase of 0.7% from annualized turnover of 31.9% in the same period in 2017.

	Three months					Nine months				
For the periods ended September 30 (in thousands of U.S. dollars)	2018	% of revenue	2017	% of revenue	Variance ($)	2018	% of revenue	2017	% of revenue	Variance ($)
Income statement – same home										
Rental revenue	$ 25,212		$ 24,478		$ 734	$ 75,238		$ 72,575		$ 2,663
Fees and other revenue	788		689		99	1,837		1,986		(149)
Bad debt	(209)		(348)		139	(694)		(1,106)		412
Total revenue	25,791	100%	24,819	100%	972	76,381	100%	73,455	100%	2,926
Revenue growth					3.9%					4.0%
Property taxes	4,016	16%	3,908	16%	(108)	11,727	15%	11,287	15%	(440)
Repairs, maintenance and turnover	3,431	13%	3,661	15%	230	9,029	12%	9,195	13%	166
Property management fees	1,796	7%	1,727	7%	(69)	5,375	7%	5,179	7%	(196)
Property insurance	483	2%	592	2%	109	1,441	2%	1,780	2%	339
Homeowners' association (HOA) costs	323	1%	314	1%	(9)	968	1%	983	1%	15
Other direct expenses	545	2%	541	2%	(4)	1,451	2%	1,448	2%	(3)
Total operating expenses	10,594		10,743		149	29,991		29,872		(119)
Operating expense variance					1.4%					(0.4%)
Net operating income (NOI)	**$ 15,197**		**$ 14,076**		**$ 1,121**	**$ 46,390**		**$ 43,583**		**$ 2,807**
Net operating income (NOI) growth					**8.0%**					**6.4%**
Net operating income (NOI) margin	**58.9%**		**56.7%**			**60.7%**		**59.3%**		

Total revenue for the same home portfolio increased by $1.0 million or 4% to $25.8 million in the third quarter of 2018 compared to $24.8 million for the same period in the prior year. The increase in revenue is primarily a result of strong rent growth over the past twelve months, as well as lower bad debt expense driven by enhancements to TAH's resident screening process over the past 12 to 18 months, offset by lower occupancy.

Same home operating expenses decreased by $0.1 million or 1% to $10.6 million in the third quarter of 2018 from $10.7 million in the same period in 2017. This decrease is largely a result of reduced repairs, maintenance and turnover costs and lower property insurance expense, partly offset by higher property taxes and property management fees. Please see below for a full description of these expenses:

- **Property taxes** – Higher property taxes were accrued in the current quarter as home prices have appreciated in TAH's target markets. TAH is working with a property tax consultant to monitor tax assessments and challenge them where advisable.
- **Repairs, maintenance and turnover** – Lower costs were incurred as a result of benefits from internalizing the repairs and maintenance function and further process improvements.
- **Property management fees** – These fees are consistent with the comparative period and remain at approximately 7% of revenue.
- **Property insurance** – The 2018 insurance premiums are lower than the 2017 premiums as a result of scale-related savings.

In summary, with strong revenue growth and reduced expenses, same home NOI increased by 8.0% year-over-year to $15.2 million compared to $14.1 million in the third quarter of 2017. Same home NOI margin increased to 58.9% in the third quarter of 2018 (60.7% for the nine months ended September 30, 2018) from 56.7% in the same period in the prior year (59.3% for the nine months ended September 30, 2017). These same home metrics exclude the impact of non-recurring storm-related recoveries or expenses.

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, which is determined via the HPI or BPO methodologies discussed in Section 9.1, plus its own unfunded equity commitment.

	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%	$ 2,983,297	$ –	$ 2,983,297
TAH JV-1	33.7%	68,635	215,130	283,765
Total		**$ 3,051,932**	**$ 215,130**	**$ 3,267,062**

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. Tricon's share of TAH JV-1 net liabilities reflects the Company's 33.7% ownership share of the TAH JV-1 partner-level entities and is shown net of working capital and TAH JV-1 partner-level debt, representing the residual value attributable to Tricon. 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)		Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Purchase price of homes		$ 2,378,431	$ 2,259,951	$ 2,180,878	$ 2,122,574	$ 2,095,693	$ 2,237,442	$ 830,501
Cumulative capital expenditures[1]		252,218	234,301	220,058	208,764	222,347	207,927	199,282
Total cost basis of rental homes		$ 2,630,649	$ 2,494,252	$ 2,400,936	$ 2,331,338	$ 2,318,040	$ 2,445,369	$ 1,029,783
Cost of homes held for sale		15,816	4,078	11,904	10,779	166,973	15,901	31,920
Cumulative fair value adjustment[2]		540,698	496,682	453,998	375,870	293,044	230,059	210,293
Portfolio home price appreciation during the quarter		1.5%	1.7%	1.5%	1.4%	1.2%	1.2%	1.3%
Fair value of managed homes		**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**	**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**
Less projected future disposition fees		30,340	30,713	29,303	27,793	28,160	14,205	14,221
Fair value of managed homes, net	A	3,156,823	2,964,299	2,837,535	2,690,194	2,749,897	2,677,124	1,257,775
Add:								
Other net assets[3]	B	66,784	76,729	83,689	71,693	52,216	62,962	45,633
Less:								
Warehouse credit facility (LIBOR+3.00%)		74,443	99,687	216,251	184,167	42,376	73,608	68,626
Securitization debt 2015-1 (LIBOR+1.96%)		–	–	–	–	337,220	339,611	347,091
Securitization debt 2016-1 (3.59% fixed)		361,906	362,234	362,470	362,601	362,601	362,601	362,601
Securitization debt 2017-1 (3.50% fixed)		462,594	462,594	462,594	462,594	462,594	–	–
Securitization debt 2017-2 (3.58% fixed)		364,819	365,000	365,000	365,000	–	–	–
Securitization debt 2018-1 (3.86% fixed)		313,865	313,865	–	–	–	–	–
Silver Bay acquisition warehouse facility (LIBOR+3.26% blended)		22,602	25,926	154,570	155,828	778,915	1,197,902	–
Term loan (LIBOR+2.00%)		347,582	347,582	347,582	347,582	–	–	–
Total debt	C	1,947,811	1,976,888	1,908,467	1,877,772	1,983,706	1,973,722	778,318
Tricon's share of TAH JV-1 net liabilities[4]	D	32,603	–	–	–	–	–	–
Third-party investor interests[5]	E	135,231	–	–	–	–	–	–
Investments – TAH (per Tricon balance sheet)	**A+B−C−D−E**	**$ 1,107,962**	**$ 1,064,140**	**$ 1,012,757**	**$ 884,115**	**$ 818,407**	**$ 766,364**	**$ 525,090**
Fair value of TAH wholly-owned homes	F	$ 2,983,297	$ 2,995,012	$ 2,866,838	$ 2,717,987	$ 2,778,057	$ 2,691,329	$ 1,271,996
Fair value of TAH JV-1 homes	G	203,866	–	–	–	–	–	–
Fair value of managed homes	**H=F+G**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**	**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**
Tricon's ownership interest of total fair value	(F+33.7% of G)/H	96%	100%	100%	100%	100%	100%	100%
Cash		79,992	84,142	84,499	88,704	87,797	91,709	41,559
Debt-to-cost (net of cash)		70.6%	75.8%	75.6%	76.4%	76.3%	76.5%	69.4%
Debt-to-value (net of cash)		58.6%	63.2%	63.6%	65.8%	68.2%	69.9%	57.9%

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.
(2) Cumulative fair value adjustment is net of capital expenditures and third-party operator performance fees.
(3) Other net assets include working capital of Tricon SF Home Rental ULC and its wholly-owned subsidiaries.
(4) Tricon's share of TAH JV-1 net liabilities includes the Company's share of partner-level debt and working capital.
(5) The portion of the fair value of homes not attributable to the Company is adjusted for as third-party investor interests.

As at September 30, 2018, TAH's rental portfolio is diversified across 16 target markets. Market-level details on all the homes managed by TAH are presented below.

Geography	Total homes managed[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or renovation	Occupancy	Stabilized occupancy
Atlanta	4,052	3,985	3,701	81	203	92.9%	95.8%
Phoenix	1,864	1,844	1,753	14	77	95.1%	98.0%
Charlotte	1,716	1,712	1,539	38	135	89.9%	95.6%
Tampa	1,532	1,517	1,441	36	40	95.0%	96.2%
Dallas	1,321	1,316	1,198	47	71	91.0%	95.5%
Houston	1,066	1,066	945	62	59	88.6%	94.0%
Northern California	1,010	1,010	993	6	11	98.3%	98.3%
Southeast Florida	734	725	693	14	18	95.6%	95.7%
Las Vegas	601	601	586	6	9	97.5%	97.4%
Columbia	587	577	505	28	44	87.5%	95.1%
Indianapolis	518	518	468	28	22	90.3%	95.4%
Jacksonville	477	477	456	7	14	95.6%	97.2%
Orlando	443	439	433	–	6	98.6%	99.1%
San Antonio	308	302	239	16	47	79.1%	91.1%
Southern California	282	279	275	1	3	98.6%	99.3%
Reno	251	251	247	–	4	98.4%	98.4%
Tucson[2]	3	–	–	–	–	N/A	N/A
Columbus[2]	1	–	–	–	–	N/A	N/A
Total/Weighted average	**16,766**	**16,619**	**15,472**	**384**	**763**	**93.1%**	**96.3%**

Geography	Average purchase price per home	Average capital expenditures per home[3]	Average total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 126,000	$ 11,000	$ 137,000	1,778	$ 1,226	$ 0.69
Phoenix	167,000	6,000	173,000	1,698	1,219	0.72
Charlotte	123,000	18,000	141,000	1,595	1,216	0.76
Tampa	152,000	16,000	168,000	1,537	1,477	0.96
Dallas	138,000	14,000	152,000	1,563	1,401	0.90
Houston	124,000	20,000	144,000	1,604	1,332	0.83
Northern California	197,000	20,000	217,000	1,305	1,713	1.31
Southeast Florida	121,000	38,000	159,000	1,405	1,649	1.17
Las Vegas	164,000	11,000	175,000	1,648	1,301	0.79
Columbia	96,000	23,000	119,000	1,431	1,124	0.79
Indianapolis	117,000	19,000	136,000	1,566	1,202	0.77
Jacksonville	141,000	4,000	145,000	1,512	1,269	0.84
Orlando	171,000	4,000	175,000	1,500	1,374	0.92
San Antonio	112,000	26,000	138,000	1,615	1,293	0.80
Southern California	151,000	30,000	181,000	1,294	1,669	1.29
Reno	150,000	23,000	173,000	1,548	1,534	0.99
Tucson[2]	N/A	–	N/A	N/A	N/A	N/A
Columbus[2]	N/A	–	N/A	N/A	N/A	N/A
Total/Weighted average	**$ 140,000**	**$ 15,000**	**$ 155,000**	**1,602**	**$ 1,336**	**$ 0.83**

(1) Includes 147 homes held for sale.
(2) The homes in the Tucson and Columbus markets are classified as for sale and are not part of the rental portfolio in the occupancy and cost per home calculations.
(3) Average capital expenditures per home only reflects capital expenditures incurred by TAH and not by prior institutional owners, where applicable.

4.2 Tricon Housing Partners

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

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 57,810	$ 92,018	$ 9,429	$ 101,447	$ 271,222	$ 276,336	$ 122,822
THP2 US	7.5%	21,811	27,584	3,132	30,716	21,868	28	25,249
THP3 Canada	10.2%	9,627	9,171	5,823	14,994	9,627	4,541	10,537
Trinity Falls	100.0%	85,119	107,713	6,301	114,014	85,449	–	290,687
Separate accounts[2]	12.9%	56,894	67,738	8,300	76,038	72,042	27,338	130,432
Side-cars[3]	7.5%	20,781	13,963	2,735	16,698	20,878	1,650	27,658
Total		**$ 252,042**	**$ 318,187**	**$ 35,720**	**$ 353,907**	**$ 481,086**	**$ 309,893**	**$ 607,385**

Adjusted EBITDA[4] – Q3 2018 (3 months)	$	3,307
Annualized as a % of invested capital at September 30, 2018		5%

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

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

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

(4) Adjusted EBITDA is a non-IFRS measure. Refer to page 1, Non-IFRS measures and forward-looking statements.

For the three months ended September 30, 2018, THP Adjusted EBITDA of $3.3 million represented an annualized 5% net return on outstanding invested capital at cost. As discussed in prior quarters, THP continues to experience higher construction costs and extended development timelines, driven by labour constraints, lengthened municipal permitting and approvals, as well as increased competition for active-adult housing. While these challenges have negatively impacted investment income driven by the time value of money, the expected net cash and returns over time remain largely unchanged. THP continues to expect that these budget pressures will persist over the coming quarters as cash flows and budgets may continue to be extended and revised.

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

THP1 US

THP1 US investment income declined year-over-year as a result of budget revisions reflecting delays in the timing of expected cash flows. As discussed in prior quarters, the budget revisions are being driven by rising construction costs as a result of the aforementioned labour constraints and extended development timelines, as well as increased competition in the market for THP's active-adult projects. Despite these challenges, THP1 US is expected to generate future cash distributions of approximately $100 million to Tricon through 2020.

THP2 US

THP2 US distributed $8.4 million to its investors during the third quarter of 2018 from eight different investments, all of which are selling or leasing units and are in the positive cash flow phase of their life cycles. Two multi-family developments in Texas, The Kathryn (Frisco) and The Michael (Austin), were actively marketed for sale during the quarter as part of Tricon's planned exit of its purpose-built multi-family rental business in the United States.

Subsequent to quarter-end, The Michael was sold for net proceeds of $33.1 million, which represents a fund-level realized return on investment (ROI) of 1.8x and a realized internal rate of return (IRR) of 20% over a four-year investment period.

THP3 Canada

THP3 Canada distributed $9.4 million (C$12.1 million) to its investors in the third quarter of 2018. Distributions are largely the result of financing proceeds from the Massey Tower high-rise condominium development in Toronto and lot closing proceeds from the Mohogany master-planned community development in Calgary.

Trinity Falls

At the Trinity Falls master-planned community in Dallas-Fort Worth, Texas, a total of 18 lots were sold to homebuilders and 42 homes were sold by homebuilders to end consumers in the third quarter of 2018 compared to 22 lots and 52 homes sold in the same period in 2017. It is expected that both home and lot sales will remain tempered in 2018 as the project continues to change the product mix to deliver smaller and more affordable lots to homebuilders in late 2018 and early 2019.

Separate accounts

The Viridian master-planned community in Dallas-Fort Worth, Texas continued to perform generally as expected, with a total of 74 lots sold to homebuilders and 71 homes sold by homebuilders to end consumers in the third quarter of 2018 compared to 94 lot closings and 74 home sales in the same period in 2017.

Cross Creek Ranch in Houston, Texas continued to register higher year-over-year sales with 122 homes sold in the third quarter of 2018 compared to 71 in the same period in 2017. The increase in home sales is attributable to the strengthening Houston economy, driven by increasing oil prices. Significantly, all of the community's product offerings achieved an increase in home sales relative to the same period in 2017. In response to strong home sales, homebuilders continued to acquire lots with 138 lots closed in the third quarter of 2018 compared to 49 lot closings in the third quarter of 2017. The project distributed $17.0 million to investors in the third quarter of 2018 including $1.7 million to Tricon.

Grand Central Park in Houston, Texas continued to perform in line with expectations with 25 homes sold in the third quarter of 2018, most of which were entry-level townhomes, compared to 22 homes in the same period in 2017. In the third quarter of 2018, homebuilders acquired 6 lots compared to 19 lots in the same period in 2017. The decrease in lot closings was a result of delayed new phase lot deliveries, which have pushed lot closings to the following quarter.

Trilogy at Verde River, an active-adult community in Phoenix, Arizona, achieved 12 home sales in the third quarter of 2018 compared to 28 home sales in the same period in 2017. Sales decelerated during the quarter due to muted demand for the higher-priced home product and increased competition in the active-adult market. To address these challenges, a lower-priced affordable product line called "The Resort Collection" was introduced and is planned to launch in the second quarter of 2019. The project distributed $2.3 million in the third quarter of 2018, including $0.2 million to Tricon.

Side-cars

Trilogy at Vistancia West, an active-adult community in Phoenix, Arizona, sold 22 homes in the third quarter of 2018 compared to 31 homes in the same period in 2017. The change in home sales reflects a shift in strategy to manage the sales pace while maintaining profit margin. This was accomplished through programmatic price increases and close monitoring of demand. Vistancia West continues to track ahead of business plan year-to-date. The project distributed $2.3 million in the third quarter of 2018, including $0.2 million to Tricon.

Trilogy Lake Norman, an active-adult community in Charlotte, North Carolina, sold 28 homes in the third quarter of 2018 compared to 36 homes in the same period in 2017. Sales slowed during this quarter as a result of both price increases and higher competition in the market. In response to increased competition, the first of three lines from a new lower-priced affordable product line called "The Freedom Collection" was launched during the quarter. Additional product under the Freedom Collection is expected to launch by the end of 2018. The project distributed $4.5 million in the third quarter of 2018, including $0.3 million to Tricon.

Bedford Ranch (formerly Arantine Hills), a master-planned community in Corona, California, held its grand opening event at the end of the third quarter of 2018 and attracted approximately 2,000 visitors. The clubhouse, models and storm channel are now complete. With promising initial interest, sales will continue to be monitored over the coming months.

Total project inventory and sales summary

The following table outlines total units and total units sold (since inception of the THP Investment Vehicles included below) by market and by type to provide a comprehensive view of home and lot sales.

	Total units[2]					Total units sold				
As of September 30, 2018[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots[3]	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,092	27,460	6,371	1,557	46,173	348	6,982	3,986	1,407	32,373
Canada	268	3,692	1,035	5,384	195,060	202	2,757	789	5,071	181,860
Total units	**1,360**	**31,152**	**7,406**	**6,941**	**241,233**	**550**	**9,739**	**4,775**	**6,478**	**214,233**
As of December 31, 2017[1]										
U.S.	1,097	26,477	6,138	1,556	46,053	309	6,358	3,447	1,260	32,373
Canada	267	3,691	1,045	5,384	195,060	197	2,656	718	5,066	181,860
Total units	**1,364**	**30,168**	**7,183**	**6,940**	**241,113**	**506**	**9,014**	**4,165**	**6,326**	**214,233**

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

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

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

4.3 Tricon Lifestyle Rentals

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

	TLR principal investments				
(in thousands of U.S. dollars)	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	$ 46,296	$ 59,175	$ 30,419	$ 45,252	$ 134,846
TLR U.S.	58,720	82,385	70,286	1,613	154,284
Total	**$ 105,016**	**$ 141,560**	**$ 100,705**	**$ 46,865**	**$ 289,130**

(1) Investments – TLR per Tricon balance sheet of $116,243 includes the principal investments above of $141,560 as well as net liabilities and non-controlling interest of $25,317.

Operational highlights include the following:

Tricon Lifestyle Rentals – Canada

In the first nine months of 2018, TLR Canada demonstrated the ability to secure attractive development sites and to generate a growth pipeline in a competitive land market through its focus on strategic partnerships, building a clear path to scale. The portfolio has grown to six development projects, totaling ten buildings with approximately 2,700 units under active development at an aggregate expected cost of approximately C$1.3 billion. TLR Canada currently holds an approximate 30% equity interest in this portfolio, with the balance held by institutional and strategic partners in its various projects, and continues to evaluate new pipeline opportunities to complement its existing portfolio.

During the quarter, TLR Canada advanced entitlements, design and construction across its portfolio.

TLR Canada's first project in Toronto, The Selby, is nearing completion with initial occupancy expected towards the end of 2018. A lease for the ground floor retail tenant has been executed with Oliver & Bonacini Hospitality, which will operate a restaurant called Maison Selby. The Selby continues to anticipate benefiting from strong market rental demand and an overall gentrification of the Bloor East submarket by other major residential developers.

At 57 Spadina, shoring and excavation continues on site. Approximately 50% of all trade contracts have been secured on budget, and the project construction loan has been finalized. The Entertainment District submarket has sustained strong rental growth rates as it continues to be one of the most sought-after neighbourhoods in Toronto.

Scrivener Square remains in the pre-development stage, with TLR Canada and DiamondCorp having submitted an official plan and zoning by-law amendment application to the City of Toronto in 2017. A revised proposed 21-storey design with a mixed-used retail and commercial podium was approved by Toronto City Council; however, it is still subject to an appeal process. Construction is anticipated to commence in the last quarter of 2019.

The first phase of the West Don Lands development, Block 8/20, located immediately east of the Distillery District, is in design development. TLR Canada and its joint venture partners, Dream Unlimited Corp. and Kilmer Group, are working closely with a leading Danish architecture design practice, COBE, and one of Toronto's foremost residential architects, Architects Alliance, on the three buildings comprising Block 8/20. The approval process with the City of Toronto and its agency, Waterfront Toronto, is underway and construction is scheduled to begin in the third quarter of 2019. Design development of the three buildings comprising the second phase of the West Don Lands development, Block 3/4/7, is expected to commence in the coming months.

TLR Canada has assembled a design team for its most recent acquisition, 6 Gloucester, which is prominently located at the intersection of Yonge Street and Gloucester Street. Construction on the 232-unit building is scheduled to commence in the third quarter of 2019.

Tricon Lifestyle Rentals – U.S.

At The McKenzie, adjacent to Dallas' affluent Highland Park neighbourhood, construction of the 183-unit rental building progressed as planned with substantial completion of construction expected in late 2018. Lease-up continued with its first occupancy occurring during the quarter, and the building was 24% leased as of quarter-end.

At The Maxwell in Frisco, Texas, construction of the 325-unit rental building continued as planned with substantial completion of construction expected in early 2019. Lease-up continued with its first occupancy occurring during the quarter, and the building was 11% leased as of quarter-end.

Stabilization is projected in mid-2019 for both TLR U.S. projects.

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

	Location	TLR's share of Investment Vehicle	Projected construction Start	Projected construction End	Projected total cost ($000)	Projected rental units	Projected retail/office (sq. feet)	Projected development yield[1]
The Selby (592 Sherbourne)	Toronto, ON	15%	Q1 2015	Q4 2018	$ 140,300	502	~3,500	5.25–5.75%
57 Spadina	Toronto, ON	30%	Q1 2018	Q1 2021	116,400	286	44,762	5.25–5.75%
Scrivener Square	Toronto, ON	50%	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	Toronto, ON	25%	N/A	N/A	N/A	N/A	30,820	N/A
West Don Lands	Toronto, ON	33%	Q2 2019	~2023	TBD	~1,500	TBD	TBD
6 Gloucester	Toronto, ON	47%	Q4 2019	Q3 2022	94,900	232	3,200	4.75–5.25%
TLR CA		**~30%**			**~$ 1,000,000**	**~2,700**		
The McKenzie	Dallas, TX	90%	Q4 2015	Q4 2018	93,100	183	–	6.00–6.50%
The Maxwell	Frisco, TX	90%	Q2 2016	Q1 2019	58,900	325	–	5.50–6.00%
TLR US		**90%**			**~$ 200,000**	**~500**		
Total					**~$ 1,200,000**	**~3,200**		

(1) Projected timelines, costs, development yield and anticipated rentable building elements are forward-looking statements. Refer to page 1, Non-IFRS measures and forward-looking statements.

4.4 Private Funds and Advisory

Tricon manages $1.8 billion of third-party capital in connection with investments made alongside institutional investors including sovereign wealth funds, pension plans, endowments, strategic partners and high-net-worth 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.

With the launch of TAH JV-1 in the second quarter of 2018, Tricon now has third-party capital under management in all three of its investment verticals. This is a significant milestone, which adds immediate scale to Tricon's Private Funds and Advisory business and is expected to augment investment returns with management and performance fees.

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).

	Third-party investments			
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C
THP1 US	$ 22,621	$ –	$ 3,703	$ 26,324
THP2 US	149,716	–	26,399	176,115
Separate accounts[2]	355,154	–	62,516	417,670
Side-cars[3]	187,028	–	25,111	212,139
THP1 Canada	–	–	–	–
THP2 Canada	21,731	–	1,089	22,820
THP3 Canada	82,708	–	23,133	105,841
Canadian syndicated investments[4]	14,687	–	5,258	19,945
Subtotal – THP	**$ 833,645**	**$ –**	**$ 147,209**	**$ 980,854**
TLR Canada[5]	80,945	98,373	96,600	275,918
TAH[6]	74,730	68,323	354,447	497,500
Total	**$ 989,320**	**$ 166,696**	**$ 598,256**	**$ 1,754,272**

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

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

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

(5) TLR Canada includes The Selby, 57 Spadina, Scrivener Square/Shops of Summerhill, West Don Lands and 6 Gloucester.

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

Third-party AUM decreased by $23.1 million compared to June 30, 2018 yet remains at $1.8 billion. The decrease is primarily the result of distributions from THP investments, partially offset by an increase in project-level debt at TLR Canada.

During the third quarter of 2018, 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 September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Tricon American Homes						
Management fees	$ 1,003	$ –	$ 1,003	$ 1,047	$ –	$ 1,047
Subtotal – TAH	**$ 1,003**	**$ –**	**$ 1,003**	**$ 1,047**	**$ –**	**$ 1,047**
Tricon Housing Partners						
THP1 US	208	230	(22)	614	745	(131)
THP2 US	649	756	(107)	2,154	2,171	(17)
Separate accounts	997	1,052	(55)	3,049	2,943	106
Side-cars	370	440	(70)	1,169	1,167	2
U.S. syndicated investments	–	–	–	4	2	2
Trinity Falls	204	185	19	612	555	57
THP1 Canada	(4)	3	(7)	2	10	(8)
THP2 Canada	84	89	(5)	256	252	4
THP3 Canada	372	362	10	1,081	1,026	55
Canadian syndicated investments	51	68	(17)	160	200	(40)
Management fees and general partner distributions	2,931	3,185	(254)	9,101	9,071	30
Development fees – Johnson	2,586	2,049	537	7,077	6,755	322
Performance fees	472	113	359	1,318	471	847
Subtotal – THP	**$ 5,989**	**$ 5,347**	**$ 642**	**$ 17,496**	**$ 16,297**	**$ 1,199**
Tricon Lifestyle Rentals						
Management fees	214	208	6	637	589	48
Development fees – TDG	535	410	125	1,602	1,182	420
Subtotal – TLR	**$ 749**	**$ 618**	**$ 131**	**$ 2,239**	**$ 1,771**	**$ 468**
Total revenue	**$ 7,741**	**$ 5,965**	**$ 1,776**	**$ 20,782**	**$ 18,068**	**$ 2,714**

Private Funds and Advisory revenue for the three months ended September 30, 2018 increased by $1.8 million or 30% to $7.7 million from $6.0 million compared to the same period in the prior year. The increase is largely attributable to:

- An increase in management fees of $1.0 million earned from the new single-family rental joint venture (TAH JV-1).
- An increase in Johnson development fees of $0.5 million resulting from heightened commercial activity at Cross Creek Ranch and other Johnson communities compared to the same period in the prior year, which management attributes to a strengthening local economy and rising oil prices.
- An increase of $0.4 million in performance fees earned from THP1 Canada.

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 projects 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 Tricon remaining
(in thousands of U.S. dollars)	Gross ROI	Gross IRR	Net ROI	Net IRR	
THP1 US	2.2x	14%	1.7x	11%	$ 15,571
THP2 US	1.7x	13%	1.5x	10%	3,604
Separate accounts[1]	2.3x	15%	2.2x	14%	31,028
Side-cars[2]	1.4x	6%	1.4x	6%	–
THP1 Canada	2.0x	15%	1.6x	11%	7,294
THP2 Canada	1.6x	13%	1.4x	9%	–
THP3 Canada	1.9x	12%	1.5x	9%	–
Canadian syndicated investments and other[3]	2.0x	11%	1.9x	9%	2,359
Subtotal – THP					**$ 59,856**
TLR Canada[4]	2.5x	12%	2.4x	12%	10,213
TAH[5]	2.2x	14%	2.0x	12%	32,000
Total					**$ 102,069**

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

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

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

(4) TLR Canada includes The Selby, 57 Spadina, Scrivener Square/Shops of Summerhill, West Don Lands and 6 Gloucester. Performance fees are earned only on The Selby and 57 Spadina.

(5) TAH includes TAH JV-1.

The Johnson Companies LP ("Johnson")

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

For the periods ended September 30 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months			Nine months		
	2018	2017	Variance	2018	2017	Variance
Development fees – Johnson	$ 2,586	$ 2,049	$ 537	$ 7,077	$ 6,755	$ 322
Lot closings	658	712	(54)	1,687	1,856	(169)
Land sales (acres)	63	302	(239)	103	447	(344)
Third-party home sales	897	650	247	3,068	2,498	570

Lot sales for the three and nine months ended September 30, 2018 experienced a decline from the same periods in 2017, largely driven by fewer lot closings at Viridian, partially offset by increased lot sales at Cross Creek Ranch. Lot sales at newer communities continue to increase, and the overall outlook for lot sales remains strong across Johnson's portfolio given strong year-over-year third-party home sales. Meanwhile, land sales for the three and nine months ended September 30, 2018 decreased as a result of a one-time 300-acre sale in the third quarter of 2017. It should be noted that the development fees or sales commission associated with the one-time 300-acre sale in the prior year was significantly discounted and the overall increase in development fees in the current quarter reflects commercial land sales with non-discounted price points and lot closings with higher fee schedules.

Third-party home sales for the third quarter of 2018 within Johnson communities were 897 compared to 650 during the same period in 2017, an increase of 38% as a result of continued strong demand for housing in Texas which is expected to drive future lot sales. Johnson's reputation for developing high-quality master-planned communities is further evidenced by Johnson being the only master-planned community developer in the United States to have six (previously five in 2017) MPCs ranked in the top 50 in 2018 according to Robert Charles Lesser & Co. Real Estate Advisors. The increased demand for third-party homes at Johnson communities is expected to drive strong future lot sales as builders replenish their land inventory.

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 investment vertical.
- Repatriation of equity extracted through refinancings within TAH.
- Fee income from our Private Funds and Advisory business.

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

Working capital

As at September 30, 2018, Tricon had a net working capital surplus of $2.8 million, reflecting current assets of $24.9 million, offset by payables and accrued liabilities of $22.1 million.

5.3 Capital resources

Debt structure

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

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

As at September 30, 2018, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

The Company's Dividend Reinvestment Plan ("DRIP") provides eligible holders of common shares with the opportunity to reinvest their cash dividends paid on the Company's common shares to purchase additional common shares at a price equal to the average market price (as defined in the DRIP) on the applicable dividend payment date, less an applicable discount of up to 5% determined by the Board from time to time. In the current quarter, the Board approved a 1% discount.

On October 4, 2017, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid to repurchase up to 2,700,000 of its common shares during the twelve-month period commencing October 6, 2017 (the "NCIB"). To date, the Company has repurchased 1,414,831 of its common shares for C$15.0 million under the NCIB, of which 431,931 common shares were repurchased during the nine months ended September 30, 2018 for $3.7 million (C$4.6 million). Common shares that are purchased under the NCIB are cancelled by the Company.

On October 9, 2018, the Company completed the redemption of its outstanding 5.60% convertible unsecured subordinated debentures due March 31, 2020. Pursuant to the conversion option available to the holders of the debentures, an aggregate of 8,096,318 common shares were issued on the conversion of debentures following the redemption announcement. The remaining balance of the outstanding principal amount of the debentures was redeemed on the redemption date for an aggregate of 598,405 common shares. Including 816 common shares issued in the second quarter of 2018, the Company issued 8,695,539 common shares in connection with the conversion or redemption of C$85,693 aggregate principal amount of 2020 convertible debentures during 2018. See Section 3.2.

As of September 30, 2018, there were 138,744,258 common shares of the Company issued and outstanding.

6. NON-IFRS MEASURES

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

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

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

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

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months			Nine months		
		2018	2017	Variance	2018	2017	Variance
TAH Adjusted EBITDA	A	$ 73,721	$ 93,142	$ (19,421)	$ 248,356	$ 156,760	$ 91,596
THP Adjusted EBITDA	B	3,307	4,643	(1,336)	10,040	16,303	(6,263)
TLR Adjusted EBITDA	C	975	569	406	6,304	4,459	1,845
TLC Adjusted EBITDA	D	–	2,602	(2,602)	31,394	7,965	23,429
Fee income net of adjusted non-controlling interest	E	7,101	5,423	1,678	19,214	16,454	2,760
Adjusted EBITDA before corporate overhead		85,104	106,379	(21,275)	315,308	201,941	113,367
Adjusted compensation expense	F	(8,002)	(9,310)	1,308	(24,975)	(24,000)	(975)
General and administration expense		(2,147)	(1,275)	(872)	(7,142)	(5,188)	(1,954)
Adjusted EBITDA		**74,955**	**95,794**	**(20,839)**	**283,191**	**172,753**	**110,438**
Stock option expense		(309)	(238)	(71)	(925)	(940)	15
Adjusted interest expense	G	(27,052)	(27,326)	274	(80,453)	(59,072)	(21,381)
Adjusted amortization expense	H	(1,056)	(608)	(448)	(2,588)	(2,219)	(369)
Adjusted net income before taxes		**46,538**	**67,622**	**(21,084)**	**199,225**	**110,522**	**88,703**
Adjusted income tax expense	I	(5,528)	(10,712)	5,184	(21,705)	(16,382)	(5,323)
Adjusted net income		**$ 41,010**	**$ 56,910**	**$ (15,900)**	**$ 177,520**	**$ 94,140**	**$ 83,380**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.30**	**$ 0.42**	**$ (0.12)**	**$ 1.32**	**$ 0.76**	**$ 0.56**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.27**	**$ 0.37**	**$ (0.10)**	**$ 1.15**	**$ 0.70**	**$ 0.45**
Weighted average shares outstanding – basic		**135,066,491**	**134,509,774**	**556,717**	**134,619,881**	**124,428,127**	**10,191,754**
Weighted average shares outstanding – diluted		**162,298,437**	**162,610,991**	**(312,554)**	**161,875,071**	**144,809,853**	**17,065,218**

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 September 30, 2018, Adjusted EBITDA decreased by $20.8 million or 22% to $75.0 million compared to $95.8 million in the same period in the prior year. This decrease was mainly attributable to a reduction in TAH Adjusted EBITDA, which included a $20.6 million decrease in fair value gain offset by a $1.8 million increase in NOI driven by rental revenue growth and cost containment achieved across the TAH portfolio. Further, TLC Adjusted EBITDA decreased $2.6 million to nil this quarter as its portfolio of 14 manufactured housing communities was disposed of in June 2018.
- For the nine months ended September 30, 2018, Adjusted EBITDA increased by $110.4 million or 64% to $283.2 million compared to $172.8 million in the same period in the prior year. This increase was mainly attributable to significant growth in TAH and TLC Adjusted EBITDA. TAH Adjusted EBITDA growth was driven by a $63.0 million increase in fair value gain and a $30.0 million increase in NOI driven by the acquisition of Silver Bay (full nine months of NOI from Silver Bay homes in 2018 versus five months in 2017) as well as NOI growth achieved across the TAH portfolio. The increase in TLC Adjusted EBITDA was a result of the gain on disposal and a fair value gain booked in the first quarter for a total gain of $33.6 million before transaction costs.
- Adjusted net income, which excludes non-recurring items, decreased by $15.9 million or 28% to $41.0 million for the three months ended September 30, 2018 compared to $56.9 million for the same period in the prior year. The decrease is attributable to lower Adjusted EBITDA, as discussed above, partially offset by lower adjusted income tax expense.
- Adjusted net income increased by $83.4 million or 89% to $177.5 million for the nine months ended September 30, 2018 compared to $94.1 million for the same period in the prior year. The increase is attributable to higher Adjusted EBITDA, partially offset by higher adjusted interest expense as a result of: (i) a higher outstanding debt balance at TAH driven by the Silver Bay acquisition financing; and (ii) a higher outstanding balance and higher effective interest rate on the corporate credit facility throughout the year to date.
- Adjusted basic EPS decreased by $0.12 or 29% to $0.30 and increased by $0.56 or 74% to $1.32 for the three and nine months ended September 30, 2018, respectively, compared to $0.42 and $0.76 in the same periods in the prior year. Adjusted diluted EPS decreased by $0.10 or 27% to $0.27 and increased by $0.45 or 64% to $1.15 for the three and nine months ended September 30, 2018, respectively, compared to $0.37 and $0.70 in the same periods in the prior year. In the three months ended September 30, 2018, the decrease in Adjusted basic and diluted EPS is attributable to lower Adjusted net income for the reasons noted above. In the nine months ended September 30, 2018, the increase in Adjusted basic and diluted EPS is attributable to higher Adjusted net income for the reasons noted above, offset by a higher weighted average share count primarily as a result of the common shares issued in May 2017, along with the inclusion of the dilutive impact of all outstanding convertible debentures. In 2017, the 2022 convertible debentures were included on a weighted average basis for the five months they were outstanding during the period.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's consolidated financial statements for the three and nine months ended September 30, 2018.

For the periods ended September 30	Three months		Nine months	
(in thousands of U.S. dollars)	2018	2017	2018	2017
Net income	**$ 33,826**	**$ 57,512**	**$ 173,058**	**$ 43,624**
Non-recurring adjustments:				
Transaction costs at investment level	466	12,794	15,496	45,310
Transaction costs and formation costs	–	419	180	2,335
Non-cash adjustments:				
Non-controlling interest	(227)	147	(205)	243
Unrealized foreign exchange (gain) loss at investment level	(1,011)	(1,358)	1,093	(2,797)
Accrued LTIP expense (recovery)[1]	265	(185)	2,354	(592)
Debentures discount amortization	1,037	1,121	3,457	2,774
Net change in fair value of derivative financial instruments	629	(13,455)	(19,097)	9,863
Loss on debt extinguishment	5,349	–	5,349	–
Realized and unrealized foreign exchange expense (gain)	1,028	2,054	(1,949)	936
Tax effect of above adjustments (expense)	(352)	(2,139)	(2,216)	(7,556)
Adjusted net income[2]	**$ 41,010**	**$ 56,910**	**$ 177,520**	**$ 94,140**
Add:				
Stock option expense	$ 309	$ 238	$ 925	$ 940
Adjusted interest expense[2]	27,052	27,326	80,453	59,072
Adjusted amortization expense[2]	1,056	608	2,588	2,219
Adjusted income tax expense[2]	5,528	10,712	21,705	16,382
Adjusted EBITDA[2]	**$ 74,955**	**$ 95,794**	**$ 283,191**	**$ 172,753**

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

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

For the periods ended September 30 (in thousands of U.S. dollars)		Three months 2018	Three months 2017	Nine months 2018	Nine months 2017
Investment income – TAH per financial statements		**$ 53,650**	**$ 57,043**	**$ 180,773**	**$ 67,358**
Interest expense		19,606	20,845	57,162	42,707
Transaction costs, non-recurring and non-cash expenses		465	12,643	10,423	45,155
Tax expense (recovery)		–	2,611	(2)	1,540
TAH Adjusted EBITDA[1]	A	**$ 73,721**	**$ 93,142**	**$ 248,356**	**$ 156,760**
Investment income – THP per financial statements		**$ 3,309**	**$ 4,737**	**$ 9,506**	**$ 16,973**
Tax expense		151	136	235	49
Unrealized foreign exchange loss (gain)		(153)	(230)	299	(719)
THP Adjusted EBITDA[1]	B	**$ 3,307**	**$ 4,643**	**$ 10,040**	**$ 16,303**
Investment income – TLR per financial statements		**$ 1,189**	**$ 1,663**	**$ 4,753**	**$ 6,441**
Interest expense		256	34	331	96
Translation adjustment		(858)	(1,128)	794	(2,078)
Transaction costs, non-recurring and non-cash expenses		1	–	7	–
Tax expense		387	–	419	–
TLR Adjusted EBITDA[1]	C	**$ 975**	**$ 569**	**$ 6,304**	**$ 4,459**
Net income from discontinued operations – TLC per financial statements		**$ –**	**$ 1,946**	**$ 23,127**	**$ 5,340**
Interest expense		–	848	1,623	2,529
Transaction costs and non-cash expenses		–	151	5,066	155
Tax expense (recovery)		–	(343)	1,578	(59)
TLC Adjusted EBITDA[1]	D	**$ –**	**$ 2,602**	**$ 31,394**	**$ 7,965**
Contractual fees, GP distributions and performance fees per financial statements		**$ 7,741**	**$ 5,965**	**$ 20,782**	**$ 18,068**
NCI change per financial statements		**(227)**	**147**	**(205)**	**243**
NCI portion of amortization		(413)	(689)	(1,363)	(1,857)
Fee income net of adjusted non-controlling interest	E	**$ 7,101**	**$ 5,423**	**$ 19,214**	**$ 16,454**
Compensation expense per financial statements		**$ (8,576)**	**$ (9,363)**	**$ (28,254)**	**$ (24,348)**
Accrued LTIP expense (recovery)		265	(185)	2,354	(592)
Stock option expense		309	238	925	940
Adjusted compensation expense[1]	F	**$ (8,002)**	**$ (9,310)**	**$ (24,975)**	**$ (24,000)**
Interest expense per financial statements		**$ (8,227)**	**$ (6,720)**	**$ (24,794)**	**$ (16,514)**
TAH interest expense		(19,606)	(20,845)	(57,162)	(42,707)
TLR interest expense		(256)	(34)	(331)	(96)
TLC interest expense		–	(848)	(1,623)	(2,529)
Debentures discount amortization		1,037	1,121	3,457	2,774
Adjusted interest expense[1]	G	**$ (27,052)**	**$ (27,326)**	**$ (80,453)**	**$ (59,072)**
Amortization expense per financial statements		**$ (1,469)**	**$ (1,297)**	**$ (3,951)**	**$ (4,076)**
NCI portion of Johnson's amortization expense		413	689	1,363	1,857
Adjusted amortization expense[1]	H	**$ (1,056)**	**$ (608)**	**$ (2,588)**	**$ (2,219)**
Tax expense per financial statements		**$ (4,638)**	**$ (6,169)**	**$ (17,259)**	**$ (7,296)**
TAH tax (expense) recovery		–	(2,611)	2	(1,540)
THP tax expense		(151)	(136)	(235)	(49)
TLR tax expense		(387)	–	(419)	–
TLC tax recovery (expense)		–	343	(1,578)	59
Tax expense on non-recurring and non-cash expenses		(352)	(2,139)	(2,216)	(7,556)
Adjusted income tax expense[1]	I	**$ (5,528)**	**$ (10,712)**	**$ (21,705)**	**$ (16,382)**

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

8. OPERATIONAL KEY PERFORMANCE INDICATORS

8.1 Key performance indicators

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

Tricon 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 Housing Partners

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

8.2 Assets under management

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

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

ASSETS UNDER MANAGEMENT	
Principal Investments	
Tricon American Homes	• Fair value of investment properties and investment properties held for sale before projected future disposition fees plus unfunded commitment
Tricon Housing Partners	• Fair value of invested capital plus unfunded commitment
Tricon Lifestyle Rentals	• Fair value of development/investment properties 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[1]	• 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

(1) Although descriptions of AUM in past quarterly reports did not refer to project-level debt, the calculation of AUM has been consistently applied in all prior periods in accordance with the clarified language above.

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

The Company manages third-party capital in connection with investments made alongside institutional investors including sovereign wealth funds, pension plans, endowments, strategic partners and high-net-worth investors seeking exposure to North American residential real estate, including income-producing assets and development projects. 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 for services performed by Tricon Development Group Ltd. ("TDG") in respect of TLR projects in Canada. We view these fees as a means of enhancing returns from TLR Canada investments.

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

Tricon 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 4 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.

Tricon Lifestyle Rentals ("TLR")

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

9.2 Accounting estimates and policies

Accounting estimates

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

Accounting standards adopted in the current year

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

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

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

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

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

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

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

The Company has also adopted IFRS 16 in its consolidated financial statements effective January 1, 2018, together with its adoption of IFRS 15. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements as the Company had no significant operating lease arrangements. The Company entered into a new lease arrangement during the year which has been accounted for in accordance with IFRS 16, and is described in the notes to the condensed interim consolidated financial statements.

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

Accounting standards and interpretations issued but not yet adopted

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

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

9.3 Controls and procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the period ended September 30, 2018. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the nine months ended September 30, 2018 there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 Transactions with related parties

Tricon had a ten-year sub-lease commitment on the Company's previous head office premises with Mandukwe Company Inc., a company owned and controlled by a director of the Company. The sub-lease was terminated as at June 30, 2018.

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

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

9.5 Dividends

On November 6, 2018, the Board of Directors declared a dividend of seven cents per share in Canadian dollars payable on or after January 15, 2019 to shareholders of record on December 31, 2018.

9.6 Compensation incentive plan

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

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

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

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

9.7 Risk definition and management

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

10. HISTORICAL FINANCIAL INFORMATION

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

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Financial statement results				
Total revenue and investment income from continuing operations	$ 65,889	$ 54,014	$ 95,911	$ 60,226
Investment income from discontinued operations and gain from disposal of investments held for sale	–	19,602	1,568	1,187
Net income	33,826	39,763	99,469	25,724
Basic earnings per share	0.25	0.29	0.74	0.19
Diluted earnings per share	0.24	0.29	0.46	0.19

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Financial statement results				
Total revenue and investment income from continuing operations	$ 69,408	$ 13,820	$ 25,612	$ 20,114
Total investment income from discontinued operations	2,262	1,613	2,319	1,731
Net income (loss)	57,512	(21,643)	7,755	8,964
Basic earnings (loss) per share	0.43	(0.17)	0.07	0.21
Diluted earnings (loss) per share	0.29	(0.17)	0.07	0.17

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