MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Year Ended December 31, 2017

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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 expectations, projected Internal Rate of Return ("IRR"), Returns on Investment ("ROI"), expected performance fees and expected future cash flows; anticipated demand for homebuilding, lots, single-family rental homes, manufactured housing communities and luxury apartment suites; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home ("TAH")'s underwriting model; the intentions to build portfolios and attract investment in TAH, Tricon Lifestyle Communities ("TLC") and Tricon Lifestyle Rentals (formerly Tricon Luxury Residences) ("TLR") and the Company's investment horizon and exit strategy for each investment vertical, including the anticipated divestiture of TLC and TLR U.S. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's Annual Information Form dated February 27, 2018 (the "AIF") which is available on SEDAR at www.sedar.com and in Section 9.7 of this MD&A.

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

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

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

1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of February 27, 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 audited consolidated financial statements and related notes for the year ended December 31, 2017.

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 audited consolidated financial statements for the year ended December 31, 2017 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, 2016.

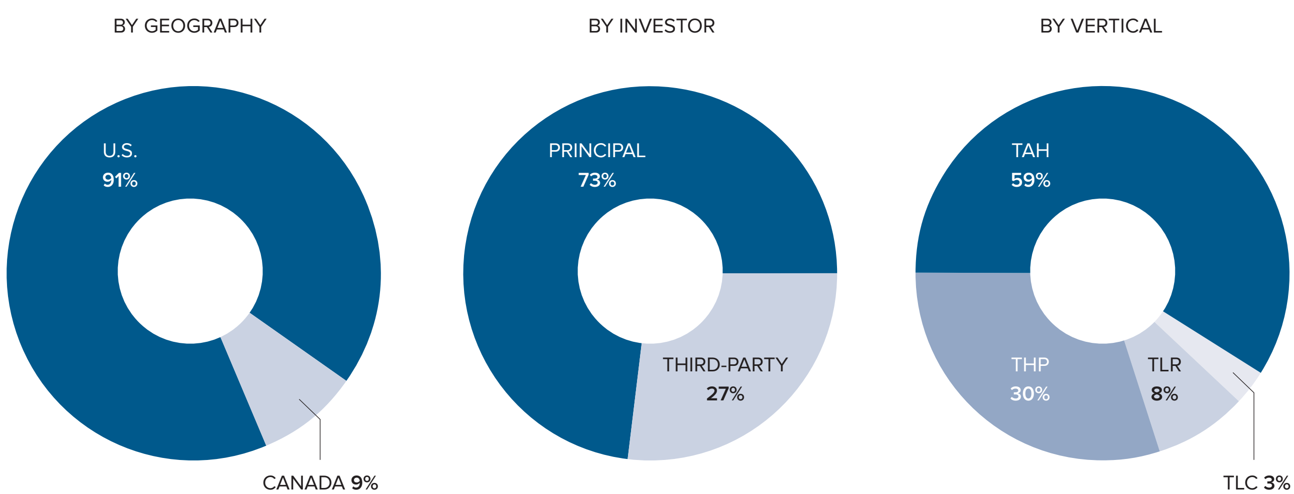
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a principal investor and asset manager focused on the residential real estate industry in North America with approximately $4.6 billion (C$5.8 billion) of assets under management as of December 31, 2017. Tricon owns, or manages on behalf of third-party investors, a portfolio of investments in land and homebuilding assets, single-family rental homes, manufactured housing communities and purpose-built rental apartments. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $19 billion.

$4.6 BILLION

Assets Under Management (AUM)



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

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

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

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

(iii) Tricon Lifestyle Communities ("TLC") – Investment in manufactured housing communities ("MHC"), where land parcels are leased to owners of prefabricated homes.

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

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

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

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

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

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

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

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

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

1.2 How we invest and create value

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

Tricon Housing Partners

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

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

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

Tricon American Homes

Our single-family rental home investment vertical, Tricon American Homes, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 390 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 May 9, 2017, TAH completed the acquisition of Silver Bay Realty Trust Corp. ("Silver Bay"). Silver Bay was a U.S. single-family rental Real Estate Investment Trust ("REIT") which owned 9,054 homes (as of May 9, 2017) and had a similar investment strategy to TAH whereby it targeted the Sun Belt and middle market households. With approximately 15,200 homes as of December 31, 2017, TAH is the third largest publicly-owned single-family rental company in the U.S.

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

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

Tricon's strategy for TLC has been to assemble a high-yielding, institutional-quality portfolio of largely age-restricted communities in a highly-fragmented market that is primarily dominated by private owners. Notwithstanding that TLC assembled a portfolio of 14 parks in Arizona and California in approximately two years, challenges to building sufficient scale remain and have been exacerbated by the recent influx of new capital into the industry. Accordingly, in an effort to simplify the overall business model and focus on housing sectors where Tricon can achieve scale and industry leadership, the Company has announced that it will be pursuing an orderly exit of the TLC manufactured housing business. In the interim, TLC has been executing on its existing value-added business plan, which includes implementing an ongoing capital expenditure program to enhance the quality of the parks and prepare them for sale. TLC's capital improvement program includes upgrading existing infrastructure and amenities, improving existing home quality by refurbishing in-place home inventory, purchasing new homes and professionally rebranding all communities. TLC believes the impact of these improvements will be an increase in occupancy and rental rates over time. The Company launched a formal sale process for the TLC portfolio in January 2018 (see Section 3.4).

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

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

In Canada, TLR acts as the sponsor or general partner of each project and typically provides 15–50% of the project equity alongside institutional investment partners. The Company earns management fees and potentially performance fees on the private capital it manages in this vertical as a means of enhancing its investment returns.

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.

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

Once Tricon has exited its TLC manufactured housing business and its U.S. multi-family developments in TLR, it will be left with three core investment verticals, namely land and homebuilding (THP), single-family rental (TAH) and Canadian purpose-built multi-family development (TLR Canada). 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 only focus on sectors where Tricon can achieve sufficient scale and industry leadership, as mentioned above. Tricon believes that its THP and TAH businesses are well-positioned to capitalize on the large millennial cohort (those born between 1980 and 2000) who are in the early stages of forming families, having children and ultimately moving to the suburbs where they can find relatively affordable single-family housing and good schools. The more affluent will continue to buy homes, benefiting Tricon's land and homebuilding investments, whereas the workforce may be more likely to rent single-family homes from institutional landlords such as TAH. In Canada, major housing affordability issues in cities such as Toronto and Vancouver will ultimately require more purpose-built rental supply, which TLR Canada 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		Twelve months	
For the periods ended December 31	2017	2016	2017	2016
Total revenue and investment income	$ 61,413	$ 21,845	$ 176,447	$ 111,400
Net income	25,724	8,964	69,348	59,760
Basic earnings per share	0.19	0.07	0.54	0.53
Diluted earnings per share	0.19	0.07	0.54	0.46
Dividends per share	C$ 0.065	C$ 0.065	C$ 0.26	C$ 0.26
Non-IFRS measures[1]				
Adjusted EBITDA	$ 96,956	$ 29,667	$ 269,709	$ 114,824
Adjusted net income	59,486	18,801	153,626	69,379
Adjusted basic EPS attributable to shareholders of Tricon	0.44	0.17	1.21	0.62
Adjusted diluted EPS attributable to shareholders of Tricon	0.39	0.16	1.10	0.58
As at December 31			2017	2016
Total assets			$ 1,430,723	$ 972,744
Total liabilities			502,428	229,083
Investments			1,342,051	896,726
Debt			383,604	168,857
Assets under management ("AUM")[2]			$ 4,622,309	$ 2,982,150

(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 value shown below represents Tricon's equity investment in each vertical.

For the periods ended December 31	Three months		Twelve months	
(in thousands of U.S. dollars, except for percentages and units)	2017	2016	2017	2016
TRICON HOUSING PARTNERS *(Refer to Sections 3.3 and 4.1)*				
Investments – THP			**$ 306,637**	**$ 301,787**
Investment income – THP	**$ 1,236**	**$ 10,098**	**18,209**	**27,550**
TRICON AMERICAN HOMES *(Refer to Sections 3.3 and 4.2)*				
Investments – TAH			**$ 884,115**	**$ 479,938**
Investment income – TAH	**$ 45,709**	**$ 3,439**	**113,067**	**50,081**
Net operating income (NOI)[1]	35,523	15,916	116,334	56,374
Net operating income (NOI) margin[1]	64.4%	59.5%	62.3%	59.6%
Core funds from operations	12,753	4,884	35,758	22,315
Total homes owned			15,218	7,765
Occupancy			95.8%	95.6%
Stabilized occupancy			96.7%	96.9%
Total number of homes in same home portfolio			4,412	4,412
Same home net operating income (NOI)[1]	10,790	10,016	41,182	37,246
Same home net operating income (NOI) growth[1]	7.7%	N/A	10.6%	N/A
Same home net operating income (NOI) margin[1]	64.1%	60.4%	61.7%	59.9%
TRICON LIFESTYLE COMMUNITIES *(Refer to Sections 3.3 and 4.3)*				
Investments – TLC			**$ 62,074**	**$ 52,591**
Investment income – TLC	**$ 1,187**	**$ 1,731**	**7,381**	**5,108**
Net operating income (NOI)	1,973	1,541	7,969	5,432
Net operating income (NOI) margin	55.2%	54.5%	56.8%	56.6%
Core funds from operations	839	597	3,570	2,182
Total number of rental sites			3,065	3,065
Occupancy			86.5%	82.2%
Long-term occupancy			72.8%	73.9%
TRICON LIFESTYLE RENTALS *(Refer to Sections 3.3 and 4.4)*				
Investments – TLR			**$ 89,225**	**$ 62,410**
Investment income – TLR	**$ 5,950**	**$ (1,246)**	**12,391**	**2,066**
Units under development			1,296	1,335
PRIVATE FUNDS AND ADVISORY *(Refer to Section 4.5)*				
Third-party assets under management			$ 1,238,784	$ 1,137,293
Contractual fees and GP distributions	**$ 7,277**	**$ 7,822**	**24,874**	**25,815**
Performance fees	**54**	**1**	**525**	**780**

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

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

3. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2017.

3.1 Review of income statements

Consolidated statements of income
For the periods ended December 31
(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)

	Three months			Twelve months		
	2017	2016	Variance	2017	2016	Variance
Revenue						
Contractual fees	$ 6,915	$ 7,489	$ (574)	$ 23,486	$ 24,518	$ (1,032)
General partner distributions	362	333	29	1,388	1,297	91
Performance fees	54	1	53	525	780	(255)
	7,331	7,823	(492)	25,399	26,595	(1,196)
Investment income						
Investment income – Tricon Housing Partners	1,236	10,098	(8,862)	18,209	27,550	(9,341)
Investment income – Tricon American Homes	45,709	3,439	42,270	113,067	50,081	62,986
Investment income – Tricon Lifestyle Communities	1,187	1,731	(544)	7,381	5,108	2,273
Investment income (loss) – Tricon Lifestyle Rentals	5,950	(1,246)	7,196	12,391	2,066	10,325
	54,082	14,022	40,060	151,048	84,805	66,243
Total revenue and investment income	**$ 61,413**	**$ 21,845**	**$ 39,568**	**$ 176,447**	**$ 111,400**	**$ 65,047**
Expenses						
Compensation expense	4,752	5,855	(1,103)	29,100	22,797	6,303
General and administration expense	2,086	1,828	258	7,274	6,643	631
Interest expense	7,207	3,105	4,102	23,721	11,798	11,923
Other expenses (income)	15,544	457	15,087	31,818	(960)	32,778
Realized and unrealized foreign exchange loss (gain)	945	(1,596)	2,541	1,881	(518)	2,399
	30,534	9,649	20,885	93,794	39,760	54,034
Income before income taxes	30,879	12,196	18,683	82,653	71,640	11,013
Income tax expense – current	586	1,187	(601)	4,889	1,579	3,310
Income tax expense – deferred	4,569	2,045	2,524	8,416	10,301	(1,885)
Net income	**$ 25,724**	**$ 8,964**	**$ 16,760**	**$ 69,348**	**$ 59,760**	**$ 9,588**
Attributable to:						
Shareholders of Tricon	$ 25,385	$ 8,371	$ 17,014	$ 69,252	$ 59,472	$ 9,780
Non-controlling interest	339	593	(254)	96	288	(192)
Net income	**$ 25,724**	**$ 8,964**	**$ 16,760**	**$ 69,348**	**$ 59,760**	**$ 9,588**
Basic EPS attributable to shareholders of Tricon	**$ 0.19**	**$ 0.07**	**$ 0.12**	**$ 0.54**	**$ 0.53**	**$ 0.01**
Diluted EPS attributable to shareholders of Tricon	**$ 0.19**	**$ 0.07**	**$ 0.12**	**$ 0.54**	**$ 0.46**	**$ 0.08**
Weighted average shares outstanding – basic	**134,369,333**	**112,840,046**	**21,529,287**	**127,152,721**	**112,490,019**	**14,662,702**
Weighted average shares outstanding – diluted[1]	**136,567,369**	**124,060,472**	**12,506,897**	**129,302,655**	**123,646,532**	**5,656,123**

(1) For the three and twelve months ended December 31, 2017, both of the Company's convertible debentures are anti-dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would have resulted in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amounts for the three and twelve months ended December 31, 2017, the impact of the convertible debentures was excluded (2016 – included).

The following discussion is based on selected line items of the consolidated statements of income for the three and twelve months ended December 31, 2017.

Contractual fees

The following table provides further details regarding contractual fees for the three and twelve months ended December 31, 2017.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Management fees – private Investment Vehicles	$ 2,987	$ 3,173	$ (186)	$ 11,621	$ 12,443	$ (822)
Development fees – TDG	404	385	19	1,586	1,488	98
Development fees – Johnson	3,524	3,931	(407)	10,279	10,587	(308)
Contractual fees	**$ 6,915**	**$ 7,489**	**$ (574)**	**$ 23,486**	**$ 24,518**	**$ (1,032)**

Contractual fees for the three months ended December 31, 2017 totaled $6.9 million, a decrease of $0.6 million from the same period in the prior year. The variance is attributable to:

- A decrease of $0.4 million in advisory fee revenue from Johnson due to a shift in sales mix. While the number of lot sales at Johnson communities increased year-over-year, Johnson made an active decision to sell smaller lots in response to a growing need for entry-level homes in light of rising affordability concerns, which in turn resulted in lower development fees per lot.
- A decrease of $0.2 million in management fees for the three months ended December 31, 2017 compared to the same period in the prior year, mainly attributable to lower investment balances in THP investments.

Contractual fees for the twelve months ended December 31, 2017 totaled $23.5 million, a decrease of $1.0 million from the prior year, largely attributable to the factors listed above that impacted the quarterly variance.

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three and twelve months ended December 31, 2017.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
THP1 US	$ 840	$ 2,924	$ (2,084)	$ 7,627	$ 14,587	$ (6,960)
THP2 US	(973)	582	(1,555)	400	2,123	(1,723)
THP3 Canada	164	(572)	736	528	439	89
Trinity Falls	4,958	1,862	3,096	10,422	3,330	7,092
Separate accounts[1]	4,401	4,827	(426)	6,436	6,176	260
Side-cars[2]	(8,154)	475	(8,629)	(7,204)	895	(8,099)
Investment income – THP	**$ 1,236**	**$ 10,098**	**$ (8,862)**	**$ 18,209**	**$ 27,550**	**$ (9,341)**

(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.

Investment income for the three months ended December 31, 2017 was $1.2 million, a decrease of $8.9 million compared to $10.1 million for the same period in 2016. The variance is mainly attributable to:

- A decrease of $8.6 million and $0.4 million in side-cars and separate accounts, respectively, as a result of fair value losses recorded for investments in three active-adult community developments. These projects are performing below THP's expectations as a result of a number of factors, including: (i) increased competition in the active-adult community segment; (ii) lower demand for premium-priced active-adult product (which is the market segment that THP is targeting), resulting in slower absorption and lengthened project timelines; and (iii) increased construction labour costs. As a result of these challenges, long-term cash flow projections were extended and adjusted downwards this quarter, which resulted in appraised values declining year-over-year. In addition, a fair value loss was recorded at the Arantine Hills master-planned community in Southern California as a result of a delayed development timeline and lower-than-anticipated initial lot sale prices.
- A decrease of $2.1 million in investment income from THP1 US as significant distributions were made throughout 2016 and 2017, thereby reducing the outstanding investment balance.
- A decrease of $1.6 million in investment income from THP2 US as a result of the aforementioned budget revisions to its co-investments in two active-adult community developments and Arantine Hills (see Section 4.1).
- An offsetting increase of $3.1 million from Trinity Falls resulting from a higher fair value gain due to the project's revised budget, which takes into account the acquisition of an additional 300 acres of adjacent land for future development, which is projected to substantially increase cash flow (see Section 4.1).

Investment income for the twelve months ended December 31, 2017 was $18.2 million, a net decrease of $9.3 million compared to $27.6 million for 2016. The variance is mainly attributable to the reasons discussed above.

Investment income – Tricon American Homes

The following table provides details regarding the components of investment income from TAH for the three and twelve months ended December 31, 2017.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Total revenue	$ 55,118	$ 26,731	$ 28,387	$ 186,881	$ 94,610	$ 92,271
Total operating expenses	(20,393)	(10,815)	(9,578)	(72,337)	(38,236)	(34,101)
Net operating income (NOI)[1,2]	**34,725**	**15,916**	**18,809**	**114,544**	**56,374**	**58,170**
Fair value gain[3]	51,307	9,099	42,208	143,993	41,061	102,932
Other expenses[3,4]	(20,748)	(15,101)	(5,647)	(83,188)	(26,482)	(56,706)
Interest expense	(19,575)	(6,475)	(13,100)	(62,282)	(20,872)	(41,410)
Investment income – TAH	**$ 45,709**	**$ 3,439**	**$ 42,270**	**$ 113,067**	**$ 50,081**	**$ 62,986**

(1) KPI measure; see Section 8.1.

(2) Includes $798 and $1,790 of non-recurring storm-related expenses for the three and twelve months ended December 31, 2017, respectively. Excluding the impact of storm-related expenses, the NOI would have been $35,523 and $116,334, respectively. See Section 4.2.

(3) Fair value gain is net of projected future disposition fees. Comparative periods have been reclassified to conform with the current period presentation.

(4) Other expenses are comprised of:

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Corporate overhead	$ (2,557)	$ (8,371)	$ 5,814	$ (18,302)	$ (19,182)	$ 880
Transaction costs and non-recurring costs	(17,880)	(10,560)	(7,320)	(62,217)	(13,878)	(48,339)
Depreciation of fixed assets	(361)	(131)	(230)	(1,179)	(451)	(728)
Deferred tax recovery (expense)	50	3,961	(3,911)	(1,490)	7,029	(8,519)
Other expenses	**$ (20,748)**	**$ (15,101)**	**$ (5,647)**	**$ (83,188)**	**$ (26,482)**	**$ (56,706)**

TAH's investment income for the three months ended December 31, 2017 was $45.7 million, an increase of $42.3 million compared to $3.4 million for the same period in 2016. Excluding the impact of transaction costs and non-recurring costs, investment income for the quarter would have been $63.6 million, an increase of $49.6 million compared to $14.0 million for the same period in the prior year. The increase is attributable to:

- An increase of $18.8 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description), largely as a result of the NOI contribution of the Silver Bay homes acquired in the second quarter of 2017 and improved operating performance of the legacy TAH portfolio.
- An increase of $42.2 million in fair value gain as a result of home price appreciation (determined by using Broker Price Opinions ("BPOs") on 2,518 homes and the Home Price Index ("HPI") methodology on the remaining homes (see Section 9.1)), net of capital expenditures. The HPI increase this quarter was 1.4% (5.6% annualized) compared to a 0.9% (3.6% annualized) increase in the fourth quarter of 2016, and was applicable to a larger portfolio given the inclusion of the Silver Bay homes.
- The aforementioned increases were offset by a $13.1 million increase in interest expense, attributable to a higher outstanding debt balance resulting from growth in the portfolio size, combined with an increase in weighted average interest rate (3.8% for Q4 2017 versus 3.1% for Q4 2016). The higher interest rate was largely driven by a 75 basis point increase in LIBOR over the last twelve months, which serves as the base rate for TAH's floating rate debt instruments. TAH has been actively refinancing short-term floating rate debt instruments with longer-term fixed-rate instruments, which reduces ongoing exposure to LIBOR fluctuations (see Section 4.2).
- Lastly, investment income increases were also offset by a $5.6 million increase in other expenses, mainly non-recurring transaction costs, as a result of TAH's multiple debt financing and refinancing activities during the quarter (see Section 4.2).

Investment income for the twelve months ended December 31, 2017 was $113.1 million, an increase of $63.0 million from $50.1 million for 2016. Excluding the impact of transaction costs and non-recurring costs, investment income for the year would have been $175.3 million, an increase of $111.3 million compared to $64.0 million for the prior year. The variance is attributed to the same reasons described above, including an increase in fair value gain, additional NOI contribution from the acquisition of Silver Bay, and NOI growth in the legacy TAH portfolio, which were offset primarily by the higher interest expense and non-recurring transaction costs related to the acquisition of Silver Bay and financing/refinancing activities (see Section 4.2).

Investment income – Tricon Lifestyle Communities

The following table provides details regarding investment income from TLC for the three and twelve months ended December 31, 2017.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Total revenue	$ 3,577	$ 2,825	$ 752	$ 14,019	$ 9,591	$ 4,428
Total operating expenses	(1,604)	(1,284)	(320)	(6,050)	(4,159)	(1,891)
Net operating income (NOI)[1]	**1,973**	**1,541**	**432**	**7,969**	**5,432**	**2,537**
Other income (expenses)	(22)	863	(885)	(741)	455	(1,196)
Fair value gain	90	54	36	3,536	1,766	1,770
Interest expense	(854)	(727)	(127)	(3,383)	(2,545)	(838)
Investment income – TLC	**$ 1,187**	**$ 1,731**	**$ (544)**	**$ 7,381**	**$ 5,108**	**$ 2,273**

(1) KPI measure; see Section 8.1.

For the three months ended December 31, 2017, investment income from TLC was $1.2 million compared to $1.7 million for the same period in the prior year. This was primarily attributable to the effect of:

- An increase of $0.4 million in NOI associated with a greater number of properties owned (14 properties at the beginning of Q4 2017 compared to 11 properties at the beginning of Q4 2016), along with rental rate increases and occupancy improvements following successful capital enhancement programs at the existing communities.
- Other income decreased by $0.9 million in this quarter compared to the same period in the prior year, resulting from a decrease in deferred tax recovery, along with increased home sales expenses and non-recurring professional fees related to preparation for Tricon's exit from the TLC manufactured housing business.

Investment income from TLC for the twelve months ended December 31, 2017 was $7.4 million compared to $5.1 million for the prior year. This $2.3 million increase was primarily attributable to the factors noted above, as well as a $1.8 million increase in fair value gain as a result of NOI growth and the substantial completion of capital enhancement programs at Longhaven and Glenhaven, which positively impacted their fair value. This was offset by an increase in home sales expenses and non-recurring professional fees, included in other expenses, along with an increase in interest expense associated with financing the acquisition of communities in 2016.

Investment income – Tricon Lifestyle Rentals

The following table provides details regarding investment income from TLR for the three and twelve months ended December 31, 2017.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Rental revenue	$ 249	$ 233	$ 16	$ 1,131	$ 618	$ 513
Other income (expenses)[1]	(2,959)	445	(3,404)	(1,413)	(1,453)	40
Fair value gain	8,660	(1,924)	10,584	12,673	2,901	9,772
Investment income – TLR	**$ 5,950**	**$ (1,246)**	**$ 7,196**	**$ 12,391**	**$ 2,066**	**$ 10,325**

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Non-controlling interests	$ 242	$ 1,048	$ (806)	$ 82	$ (1,200)	$ 1,282
Corporate overhead	(81)	–	(81)	(357)	(27)	(330)
Interest expense	(32)	(31)	(1)	(128)	(67)	(61)
Translation adjustment	(157)	(572)	415	1,921	(159)	2,080
Deferred tax expense	(2,931)	–	(2,931)	(2,931)	–	(2,931)
Other income (expenses)	**$ (2,959)**	**$ 445**	**$ (3,404)**	**$ (1,413)**	**$ (1,453)**	**$ 40**

For the three months ended December 31, 2017, investment income from TLR was $6.0 million, which was $7.2 million higher than the same period in the prior year. The main drivers of this variance include:

- An increase of $10.6 million attributable to a fair value gain of $8.7 million in the fourth quarter compared to a fair value loss of $1.9 million in the comparative period in 2016. The fair value gain in the current period included $8.2 million from TLR Canada projects as a result of a significant increase in land values and the achievement of development milestones. In comparison, the fair value loss experienced in the fourth quarter of 2016 related to a change in the construction budget and a revision to the timeline of completion for The McKenzie investment in TLR U.S.
- This was offset by a $3.4 million increase in other expenses, which was driven by an income tax expense of $2.9 million related to the fair value gains recognized on TLR Canada projects.

Investment income from TLR for the year was $12.4 million, an increase of $10.3 million compared to $2.1 million in the prior year.

- This was primarily attributable to fair value gains of $8.2 million in TLR Canada and $4.4 million in TLR U.S., compared to $1.4 million and $1.5 million, respectively, in 2016 as noted above.
- Other income increased by $2.1 million from a favourable currency translation adjustment in TLR Canada due to the strengthening Canadian dollar. Additionally, non-controlling interest expense was reduced by $1.3 million as a result of a greater proportion of construction costs being contractually allocated to the minority partner.
- These increases were offset by a higher income tax expense of $2.9 million as discussed above; as a result, other expenses remained consistent compared to 2016.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Salaries and benefits	$ 3,901	$ 3,403	$ 498	$ 14,169	$ 12,207	$ 1,962
Annual incentive plan ("AIP")	(1,499)	749	(2,248)	11,205	7,474	3,731
Long-term incentive plan ("LTIP")	2,350	1,703	647	3,726	3,116	610
Total compensation expense	**$ 4,752**	**$ 5,855**	**$ (1,103)**	**$ 29,100**	**$ 22,797**	**$ 6,303**

Compensation expense for the three months ended December 31, 2017 decreased by $1.1 million compared to the same period in the prior year, largely attributable to decreases in AIP. AIP expense was estimated at 15% of EBITDA for Bonus Purposes (see Section 9.6) throughout the year and final bonuses were determined in the fourth quarter based on Company, departmental and individual performance. The $1.5 million reversal to AIP expense in the fourth quarter represents the final adjustment to the initial estimation, resulting in a full-year AIP expense equal to 9% of EBITDA for Bonus Purposes. The decrease in AIP was offset by a $0.6 million increase in LTIP expense, reflecting changes in fair values for separate accounts. Additionally, the Company incurred an increase in payroll costs in the quarter attributable to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments.

Compensation expense for the twelve months ended December 31, 2017 increased by $6.3 million compared to the prior year. The increase was primarily due to a $3.7 million increase in AIP expense, which was driven by better performance across various investment verticals, thus resulting in higher EBITDA for Bonus Purposes, as well as higher salaries expense of $2.0 million caused largely by staffing additions and an increase in LTIP as described above.

General and administration expense

General and administration expense for the year ended December 31, 2017 showed a marginal increase of $0.6 million compared to the same period in the prior year, in line with expectations.

Interest expense

The table below provides a summary of interest expense.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Credit facility interest	$ 2,087	$ 1,636	$ 451	$ 6,580	$ 6,138	$ 442
Debentures interest	3,909	1,007	2,902	13,156	3,879	9,277
Debentures discount amortization	1,175	462	713	3,949	1,781	2,168
Mortgage interest	36	–	36	36	–	36
Total interest expense	**$ 7,207**	**$ 3,105**	**$ 4,102**	**$ 23,721**	**$ 11,798**	**$ 11,923**

Interest expense was $7.2 million for the three months ended December 31, 2017 compared to $3.1 million for the same period last year, an increase of $4.1 million. The increase was primarily driven by incremental debentures interest expense of $2.9 million and debentures discount amortization of $0.7 million in respect of the extendible convertible unsecured subordinated debentures issued on March 17, 2017 (the "2022 convertible debentures" – refer to Section 3.2, Debt).

Similarly, interest expense for the twelve months ended December 31, 2017 increased by $11.9 million to $23.7 million, primarily as a result of the incremental $9.3 million debentures interest expense and $2.2 million debentures discount amortization associated with the 2022 convertible debentures.

Other expenses (income)

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Net change in fair value of derivative financial instruments	$ 13,413	$ (1,032)	$ 14,445	$ 23,276	$ (8,607)	$ 31,883
Transaction costs	832	85	747	3,167	1,829	1,338
Amortization expense	1,299	1,404	(105)	5,375	5,818	(443)
Total other expenses (income)	**$ 15,544**	**$ 457**	**$ 15,087**	**$ 31,818**	**$ (960)**	**$ 32,778**

There was a net increase in the fair value of the conversion feature of the Company's outstanding convertible debentures for the three and twelve months ended December 31, 2017 (2016 – net decrease), which is reflected as an expense (2016 – income) of the Company. The value of the conversion feature increased largely because of a meaningful increase in Tricon's share price on the TSX for the three and twelve months ended December 31, 2017. The share price of the Company is one of the key drivers affecting the value of the derivative.

Income tax expense

Income tax expense for the twelve months ended December 31, 2017 increased by $1.4 million as a result of an increase in the current tax expense of $3.3 million, which was offset by a decrease in the deferred tax expense of $1.9 million. The increase in current tax expense over the prior year was the result of non-capital losses utilized in 2016 against taxable income in prior years, resulting in current tax recoveries. The decrease in deferred tax expense over the prior year was the result of higher non-capital losses that are available to apply against taxable income in future periods.

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Assets					
Cash	$ 14,813	$ 9,687	$ 7,206	$ 22,680	$ 17,780
Amounts receivable	13,506	11,148	18,181	18,801	16,892
Prepaid expenses and deposits	622	5,280	4,191	3,660	2,599
Cash held in escrow	–	–	–	148,310	–
Investments – Tricon Housing Partners	306,637	305,118	301,378	297,512	301,787
Investments – Tricon American Homes	884,115	818,407	766,364	525,090	479,938
Investments – Tricon Lifestyle Communities	62,074	59,994	56,929	54,910	52,591
Investments – Tricon Lifestyle Rentals	89,225	82,706	79,250	73,607	62,410
Intangible assets	20,016	21,214	22,410	23,626	24,967
Deferred income tax assets	23,937	22,390	19,330	13,969	12,404
Other assets	15,778	1,267	1,246	1,345	1,376
Total assets	**$ 1,430,723**	**$ 1,337,211**	**$ 1,276,485**	**$ 1,183,510**	**$ 972,744**
Liabilities					
Amounts payable and accrued liabilities	$ 11,273	$ 18,315	$ 20,903	$ 10,965	$ 10,892
Dividends payable	6,906	6,988	6,702	5,524	5,459
Long-term incentive plan	15,224	13,522	13,246	12,509	13,359
Debt	383,604	315,898	301,680	56,216	168,857
Other liabilities	–	–	–	313,260	–
Deferred income tax liabilities	47,927	41,777	34,103	33,461	30,488
Derivative financial instruments	37,494	24,081	37,534	4,195	28
Total liabilities	**502,428**	**420,581**	**414,168**	**436,130**	**229,083**
Equity					
Share capital	713,553	716,461	713,428	569,552	567,677
Contributed surplus	16,754	19,568	16,574	15,682	15,835
Cumulative translation adjustment	19,184	17,063	18,408	19,316	18,711
Retained earnings	167,849	152,373	101,702	130,047	127,691
Total shareholders' equity	917,340	905,465	850,112	734,597	729,914
Non-controlling interest	10,955	11,165	12,205	12,783	13,747
Total equity	**928,295**	**916,630**	**862,317**	**747,380**	**743,661**
Total liabilities and equity	**$ 1,430,723**	**$ 1,337,211**	**$ 1,276,485**	**$ 1,183,510**	**$ 972,744**

Investments – Tricon Housing Partners

As shown in the table below, investments in THP increased by $4.9 million to $306.6 million as at December 31, 2017, from $301.8 million as at December 31, 2016. The increase is a result of investment income of $18.2 million combined with aggregate advances to Investment Vehicles of $21.5 million across the portfolio. These increases were partially offset by distributions of $34.9 million, of which $26.6 million was distributed from THP1 US.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income (loss)	Distributions	As at December 31, 2017
THP1 US	$ 111,744	$ –	$ 7,627	$ (26,640)	$ 92,731
THP2 US	25,260	1,351	400	(28)	26,983
THP3 Canada	9,537	224	528	(638)	9,651
Trinity Falls	77,195	7,684	10,422	–	95,301
Separate accounts[1]	60,926	8,893	6,436	(7,120)	69,135
Side-cars[2]	17,125	3,344	(7,204)	(429)	12,836
Investments – THP	**$ 301,787**	**$ 21,496**	**$ 18,209**	**$ (34,855)**	**$ 306,637**

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

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

Investments – Tricon American Homes

Investments in TAH increased by $404.2 million to $884.1 million as at December 31, 2017, from $479.9 million as at December 31, 2016. The increase was driven by advances of $354.1 million, primarily for the acquisition of Silver Bay, and investment income of $113.1 million (consisting of $144.0 million of fair value gains and $114.5 million of NOI, offset by $62.2 million of non-recurring transaction costs, $62.3 million of interest expense and $20.9 million of other expenses). This increase was partly offset by cash distributions of $63.0 million.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at December 31, 2017
Investments – TAH	**$ 479,938**	**$ 354,110**	**$ 113,067**	**$ (63,000)**	**$ 884,115**

Investments – Tricon Lifestyle Communities

Investments in TLC increased by $9.5 million to $62.1 million as at December 31, 2017, from $52.6 million as at December 31, 2016, primarily as a result of net operating income and fair value gains (see Section 3.1), along with $2.1 million of advances for ongoing capital enhancement initiatives.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at December 31, 2017
Investments – TLC	**$ 52,591**	**$ 2,102**	**$ 7,381**	**$ –**	**$ 62,074**

Investments – Tricon Lifestyle Rentals (formerly Tricon Luxury Residences)

Investments in TLR increased by $26.8 million to $89.2 million as at December 31, 2017, from $62.4 million as at December 31, 2016. The investment balance is comprised of $35.5 million invested in TLR Canada and $53.7 million invested in TLR U.S. The overall increase during the year ended December 31, 2017 was mainly driven by $12.7 million of fair value gains (see Section 3.1) and by advances made to existing projects in the U.S.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at December 31, 2017
Investments – TLR	**$ 62,410**	**$ 14,424**	**$ 12,391**	**$ –**	**$ 89,225**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total principal amount	Maturity date	Interest rate terms	December 31, 2017	December 31, 2016
Revolving term credit facility	USD	$ 365,000	June 2020	LIBOR+3.25%	$ 161,500	$ 113,750
2020 convertible debentures	CAD	$ 85,693	March 2020	5.60%	60,951	55,107
2022 convertible debentures	USD	$ 172,500	March 2022	5.75%	153,196	–
Mortgage	CAD	$ 10,000	November 2024	4.38%	7,957	–
					$ 383,604	**$ 168,857**

(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 are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at December 31, 2017: 1.2545 and at December 31, 2016: 1.3427.

The Company has access to a $365.0 million corporate revolving credit facility provided by a syndicate of lenders. As of December 31, 2017, $161.5 million was drawn from the facility.

As of December 31, 2017, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "2020 convertible debentures") which, in the aggregate, are convertible into 8,744,184 common shares of the Company at a conversion price of C$9.80 per common share. The 2020 convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met. In 2017, $28,000 (C$38,000) of 2020 convertible debentures were converted into 3,877 common shares.

As of December 31, 2017, 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$13.12 as of December 31, 2017). In 2017, there were no conversions of the 2022 convertible debentures.

On November 22, 2017, the Company obtained an $8.0 million (C$10.0 million) mortgage loan to purchase a commercial condominium, which will serve as the Company's new head office in Toronto. The mortgage carries a fixed interest rate of 4.38% and has a seven-year term to maturity.

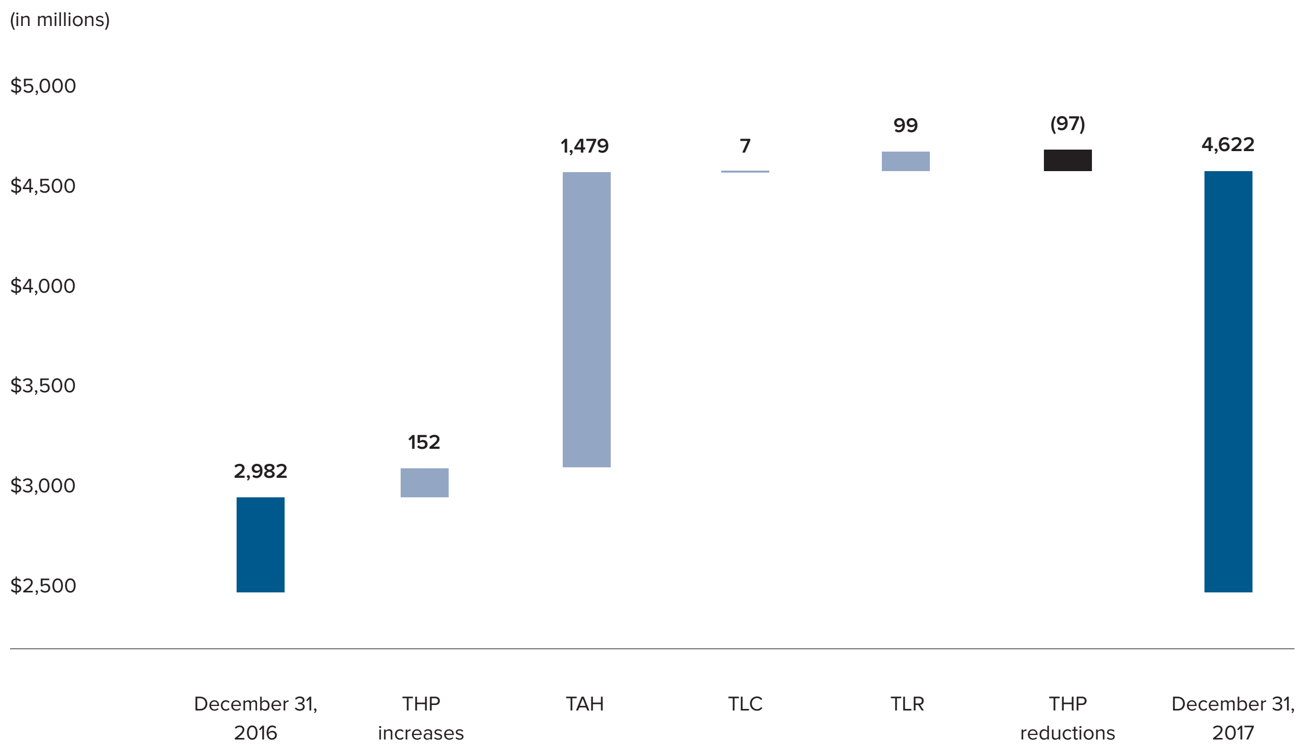
3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.1) were $4.6 billion as at December 31, 2017, representing an increase of $1.6 billion since December 31, 2016. Refer to Section 8.2 for a detailed description of AUM.

As shown in the chart below, which summarizes the changes in AUM over the period on a vertical-by-vertical basis, the changes in AUM since December 31, 2016 were:

- A $151.9 million increase in THP AUM as a result of $123.3 million of advances primarily to separate accounts, side-cars, THP2 US and Trinity Falls, as well as $28.6 million of fair value gains.
- An increase of $1.5 billion in TAH AUM primarily driven by the $1.4 billion acquisition of Silver Bay, $176.5 million of fair value adjustments related to home price appreciation in the portfolio (which excludes projected future disposition fees), offset by $186.8 million of non-core homes disposed.
- An increase of $7.2 million in TLC AUM primarily due to $3.5 million of fair value gains recognized during the year and ongoing enhancement capital expenditures.
- An increase of $99.4 million in TLR AUM resulting from additional construction expenditures and fair value gains recognized.
- A decrease of $97.0 million in THP AUM, predominantly as a result of $67.5 million of capital distributions from THP1 US, separate accounts, side-cars and THP2 US. The remaining decrease is attributable to a $15.0 million reduction in commitment for Cross Creek Ranch and $12.5 million of unfavourable fair value adjustments from separate account and side-car investments (see Section 4.1).

CHANGES IN ASSETS UNDER MANAGEMENT



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

(in thousands of U.S. dollars)	December 31, 2017[1]	September 30, 2017[1]	June 30, 2017[1]	March 31, 2017[1]	December 31, 2016[1]
PRINCIPAL INVESTMENTS					
Tricon Housing Partners					
THP1 US	$ 103,706	$ 108,972	$ 109,229	$ 112,208	$ 122,719
THP2 US	30,858	31,831	31,452	30,895	30,503
THP3 Canada	15,790	15,687	15,905	15,324	15,571
Trinity Falls	105,502	100,544	98,723	96,902	98,963
Separate accounts	77,499	74,393	75,703	74,261	69,930
Side-cars	17,970	26,124	25,945	20,042	20,266
Tricon Housing Partners	**351,325**	**357,551**	**356,957**	**349,632**	**357,952**
Tricon American Homes[2]	**2,717,987**	**2,778,057**	**2,691,329**	**1,271,996**	**1,239,344**
Tricon Lifestyle Communities[2]	**137,780**	**136,371**	**134,310**	**132,406**	**130,560**
Tricon Lifestyle Rentals					
U.S.	104,515	94,529	81,811	66,443	60,663
Canada	71,918	64,878	60,876	57,739	56,338
Tricon Lifestyle Rentals	**176,433**	**159,407**	**142,687**	**124,182**	**117,001**
Principal investments	**$ 3,383,525**	**$ 3,431,386**	**$ 3,325,283**	**$ 1,878,216**	**$ 1,844,857**
PRIVATE FUNDS AND ADVISORY					
Tricon Housing Partners					
THP1 US	$ 26,729	$ 29,168	$ 29,428	$ 31,413	$ 37,258
THP2 US	226,524	232,039	233,741	226,642	235,695
THP1 Canada	634	638	643	726	719
THP2 Canada	24,257	24,304	23,374	22,544	22,323
THP3 Canada	108,203	108,774	104,115	101,589	100,640
Separate accounts	435,790	429,750	444,562	441,100	415,559
Side-cars	212,517	212,517	212,516	160,916	160,916
Syndicated investments	25,268	26,003	26,182	25,546	25,305
Tricon Housing Partners	**1,059,922**	**1,063,193**	**1,074,561**	**1,010,476**	**998,415**
Tricon Lifestyle Rentals	**178,862**	**170,819**	**156,419**	**145,423**	**138,878**
Private Funds and Advisory	**$ 1,238,784**	**$ 1,234,012**	**$ 1,230,980**	**$ 1,155,899**	**$ 1,137,293**
Total assets under management	**$ 4,622,309**	**$ 4,665,398**	**$ 4,556,263**	**$ 3,034,115**	**$ 2,982,150**

(1) USD/CAD exchange rates used at each balance sheet date are: at Dec 31, 2017: 1.2545; Sep 30, 2017: 1.2480; Jun 30, 2017: 1.2977; Mar 31, 2017: 1.3299; Dec 31, 2016: 1.3427.

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

3.4 Subsequent events

On February 27, 2018, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2018 to shareholders of record on March 31, 2018.

Subsequent to year-end, the Company repurchased 431,931 of its common shares for C$4.6 million under its normal course issuer bid (see Section 5.3).

Subsequent to year-end, the Company classified its investment in TLC as held for sale as a result of TLC initiating an active program to dispose of all of its underlying assets and liabilities. TLC has committed to a plan for the sale of the underlying parks, and it launched an official marketing process on January 8, 2018.

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

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

4.1 Tricon Housing Partners

A summary of THP's principal investments is presented in the following table with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1). The table also summarizes historical and projected cash flows to Tricon arising from the sale of finished lots, homes and condominium units from THP's projects generally over the next eight to ten years (forward-looking information; refer to page 1).

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 56,391	$ 92,731	$ 10,975	$ 103,706	$ 269,676	$ 275,474	$ 120,347
THP2 US	7.5%	20,970	26,983	3,875	30,858	21,125	28	28,713
THP3 Canada	10.2%	9,804	9,651	6,139	15,790	9,804	2,854	12,023
Trinity Falls	100.0%	81,219	95,301	10,201	105,502	81,549	–	288,017
Separate accounts[2]	12.9%	58,840	69,135	8,364	77,499	71,978	23,677	132,935
Side-cars[3]	7.5%	18,422	12,836	5,134	17,970	18,479	429	25,360
Total		**$ 245,646**	**$ 306,637**	**$ 44,688**	**$ 351,325**	**$ 472,611**	**$ 302,462**	**$ 607,395**

Investment income – 2017 (12 months)	$ 18,209
As a % of invested capital at December 31, 2017	7.4%

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

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

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

For the year ended December 31, 2017, investment income of $18.2 million represented a 7.4% net return on outstanding invested capital. This metric may fluctuate quarter to quarter or year over year based on the timing of development milestones and cash flows, and project budget revisions. For the year ended December 31, 2017, investment income underperformed management's target return of a 9%–11%, largely as a result of decreases in projected future cash flows from side-car investments (which have a co-investment by THP2 US), as discussed below.

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

THP1 US

Over the course of 2017, THP1 US distributed $39.0 million to its investors, including $26.6 million to Tricon. Of the total distributions, $25.6 million was generated from the closing of units at the Rockwell condominium project in San Francisco. Of the remainder, the two largest contributors were the Eskaton Placerville homebuilding project in Sacramento, California and the Greater Bay Portfolio in Northern California. THP1 US is expected to continue to generate meaningful cash distributions of approximately $120 million to Tricon through 2020.

THP2 US

In 2017, THP2 US distributed $14.9 million to its investors including $7.3 million from home closings at Smyrna Grove, a homebuilding project in Atlanta, Georgia, and $4.3 million from projects in Phoenix, Arizona, namely Santa Rita Ranch, Trilogy at Vistancia West and Wigwam at Litchfield Park.

In spite of positive cash flow distributions from assets being harvested, the fund's performance was negatively impacted by its co-investments in two active-adult projects (Trilogy Vistancia West and Trilogy Lake Norman) and in Arantine Hills, which have undergone unfavourable budget revisions this quarter. These projects are discussed in detail in the Side-cars section below.

THP3 Canada

THP3 Canada distributed $8.4 million (C$10.5 million) to its investors during 2017, including $0.8 million (C$1.1 million) to Tricon, mainly from the Mahogany master-planned community development in Calgary, Alberta. These distributions are largely attributable to infrastructure recovery proceeds. This project has continued to register strong sales with 430 home sales in 2017, an increase of 9% from 2016. Other investments in the fund performed in line with the budget.

Trinity Falls

At the Trinity Falls master-planned community in Dallas, Texas, the project continued its development and sales success during the year. A total of 177 lots were sold to homebuilders and 220 homes were sold by homebuilders to end consumers in 2017, compared to 95 lots and 75 homes sold in the prior year (following the acquisition in July 2016). In October 2017, the project closed the acquisition of the Frazier Tract, a 300-acre parcel of adjacent land that is expected to add approximately 950 lots to the project. Additionally, the project received approvals from the City Council of McKinney, which had a favourable impact on the project plan and budget. As a result, Trinity Falls now expects to generate significant cash distributions of approximately $288 million to Tricon through 2035.

Separate accounts

Viridian in Dallas-Fort Worth, Texas distributed $12.7 million to its investors during 2017, including $2.3 million to Tricon. At Viridian, 350 lots were sold to homebuilders in 2017 and 291 homes were sold by homebuilders to end consumers, compared to 345 lot sales and 46 home sales in 2016. During the fourth quarter of 2017, the Viridian Lake Club amenity centre was completed, which is expected to positively impact future lot prices and home sales. The project continues to perform in line with expectations.

Cross Creek Ranch in Houston, Texas distributed $19.4 million to its investors during 2017, including $1.9 million to Tricon. Cross Creek Ranch experienced robust home and lot sales during the year as 417 lots were sold to homebuilders and 397 homes were sold to homeowners, compared to 397 lot sales and 377 home sales in 2016. The increase in sales volume has largely been driven by the addition of new entry-level product, where the bulk of the sales activity continues to be concentrated. The diverse product selection, along with the community's established amenity and resident base, has continued to support the project's position as the best-selling new home community in the Katy-South submarket.

At Grand Central Park in Houston, Texas, 162 lots were sold to homebuilders during the year compared to 145 lots sold in 2016. The project also sold 98 homes to homeowners during the year compared to 15 home sales made in 2016. In spite of the increase in 2017 compared to 2016, home sales have been slower than expected since the project's grand opening in April 2017, particularly among larger, more expensive homes. As a result, an in-depth analysis is being performed to identify further opportunities to drive sales including a revised product mix focused on more entry-level product.

Trilogy at Verde River, an active-adult development in Phoenix, Arizona, sold 103 homes to consumers in 2017 compared to 97 in 2016 but underwent an unfavourable budget revision as absorption was lower than expected and higher labour costs impacted profitability.

Side-cars

In the fourth quarter, THP's investments in active-adult projects (side-car investments include Trilogy Vistancia West and Trilogy Lake Norman) underwent unfavourable budget revisions to reflect: (i) increased competition in the active-adult community segment; (ii) lower demand for premium-priced active-adult product (which is the market segment that THP is targeting), resulting in slower absorption and lengthened project timelines; and (iii) increased construction labour costs. As a result of these challenges, long-term cash flow projections were extended and adjusted downwards this quarter, which resulted in appraised value declining year-over-year. THP is undertaking a number of remedial steps to improve performance, including a potential redesign of the product offering to make it more in line with consumer demands.

In addition, the budget for Arantine Hills in Corona, California (Bedford Ranch) was revised downwards due to delays in obtaining municipal approvals, lot pricing being below expectations, and future lot sales expectations being adjusted to reflect a more conservative pricing forecast. The lower lot pricing is reflective of significant homebuilder cost inflation experienced over the past twelve months and a slower than anticipated housing recovery in the Inland Empire. First lot closings are expected in the second or third quarter of 2018 and initial home closings are anticipated in late 2018 or early 2019.

These market trends continue to affect the timing of cash flows and project budgets, which may impact the near-term performance of certain other projects in the THP portfolio.

4.2 Tricon American Homes

During the year, TAH achieved several key milestones, including completing the acquisition and integration of Silver Bay and closing multiple debt refinancing transactions. In addition, TAH posted its highest-ever annual NOI margin of 62.3% as a result of continued strong rent growth across the portfolio coupled with low turnover rates and expense containment.

TAH's fourth quarter reflects continued strong operating performance, including a 64.4% NOI margin, 64.1% same home NOI margin, 7.7% year-over-year same home NOI growth (10.6% year-over-year growth rate for the twelve-month period) and 4.4% rent growth (4.3% for the same home portfolio). These key metrics exclude the impact of non-recurring expenses from hurricane-related damages.

TAH's stabilized occupancy of 96.7% remained unchanged for the quarter and the leased occupancy rate decreased nominally during the quarter from 96.1% at September 30, 2017 to 95.8% at December 31, 2017, as TAH's acquisition program resumed and vacant homes were acquired. The overall portfolio occupancy rate continues to reflect strong demand, which speaks to a combination of factors, including: (i) a very low national unemployment rate of 4.1%; (ii) a relatively tight market for mortgage credit; (iii) household formation outstripping new home construction; and (iv) the broad acceptance of institutional single-family rental as a bona fide long-term housing alternative. In addition, TAH's annualized turnover rate in the fourth quarter decreased to 27.6% from 31.4% recorded in the third quarter as a result of seasonally lower turnover during the winter months. On a year-to-date basis, the annual turnover was 29.6%, which provides a more accurate picture of TAH's performance as it eliminates the seasonality factor.

Throughout the fourth quarter, TAH continued its program of restoring properties damaged by Hurricanes Harvey and Irma and incurred additional costs of $0.8 million as incremental repairs and maintenance expenses for minor damage. This program is now substantially complete, and the majority of hurricane-affected homes have been repaired. Applicable damage insurance has been claimed, and TAH has received an advance from its insurers subject to final approval of its claims. All insurance proceeds are expected to be recognized as income in 2018.

In the fourth quarter, TAH completed the sale of 1,523 non-core homes to a large institutional single-family rental owner and operator, including 1,247 homes acquired from Silver Bay. The homes sold include: (i) homes in Tucson, Arizona and Columbus, Ohio, which are non-core markets for TAH; (ii) homes with rents below $1,000 per month, which fall outside of TAH's middle market strategy; and (iii) homes that are geographic outliers within its core markets. The homes were sold at their effective acquisition cost basis, and the total disposition proceeds of approximately $153 million were primarily used to repay a portion of the outstanding Silver Bay acquisition facility. Following the sale of the non-core home portfolio, TAH restarted its acquisition program by acquiring 160 homes during the fourth quarter and ended the year with a portfolio of 15,218 homes. The acquisition program will continue to ramp up in 2018 with a goal of purchasing approximately 400 to 500 homes per quarter. With the integration of Silver Bay substantially complete, TAH is well-positioned to focus its efforts on continued portfolio growth and operational efficiency in 2018 and beyond.

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

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total homes owned	15,218	16,594	16,660	7,821	7,765	8,006	8,018	7,603
Less homes held for sale	109	1,613	153	322	170	324	114	65
Rental homes	15,109	14,981	16,507	7,499	7,595	7,682	7,904	7,538
Homes acquired	160	–	9,054	168	–	14	452	482
Less homes disposed	(1,536)	(66)	(215)	(112)	(241)	(26)	(37)	(72)
Net homes acquired (disposed) during the quarter	(1,376)	(66)	8,839	56	(241)	(12)	415	410
Occupancy	95.8%	96.1%	96.9%	95.6%	95.6%	91.7%	88.9%	88.4%
Stabilized occupancy	96.7%	96.7%	97.2%	96.5%	96.9%	95.4%	95.9%	95.4%
Annualized turnover rate	27.6%	31.4%	31.2%	25.6%	20.0%	30.1%	30.1%	26.7%
Average monthly rent	$ 1,283	$ 1,256	$ 1,243	$ 1,247	$ 1,227	$ 1,217	$ 1,191	$ 1,175
Average quarterly rent growth – renewal	4.0%	4.0%	4.4%	4.3%	4.4%	4.4%	4.2%	3.6%
Average quarterly rent growth – new move-in	5.0%	5.6%	5.7%	6.0%	5.1%	6.3%	6.4%	4.5%
Average quarterly rent growth – blended	4.4%	4.6%	4.9%	5.0%	4.7%	5.1%	5.0%	4.1%

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

For the periods ended December 31		Three months			Twelve months	
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Total revenue[1]	$ 55,118	$ 26,731	$ 28,387	$ 186,881	$ 94,610	$ 92,271
Property taxes	8,044	4,126	3,918	28,112	13,802	14,310
Repairs, maintenance and turnover[2]	5,727	3,295	2,432	21,456	11,498	9,958
Property management fees	3,852	1,783	2,069	13,138	6,625	6,513
Property insurance	1,048	690	358	3,807	2,714	1,093
Homeowners' association (HOA) costs[3]	718	361	357	2,385	1,363	1,022
Other direct expenses[3]	1,004	560	444	3,439	2,234	1,205
Total operating expenses	20,393	10,815	9,578	72,337	38,236	34,101
Net operating income (NOI)	**$ 34,725**	**$ 15,916**	**$ 18,809**	**$ 114,544**	**$ 56,374**	**$ 58,170**
Net operating income (NOI) margin	**63.0%**	**59.6%**		**61.3%**	**59.6%**	
Net operating income (NOI), excluding impact of hurricanes	**$ 35,523**	**$ 15,916**	**$ 19,607**	**$ 116,334**	**$ 56,374**	**$ 59,960**
Net operating income (NOI) margin, excluding impact of hurricanes	**64.4%**	**59.5%**		**62.3%**	**59.6%**	
Other expenses[4]	(20,748)	(15,101)	(5,647)	(83,188)	(26,482)	(56,706)
Fair value gain[5] A	51,307	9,099	42,208	143,993	41,061	102,932
Interest expense[4] B	(19,575)	(6,475)	(13,100)	(62,282)	(20,872)	(41,410)
Investment income – TAH (per Tricon income statement)	**$ 45,709**	**$ 3,439**	**$ 42,270**	**$ 113,067**	**$ 50,081**	**$ 62,986**

	2017	2016	Variance	2017	2016	Variance
Fair value adjustment on homes	$ 51,307	$ 9,041	$ 42,266	$ 143,993	$ 49,656	$ 94,337
Less performance fees[6]	–	58	(58)	–	(8,595)	8,595
Fair value gain[5] A	$ 51,307	$ 9,099	$ 42,208	$ 143,993	$ 41,061	$ 102,932

	2017	2016	Variance	2017	2016	Variance
Warehouse credit facility interest	$ 3,866	$ 1,702	$ 2,164	$ 6,581	$ 9,080	$ (2,499)
Securitization debt 2015-1 interest	441	2,258	(1,817)	9,256	9,242	14
Securitization debt 2016-1 interest	3,357	2,510	847	13,428	2,509	10,919
Securitization debt 2017-1 interest	4,156	–	4,156	5,954	–	5,954
Securitization debt 2017-2 interest	460	–	460	460	–	460
Silver Bay acquisition warehouse facility interest	5,132	–	5,132	24,440	–	24,440
Term loan interest	2,163	–	2,163	2,163	–	2,163
Other debt interest	–	5	(5)	–	41	(41)
Interest expense B	$ 19,575	$ 6,475	$ 13,100	$ 62,282	$ 20,872	$ 41,410
Weighted average interest rate	3.8%	3.1%		3.7%	2.9%	

(1) Includes bad debt expense of $330 (2016 – $174) and $2,068 (2016 – $945) for the three and twelve months ended December 31, 2017, respectively.
(2) Includes $798 and $1,790 of non-recurring storm-related incremental expenses for the three and twelve months ended December 31, 2017, respectively.
(3) Comparative periods have been reclassified to conform with the current period presentation.
(4) Refer to Section 3.1 for a discussion of other expenses and interest expense.
(5) Fair value gain is net of projected future disposition fees. Comparative periods have been reclassified to conform with the current period presentation.
(6) Reflects deemed performance fees to minority interest holders on assumed liquidation of the rental home portfolio.

Total portfolio

During the fourth quarter of 2017, total revenue increased by $28.4 million or 106% to $55.1 million compared to $26.7 million in the same period in 2016. This is mainly attributable to additional revenue earned from the Silver Bay portfolio and NOI growth achieved in the legacy TAH portfolio.

The combination of a larger portfolio and a 4.9% increase in NOI margin (as discussed below) contributed to a 123% increase in NOI in the fourth quarter of 2017 to $35.5 million compared to $15.9 million in the same period in 2016.

For the three months ended December 31, 2017, TAH's NOI margin increased to 64.4% compared to 59.5% for the three months ended December 31, 2016. NOI margin increased as a result of strong rent growth and lower repairs and maintenance expenses due to the increased benefits from internalization of the repairs and maintenance function. TAH has also benefited from operational synergies from the Silver Bay acquisition, largely by reducing duplicate headcount and integrating front-office and back-office functions. Note that these total portfolio metrics exclude $0.8 million of non-recurring storm-related expenses.

TAH's fair value gain in the three months ended December 31, 2017 was $51.3 million compared to $9.1 million in the three months ended December 31, 2016. The gain was the result of BPO and HPI valuations (see Section 9.1) and reflects ongoing home price appreciation supported by strong demand fundamentals in TAH's target markets. The HPI increase this quarter was 1.4% (5.6% annualized) compared to a 0.9% HPI increase in the fourth quarter of 2016 (3.6% annualized), applied to a larger portfolio of homes.

Funds from operations and core funds from operations

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Investment income – TAH	$ 45,709	$ 3,439	$ 42,270	$ 113,067	$ 50,081	$ 62,986
Fair value gain[1]	(51,307)	(9,099)	(42,208)	(143,993)	(41,061)	(102,932)
Loss on sale of homes	–	–	–	–	241	(241)
Non-controlling interests	–	3,814	(3,814)	706	5,754	(5,048)
Depreciation of fixed assets	361	131	230	1,179	451	728
Deferred tax expense (recovery)	(50)	(3,961)	3,911	1,490	(7,029)	8,519
Deferred financing costs	(638)	–	(638)	(698)	–	(698)
Funds from operations (FFO)	**$ (5,925)**	**$ (5,676)**	**$ (249)**	**$ (28,249)**	**$ 8,437**	**$ (36,686)**
Transaction costs and non-recurring costs[2]	18,678	10,560	8,118	64,007	13,878	50,129
Core funds from operations (Core FFO)	**$ 12,753**	**$ 4,884**	**$ 7,869**	**$ 35,758**	**$ 22,315**	**$ 13,443**

(1) Fair value gain is presented net of change in projected future disposition fees. Comparative periods have been reclassified to conform with the current period presentation.

(2) Full year 2017 includes: transaction costs of $12,191 related to the Silver Bay acquisition; Silver Bay integration-related expenses of $5,307; financing issuance costs of $42,003; repair costs for hurricane damage of $1,790; and other non-recurring costs of $2,716. Full year 2016 includes costs of $10,111 related to the 2016-1 securitization transaction, internalization-related expenses of $1,797, credit facility amendment costs of $799 and non-recurring costs of $1,171.

For the fourth quarter of 2017, Core FFO increased by $7.9 million or 161% compared to the same period in the prior year. This variance was driven by a larger portfolio of homes and concurrent growth in NOI, offset by higher interest expense on the higher outstanding debt balance incurred in relation to the Silver Bay acquisition.

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, 2015, and those homes are held in operations throughout the full periods presented in both 2016 and 2017.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars, except per home data)	2017	2016	Variance	2017	2016	Variance
Operating metrics – same home						
Rental homes	4,412	4,412	–	4,412	4,412	–
Occupancy	97.0%	97.1%	(0.1%)	97.0%	97.1%	(0.1%)
Annualized turnover rate	27.9%	22.4%	(5.5%)	28.3%	31.2%	2.9%
Average monthly rent	$ 1,318	$ 1,277	$ 41	$ 1,318	$ 1,277	$ 41
Average quarterly rent growth – renewal	3.9%	4.7%	(0.8%)	4.3%	4.4%	(0.1%)
Average quarterly rent growth – new move-in	5.1%	5.9%	(0.8%)	5.8%	6.1%	(0.3%)
Average quarterly rent growth – blended	4.3%	5.2%	(0.9%)	4.8%	5.0%	(0.2%)

For the 4,412 homes comprising the same home portfolio, occupancy was 97.0% in the fourth quarter of 2017, which is on par with the 97.1% recorded in the same period in 2016. This portfolio's annualized turnover in the three months ended December 31, 2017 was 27.9%, an increase of 5.5% from the annualized turnover of 22.4% in the same period in 2016, which was uncharacteristically low. For the twelve months ended December 31, 2017, the same home annualized turnover rate improved by 2.9% to 28.3% compared to 31.2% in 2016 and is more reflective of TAH's expected long-term performance.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Income statement – same home						
Rental revenue	$ 16,410	$ 15,691	$ 719	$ 65,059	$ 61,211	$ 3,848
Fees and other revenue	536	970	(434)	2,196	1,558	638
Bad debt	(126)	(85)	(41)	(553)	(546)	(7)
Total revenue	16,820	16,576	244	66,702	62,223	4,479
Property taxes	2,105	2,251	(146)	8,978	8,250	728
Repairs, maintenance and turnover	1,645	2,161	(516)	7,550	8,173	(623)
Property management fees	1,177	1,101	76	4,702	4,347	355
Property insurance	437	470	(33)	1,819	1,961	(142)
Homeowners' association (HOA) costs	264	263	1	1,022	1,006	16
Other direct expenses	402	314	88	1,449	1,240	209
Total operating expenses	6,030	6,560	(530)	25,520	24,977	543
Net operating income (NOI)	**$ 10,790**	**$ 10,016**	**$ 774**	**$ 41,182**	**$ 37,246**	**$ 3,936**
Net operating income (NOI) growth			**7.7%**			**10.6%**
Net operating income (NOI) margin	**64.1%**	**60.4%**		**61.7%**	**59.9%**	

TAH achieved its highest-ever NOI margin of 64.1% for the same home portfolio for the three months ended December 31, 2017. Total revenue from the same home portfolio increased by $0.2 million or 1% to $16.8 million in the fourth quarter of 2017 compared to $16.6 million for the same period in the prior year primarily due to increases in the average monthly rent. Operating expenses also decreased by $0.5 million or 8% to $6.0 million in the fourth quarter of 2017 from $6.6 million in the same period in 2016 as a result of lower repairs and maintenance costs and reduced property tax accruals compared to the prior year's fourth quarter. Higher revenues along with the containment of controllable expenses resulted in same home NOI growth of 7.7% year-over-year to $10.8 million compared to $10.0 million in the fourth quarter of 2016 (10.6% year-over-year NOI growth rate for the twelve-month period). These same home portfolio metrics exclude $0.2 million of non-recurring storm-related incremental expenses.

For the year ended December 31, 2017, the reported same home NOI margin increased to 61.7% from 59.9% as a result of an increase in total revenue of $4.5 million or 7% driven by rent growth, offset by higher total operating expenses. Operating expenses increased by $0.5 million or 2% to $25.5 million from $25.0 million in the prior year, driven by an increase of $0.7 million or 9% in property taxes as a result of an increase in the fair value of the homes, offset by a decrease of $0.6 million or 8% in the repairs, maintenance and turnover expense due to management's diligent focus on repairs and maintenance. These same home portfolio metrics exclude $0.5 million of non-recurring storm-related incremental expenses.

Financing

In the fourth quarter, TAH continued to optimize its overall debt structure by continuing its initiative to stagger maturities and increase its proportion of fixed-rate debt.

On October 6, 2017, TAH amended and restated its existing warehouse credit facility to increase the size of the facility to $500.0 million in order to fund the repayment of its first securitization loan, TAH 2015-1. The interest rate payable under the amended and restated facility, which matures in October 2019, is unchanged at one-month LIBOR plus 3.00%, and the remaining terms of the debt, including the debt covenants, are substantially similar. Concurrently, TAH repaid all amounts outstanding under its securitization loan, TAH 2015-1, resulting in approximately 3,200 homes being released from the securitization collateral pool.

On October 24, 2017, TAH entered into a new $347.6 million term loan facility with Morgan Stanley Asset Funding Inc. as administrative agent. The loan carries a floating interest rate of one-month LIBOR plus 2.00%, has a five-year term to maturity, an aggregate loan-to-value ratio of 70% and is secured by mortgages on approximately 2,400 single-family rental homes. A subsidiary of TAH is the borrower under the facility, which is subject to customary financial and non-financial covenants.

On December 20, 2017, TAH closed its second securitization transaction of the year, TAH 2017-2. The transaction involved the issuance and sale of six classes of fixed-rate pass-through certificates with an aggregate face amount of $365.0 million, a weighted average interest rate of 3.58% and a six-year term to maturity. This transaction is collateralized by approximately 2,600 of TAH's single-family rental properties. Proceeds were used to repay a portion of the Silver Bay acquisition warehouse credit facility and the TAH warehouse credit facility.

Assets under management and investment balance

TAH's AUM (KPI measure; refer to Section 8.1) is based on the fair value of the homes in the portfolio, which is determined via the HPI or BPO methodologies discussed in Section 9.1. The residual equity value (after deducting debt and minority interest at TAH) determines the value of Tricon's investment in TAH on its balance sheet, as summarized below.

(in thousands of U.S. dollars)		Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Purchase price of homes		$ 2,122,574	$ 2,095,693	$ 2,237,442	$ 830,501	$ 822,719	$ 827,597	$ 829,165	$ 780,719
Cumulative capital expenditures[1]		208,764	222,347	207,927	199,282	192,984	190,051	186,742	168,370
Total cost basis of rental homes		$ 2,331,338	$ 2,318,040	$ 2,445,369	$ 1,029,783	$ 1,015,703	$ 1,017,648	$ 1,015,907	$ 949,089
Cost of homes held for sale		10,779	166,973	15,901	31,920	24,271	25,717	11,013	7,871
Cumulative fair value adjustment[2]		375,870	293,044	230,059	210,293	199,370	189,497	167,610	156,006
Portfolio home price appreciation during the quarter		1.4%	1.2%	1.2%	1.3%	0.9%	1.7%	1.4%	1.0%
Fair value of homes (AUM)		**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**	**$ 1,239,344**	**$ 1,232,862**	**$ 1,194,530**	**$ 1,112,966**
Less projected future disposition fees		27,793	28,160	14,205	14,221	13,233	12,329	11,945	11,130
Fair value of homes, net	C	2,690,194	2,749,897	2,677,124	1,257,775	1,226,111	1,220,533	1,182,585	1,101,836
Add:									
Other net assets[3]	D	71,693	52,216	62,962	45,633	33,061	54,974	56,822	59,863
Less:									
Warehouse credit facility (LIBOR+3.00%)		184,167	42,376	73,608	68,626	63,038	351,612	313,486	277,606
Securitization debt 2015-1 (LIBOR+1.96%)		–	337,220	339,611	347,091	350,595	360,397	360,647	361,260
Securitization debt 2016-1 (3.59% fixed)		362,601	362,601	362,601	362,601	362,601	–	–	–
Securitization debt 2017-1 (3.50% fixed)		462,594	462,594	–	–	–	–	–	–
Securitization debt 2017-2 (3.58% fixed)		365,000	–	–	–	–	–	–	–
Silver Bay acquisition warehouse facility (LIBOR+3.28% blended)		155,828	778,915	1,197,902	–	–	–	–	–
Term loan (LIBOR+2.00%)		347,582	–	–	–	–	–	–	–
Other debt		–	–	–	–	–	1,200	1,200	1,200
Total debt	E	1,877,772	1,983,706	1,973,722	778,318	776,234	713,209	675,333	640,066
Partner equity (minority interest)	E	–	–	–	–	3,000	57,224	52,050	48,638
Investments – TAH (per Tricon balance sheet)	**C + D – E**	**$ 884,115**	**$ 818,407**	**$ 766,364**	**$ 525,090**	**$ 479,938**	**$ 505,074**	**$ 512,024**	**$ 472,995**
Cash		88,704	87,797	91,709	41,559	44,952	33,879	44,877	44,778
Debt-to-cost (net of cash)[4]		76.4%	76.3%	76.5%	69.4%	70.3%	65.1%	61.4%	62.2%
Debt-to-value (net of cash)[4]		65.8%	68.2%	69.9%	57.9%	59.0%	55.1%	52.8%	53.5%

(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 at TAH's subsidiaries.
(4) Comparative periods have been restated to conform with the current period presentation.

As at December 31, 2017, TAH's rental portfolio is diversified across 16 target markets. Market-level details are presented below.

Geography	Total homes owned[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or renovation	Occupancy	Stabilized occupancy
Atlanta	3,671	3,648	3,481	94	73	95.4%	96.2%
Phoenix	1,791	1,790	1,766	16	8	98.7%	98.7%
Charlotte	1,497	1,467	1,387	41	39	94.5%	96.0%
Tampa	1,471	1,465	1,392	41	32	95.0%	95.3%
Dallas	1,126	1,121	1,067	29	25	95.2%	96.2%
Northern California	1,009	1,008	1,000	6	2	99.2%	99.2%
Houston	838	838	784	26	28	93.6%	94.8%
Southeast Florida	743	738	716	14	8	97.0%	97.0%
Las Vegas	585	585	577	5	3	98.6%	98.6%
Columbia	460	442	395	18	29	89.4%	94.5%
Jacksonville	433	433	414	15	4	95.6%	95.8%
Orlando	433	432	430	1	1	99.5%	99.5%
Indianapolis	408	408	358	42	8	87.7%	94.7%
Southern California	279	276	272	1	3	98.6%	98.6%
Reno	251	251	248	1	2	98.8%	98.8%
San Antonio	210	207	187	7	13	90.3%	92.7%
Tucson[2]	8	–	–	–	–	N/A	N/A
Columbus[2]	5	–	–	–	–	N/A	N/A
Total/Weighted average	**15,218**	**15,109**	**14,474**	**357**	**278**	**95.8%**	**96.7%**

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	$ 122,000	$ 10,000	$ 132,000	1,780	$ 1,170	$ 0.66
Phoenix	166,000	5,000	171,000	1,700	1,169	0.69
Charlotte	111,000	20,000	131,000	1,596	1,153	0.72
Tampa	151,000	15,000	166,000	1,535	1,419	0.92
Dallas	133,000	12,000	145,000	1,559	1,352	0.87
Northern California	197,000	18,000	215,000	1,305	1,607	1.23
Houston	118,000	23,000	141,000	1,611	1,288	0.80
Southeast Florida	120,000	37,000	157,000	1,406	1,594	1.13
Las Vegas	164,000	12,000	176,000	1,652	1,254	0.76
Columbia	92,000	23,000	115,000	1,439	1,071	0.74
Jacksonville	140,000	1,000	141,000	1,525	1,221	0.80
Orlando	171,000	2,000	173,000	1,507	1,319	0.88
Indianapolis	113,000	19,000	132,000	1,558	1,176	0.75
Southern California	150,000	29,000	179,000	1,306	1,589	1.22
Reno	150,000	24,000	174,000	1,541	1,447	0.94
San Antonio	95,000	33,000	128,000	1,633	1,229	0.75
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	**$ 137,000**	**$ 15,000**	**$ 152,000**	**1,603**	**$ 1,283**	**$ 0.80**

(1) Includes 109 homes held for sale.

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

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

4.3 Tricon Lifestyle Communities

During 2017, TLC continued to generate strong internal growth by driving rental increases and advancing capital expenditure projects. The tables presented in this section provide a summary of operating metrics for the portfolio, which management uses to evaluate the performance of TLC over time and relative to industry peers. Many of the metrics referenced in these tables are KPI measures as defined in Section 8.1.

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total number of parks	14	14	14	14	14	11	10	10
Parks acquired during the period	–	–	–	–	3	1	–	5
Total number of rental sites	3,065	3,065	3,065	3,065	3,065	2,644	2,467	2,467
Rental sites acquired during the period	–	–	–	–	421	117	–	1,348
Occupancy	86.5%	79.1%	78.8%	82.4%	82.2%	72.5%	69.8%	75.6%
Long-term occupancy	72.8%	73.4%	73.9%	73.2%	73.9%	70.0%	67.7%	66.4%
Annualized turnover rate	7.1%	4.8%	4.3%	9.6%	5.8%	4.7%	5.5%	5.8%
Average gross monthly rent per site	$ 425	$ 423	$ 422	$ 424	$ 413	$ 385	$ 376	$ 378
Average rent increase	5.4%	0.6%	3.0%	3.2%	3.9%	4.0%	3.3%	3.4%

The above metrics are key drivers of TLC revenue and ultimately its net operating income (KPI measure; refer to Section 8.1). Net operating income, together with fair value gains, are the main contributors to investment income – TLC (per Tricon's income statement). The table below presents a breakdown of TLC net operating income and a reconciliation to investment income – TLC 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 TLC vertical on a standalone basis and does not necessarily reflect the audited financial information of any particular TLC entity.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Long-term rental revenue	$ 3,273	$ 2,646	$ 627	$ 12,964	$ 8,931	$ 4,033
Seasonal rental revenue	304	179	125	1,055	660	395
Total rental revenue[1]	$ 3,577	$ 2,825	$ 752	$ 14,019	$ 9,591	$ 4,428
Property taxes	377	179	198	995	497	498
Repairs and maintenance	93	119	(26)	414	425	(11)
Property insurance	61	49	12	238	167	71
Utilities	507	377	130	2,253	1,416	837
Property management	566	560	6	2,150	1,654	496
Total operating expenses	1,604	1,284	320	6,050	4,159	1,891
Net operating income (NOI)	**$ 1,973**	**$ 1,541**	**$ 432**	**$ 7,969**	**$ 5,432**	**$ 2,537**
Net operating income (NOI) margin	**55.2%**	**54.5%**		**56.8%**	**56.6%**	
Other income (expenses)	(22)	863	(885)	(741)	455	(1,196)
Fair value gain	90	54	36	3,536	1,766	1,770
Interest expense	(854)	(727)	(127)	(3,383)	(2,545)	(838)
Investment income – TLC (per Tricon income statement)	**$ 1,187**	**$ 1,731**	**$ (544)**	**$ 7,381**	**$ 5,108**	**$ 2,273**

(1) Rental revenue includes base rent, utilities reimbursements, miscellaneous income and bad debt expense where applicable.

For the three and twelve months ended December 31, 2017, rental revenue increased by $0.8 million and $4.4 million, respectively, compared to $2.8 million and $9.6 million in 2016. These increases are primarily attributed to the four communities acquired in the second half of 2016, which contributed an incremental $0.5 million and $3.4 million of rental revenue in the three and twelve months ended December 31, 2017, respectively. Rental rate increases and occupancy improvements at the existing communities accounted for the remainder of the full-year increase.

TLC achieved occupancy increases of 4.3% from 82.2% as at December 31, 2016 to 86.5% as at December 31, 2017, as a result of the substantial completion of capital expenditure programs across the portfolio, and the successful leasing efforts aided by the repositioning of the TLC brand.

The NOI margin for the three and twelve months ended December 31, 2017 was 55.2% and 56.8%, respectively, compared to 54.5% and 56.6% in 2016. The increase in NOI margin was primarily attributable to rent increases corresponding with the substantial completion of several capital enhancement programs across the portfolio.

In the interest of simplifying its business model and focusing on investment verticals where scale and industry leadership can be achieved, Tricon is pursuing an orderly exit of its investment in the TLC manufactured housing business and commenced a formal marketing process in January 2018 to sell all communities. The planned capital expenditure programs across the portfolio are now substantially complete with the exception of Rosehaven.

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 TLC'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 – TLC (as presented on Tricon's income statement) to FFO and Core FFO.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Investment income – TLC	$ 1,187	$ 1,731	$ (544)	$ 7,381	$ 5,108	$ 2,273
Fair value gain	(90)	(54)	(36)	(3,536)	(1,766)	(1,770)
Other	(518)	(1,077)	559	(690)	(1,185)	495
Funds from operations (FFO)	**$ 579**	**$ 600**	**$ (21)**	**$ 3,155**	**$ 2,157**	**$ 998**
Transaction costs and non-recurring costs	260	(3)	263	415	25	390
Core funds from operations (Core FFO)	**$ 839**	**$ 597**	**$ 242**	**$ 3,570**	**$ 2,182**	**$ 1,388**

Core FFO for the fourth quarter of 2017 increased to $0.8 million compared to $0.6 million in the fourth quarter of 2016, mainly as a result of the contribution of three communities acquired in December 2016. Similarly, Core FFO for the year ended December 31, 2017 increased to $3.6 million from $2.2 million for the same reason.

Assets under management and investment balance

TLC's AUM (KPI measure; refer to Section 8.1) is based on the fair value of the parks in the portfolio, which is determined via the discounted cash flow methodology discussed in Section 9.1. The residual equity value (after deducting property-level debt and minority interest) determines the value of Tricon's investment – TLC on its balance sheet, as summarized below.

(in thousands of U.S. dollars)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Fair value of parks (AUM) A	**$ 137,780**	**$ 136,371**	**$ 134,310**	**$ 132,406**	**$ 130,560**	**$ 98,802**	**$ 87,633**	**$ 85,964**
Add:								
Other net assets[1] B	3,075	2,645	1,836	1,918	1,654	607	442	745
Less:								
Partner equity (minority interest) C	644	635	627	623	623	549	491	475
Debt C	78,137	78,387	78,590	78,791	79,000	60,356	54,478	54,598
Investments – TLC (per Tricon balance sheet) A + B – C	**$ 62,074**	**$ 59,994**	**$ 56,929**	**$ 54,910**	**$ 52,591**	**$ 38,504**	**$ 33,106**	**$ 31,636**
Debt-to-value	56.7%	57.5%	58.5%	59.5%	60.5%	61.1%	62.2%	63.5%

(1) Other net assets include working capital.

Loan maturity	Outstanding debt	Weighted average interest rate
2020	$ 15,608	3.69% fixed
2022	13,080	4.48% fixed
2023	8,624	4.59% fixed
2024	16,509	4.51% fixed
2026	24,316	4.09% fixed
Total/Weighted average	**$ 78,137**	**4.22% fixed**

TLC's portfolio consists of 14 parks with the following operating characteristics (in order of acquisition date):

Property	Location	Type	Acres	Residential sites	Average gross monthly rent per site[1]	Occupancy[3]	Long-term occupancy[3]
Longhaven	Phoenix, AZ	Age-restricted	38.0	314	$ 505	97.1%	92.7%
Skyhaven	Phoenix, AZ	Age-restricted	17.5	192	411	95.3%	91.7%
Springhaven[2]	Phoenix, AZ	Age-restricted	15.5	320	360	88.1%	75.3%
Brookhaven[2]	Phoenix, AZ	Age-restricted	10.0	140	228	98.6%	87.1%
Sunhaven[2]	Phoenix, AZ	Age-restricted	9.4	153	300	85.6%	69.3%
Glenhaven	Phoenix, AZ	Age-restricted	11.8	164	438	82.9%	65.2%
Newhaven	Phoenix, AZ	Age-restricted	11.3	111	369	86.5%	51.4%
Parkhaven	Phoenix, AZ	Age-restricted	28.3	455	409	76.3%	66.8%
Rosehaven	Phoenix, AZ	Age-restricted	36.3	411	416	77.9%	53.8%
Sundowner	Phoenix, AZ	Age-restricted	13.7	207	381	70.0%	36.7%
Brighthaven	Phoenix, AZ	Age-restricted	16.6	177	484	91.5%	71.2%
Riverdale	Indio, CA	Age-restricted	21.2	185	495	94.1%	92.4%
Palmdale	Indio, CA	Age-restricted	19.2	151	534	98.7%	98.7%
Springdale	San Marcos, CA	Family	11.8	85	691	98.8%	98.8%
Total/Weighted average			**260.6**	**3,065**	**$ 425**	**86.5%**	**72.8%**

(1) Represents average of gross rents per the lease agreements, which may include utility reimbursements. The structure of utility reimbursements varies among communities.

(2) Communities with park model homes as the majority housing type.

(3) KPI measure; see Section 8.1.

4.4 Tricon Lifestyle Rentals (formerly Tricon Luxury Residences)

TLR progressed well on the development of its existing luxury rental apartment projects during 2017. A summary of TLR's principal investments is presented below with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1).

		TLR principal investments					
(in thousands of U.S. dollars)	Location	TLR's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
The Selby (592 Sherbourne)	Toronto, ON	15%	$ 6,513	$ 11,981	$ 7,713	$ –	$ 19,694
57 Spadina	Toronto, ON	20%	6,812	6,812	3,795	–	10,607
Scrivener Square	Toronto, ON	50%	8,959	9,652	10,362	10,973	30,987
Shops of Summerhill	Toronto, ON	25%	5,033	7,183	3,447	–	10,630
The McKenzie	Dallas, TX	90%	33,809	42,224	20,528	2,692	65,444
The Maxwell	Frisco, TX	90%	21,281	26,218	10,801	2,052	39,071
Total			**$ 82,407**	**$ 104,070**	**$ 56,646**	**$ 15,717**	**$ 176,433**

(1) Investments – TLR per Tricon balance sheet of $89,225 includes the principal investments above of $104,070 as well as net liabilities and non-controlling interest of $14,845.

Operational highlights include the following:

Tricon Lifestyle Rentals – Canada

TLR Canada's first project in Toronto, The Selby, continues to progress well through the development phase, with over 97% of trades now under contract. The project is currently tracking ahead of schedule, with the mechanical penthouse-level formwork now underway, brick precast installation completed up to the 33rd floor, and window and balcony door installation completed up to the 28th floor. The project is expected to commence leasing in the second half of 2018, with the building reaching final completion in late 2018. With little inventory available, Toronto's Bloor East market continues to show strong leasing activity with recent demand driving above average market rental growth in 2017.

At 57 Spadina, design development is substantially completed and on-site demolition commenced in February 2018. The Entertainment District submarket continues to be one of the most sought-after neighbourhoods in Toronto, and rental growth continues to trend strongly upward.

Scrivener Square remains in the design stage, with the formal zoning submission completed in the second quarter of 2017. The development site is owned on a 50/50 basis with Diamond Corp. and is adjacent to The Shops of Summerhill, where TLR holds a 25% interest through a joint venture with RioCan REIT.

TLR Canada continues to explore further development opportunities in Toronto. Rapidly increasing condominium sales prices have driven a strong upward trend in land values; as a result, sourcing attractive sites for Class A purpose-built rental apartments has become more challenging without modifying TLR's underwriting criteria. With that being said, TLR Canada is currently tracking a pipeline of compelling development opportunities including marketed deals, off-market transactions and rental-only sites.

Tricon Lifestyle Rentals – U.S.

At The McKenzie, adjacent to Dallas' affluent Highland Park neighbourhood, above-grade construction continued as planned, with nearly 100% of trades now under contract. The pre-leasing centre was substantially completed during the quarter and was opened in the first week of February 2018. Interior finishing of the building commenced during the quarter and construction of the 183-unit rental building is expected to be completed in late 2018. First occupancy is expected in mid-2018 with stabilization projected in mid-2019.

At The Maxwell in Frisco, Texas, construction and site work progressed as planned, with approximately 90% of trades now under contract. Framing, roofing and decking were substantially completed during the quarter and construction of the 325-unit rental building is expected to be completed in late 2018. First occupancy is expected in mid-2018 with stabilization projected in mid-2019. The Frisco rental market remains strong, supported by continued demand from employees relocating to the nearby Legacy West business park where Toyota and JP Morgan continue to move in the first of thousands of employees, and where Liberty Mutual is expected to begin moving in the first of thousands of employees in early 2018.

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

	Projected construction		Projected total cost ($000)	Projected rental units	Projected retail/office (sq. feet)	Projected development yield[1]
	Start	End				
The Selby (592 Sherbourne)	Q1 2015	Q4 2018	$ 144,700	502	–	5.25–5.75%
57 Spadina	Q1 2018	Q1 2021	120,100	286	44,800	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	N/A
The McKenzie	Q4 2015	Q3 2018	92,700	183	–	5.50–6.00%
The Maxwell	Q2 2016	Q4 2018	58,600	325	–	6.00–6.50%
Total			**$ 416,100**	**1,296**		

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

4.5 Private Funds and Advisory

During 2017, the Private Funds and Advisory business continued to generate contractual fees in its various Investment Vehicles. Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, and advisory fees earned from Johnson.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
THP1 US	$ 224	$ 512	$ (288)	$ 969	$ 2,339	$ (1,370)
THP2 US	731	979	(248)	2,902	3,886	(984)
Separate accounts	1,041	900	141	3,984	3,378	606
Side-cars	441	385	56	1,608	1,261	347
U.S. syndicated investments	5	10	(5)	7	22	(15)
Trinity Falls	185	64	121	740	209	531
THP1 Canada	3	4	(1)	13	15	(2)
THP2 Canada	87	82	5	339	435	(96)
Canadian syndicated investments	60	65	(5)	260	255	5
TLR Canada	118	109	9	456	430	26
TLR U.S.	92	63	29	343	213	130
Management fees – private Investment Vehicles	2,987	3,173	(186)	11,621	12,443	(822)
Development fees – TDG	404	385	19	1,586	1,488	98
Development fees – Johnson	3,524	3,931	(407)	10,279	10,587	(308)
Contractual fees	**$ 6,915**	**$ 7,489**	**$ (574)**	**$ 23,486**	**$ 24,518**	**$ (1,032)**

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 8.1). The table also includes projected performance fees that Tricon could earn over time based on current business plans.

	Third-party investments				Projected returns[2]				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 21,984	$ –	$ 4,745	$ 26,729	2.2x	14%	1.7x	11%	$ 12,732
THP2 US	183,679	–	42,845	226,524	1.7x	14%	1.6x	11%	7,112
Separate accounts[3]	372,884	–	62,906	435,790	2.2x	15%	2.1x	14%	28,384
Side-cars[4]	165,800	–	46,717	212,517	1.4x	5%	1.4x	5%	–
THP1 Canada	634	–	–	634	2.0x	15%	1.6x	12%	6,890
THP2 Canada	23,133	–	1,124	24,257	1.6x	13%	1.4x	9%	–
THP3 Canada	84,333	–	23,870	108,203	1.8x	12%	1.5x	8%	–
Canadian syndicated investments[5]	19,843	–	5,425	25,268	2.1x	11%	1.9x	10%	1,051
Total – THP	**$ 872,290**	**$ –**	**$ 187,632**	**$ 1,059,922**					**$ 56,169**
TLR Canada[6]	65,482	79,569	33,811	178,862	2.6x	13%	2.5x	12%	17,213
Total	**$ 937,772**	**$ 79,569**	**$ 221,443**	**$ 1,238,784**					**$ 73,382**

(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) Net ROI and IRR are based on cash flow estimates after all Investment Vehicle expenses (including contractual and performance fees). ROI, IRR and estimated performance fees are based on Tricon’s analysis of projected cash flows for incomplete projects in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and annual budgets and cash flow projections prepared by developers for all incomplete projects. Refer to page 1. Projected returns are updated in the fourth quarter for projects that undergo third-party appraisals.

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

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

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

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

Third-party AUM increased by $101.5 million from 2016, primarily as a result of additional advances to separate accounts and side-cars, including an increase in commitment to Arantine Hills of $69.0 million to accommodate changes in the scope and timing of the project's business plan. As discussed in Section 4.1, a number of THP projects underperformed this quarter, which has impacted projected returns for THP2 US and side-car investments, in particular. As a result of these decreases in projected returns, projected performance fees decreased by approximately $26 million from the prior year.

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

	Total units[2]					Total units sold				
As of December 31, 2017[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,097	26,477	6,138	1,556	46,053	309	7,171	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**	**9,827**	**4,165**	**6,326**	**214,233**
As of December 31, 2016[1]										
U.S.	1,077	24,815	5,897	1,556	41,575	307	4,770	2,880	766	32,373
Canada	285	3,848	761	5,739	219,520	173	2,218	486	5,007	175,020
Total units	**1,362**	**28,663**	**6,658**	**7,295**	**261,095**	**480**	**6,988**	**3,366**	**5,773**	**207,393**

(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 may change as a result of business plan updates.

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 December 31 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months			Twelve months		
	2017	2016	Variance	2017	2016	Variance
Development fees – Johnson	$ 3,524	$ 3,931	$ (407)	$ 10,279	$ 10,587	$ (308)
Land sales (acres)	77	85	(8)	524	177	347
Lot sales	963	879	84	2,819	2,353	466
Third-party home sales	795	638	157	3,293	2,828	465

Johnson generated 2,819 lot sales during the year compared to 2,353 in 2016, an increase of 20%. Third-party home sales for 2017 within Johnson communities were 3,293 compared to 2,828 home sales during 2016, an increase of 16%. The increase in lot sales was primarily driven by the addition of Trinity Falls and the sales launches of Grand Central Park, Jordan Ranch, Harvest Green and Veranda, which was partially offset by lower sales from communities that are winding down. Johnson ended the year as the only developer in the U.S. to have five communities named in the top 50 for new home sales within a master-planned community as reported by Robert Charles Lesser & Co. and John Burns Real Estate Consulting.

Despite the stronger volume of lot sales, a shift in the sales mix to smaller, less expensive lots has led to a modest decline in development fee revenue compared to 2016. Johnson continues to assess homebuyer trends across each of its communities in an effort to deliver an appropriate product mix. Demand for entry-level homes continues to be strong across Houston, with Johnson focusing a larger share of new lot deliveries on this segment of the market.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 Financing strategy

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

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

5.2 Liquidity

Tricon generates substantial liquidity through:

- Cash distributions generated from the turnover of assets with shorter investment horizons.
- Syndicating investments to private investors and thereby extracting Tricon's invested capital.
- Stable cash flow received from our income-generating TAH and TLC investment verticals.
- 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 December 31, 2017, Tricon had a net working capital surplus of $10.6 million, reflecting current assets of $28.9 million, offset by payables and accrued liabilities of $18.4 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 consolidated financial statements (Note 19). Management also mitigates its exposure to fixed-rate interest risk by staggering maturities with the objective of achieving even, annual maturities over a ten-year time horizon to reduce Tricon's exposure to interest rate fluctuations in any one period. The Company's long-term debt structure is summarized in Section 3.2.

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

As at December 31, 2017, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

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

On October 4, 2017, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid to repurchase up to 2,700,000 of its common shares during the twelve-month period commencing October 6, 2017 (the "NCIB"). To date, the Company has repurchased 1,414,831 of its common shares for C$15.0 million under the NCIB, of which 982,900 common shares were repurchased in the fourth quarter of 2017 for C$10.4 million. Common shares that are purchased under the NCIB are cancelled by the Company.

As of December 31, 2017, there were 133,472,861 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) 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) 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 December 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months			Twelve months		
		2017	2016	Variance	2017	2016	Variance
THP Adjusted EBITDA	A	$ 1,393	$ 11,458	$ (10,065)	$ 17,696	$ 30,417	$ (12,721)
TAH Adjusted EBITDA	B	83,475	17,476	65,999	240,235	81,391	158,844
TLC Adjusted EBITDA	C	1,475	1,285	190	9,440	6,232	3,208
TLR Adjusted EBITDA	D	9,070	(643)	9,713	13,529	2,292	11,237
Contractual fees and GP distributions		7,277	7,822	(545)	24,874	25,815	(941)
Performance fees		54	1	53	525	780	(255)
Adjusted non-controlling interest EBITDA	E	(891)	(1,163)	272	(2,505)	(2,717)	212
Adjusted EBITDA before corporate overhead		101,853	36,236	65,617	303,794	144,210	159,584
Adjusted compensation expense	F	(2,811)	(4,741)	1,930	(26,811)	(22,743)	(4,068)
General and administration expense		(2,086)	(1,828)	(258)	(7,274)	(6,643)	(631)
Adjusted EBITDA		**96,956**	**29,667**	**67,289**	**269,709**	**114,824**	**154,885**
Stock option expense		(138)	–	(138)	(1,078)	(766)	(312)
Adjusted interest expense	G	(26,493)	(9,876)	(16,617)	(85,565)	(33,501)	(52,064)
Adjusted amortization expense	H	(747)	(834)	87	(2,966)	(3,389)	423
Adjusted net income before taxes		**69,578**	**18,957**	**50,621**	**180,100**	**77,168**	**102,932**
Adjusted income tax expense	I	(10,092)	(156)	(9,936)	(26,474)	(7,789)	(18,685)
Adjusted net income		**$ 59,486**	**$ 18,801**	**$ 40,685**	**$ 153,626**	**$ 69,379**	**$ 84,247**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.44**	**$ 0.17**	**$ 0.27**	**$ 1.21**	**$ 0.62**	**$ 0.59**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.39**	**$ 0.16**	**$ 0.23**	**$ 1.10**	**$ 0.58**	**$ 0.52**
Weighted average shares outstanding – basic		**134,369,333**	**112,840,046**	**21,529,287**	**127,152,721**	**112,490,019**	**14,662,702**
Weighted average shares outstanding – diluted		**161,802,950**	**124,060,472**	**37,742,478**	**148,756,608**	**123,646,532**	**25,110,076**

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

- For the three months ended December 31, 2017, Adjusted EBITDA increased by $67.3 million or 227% to $97.0 million compared to $29.7 million in the same period in the prior year. This increase was mainly attributable to significant growth in TAH Adjusted EBITDA driven by a $42.2 million increase in fair value gain and an $18.8 million increase in NOI from the acquisition of Silver Bay as well as NOI growth achieved in the legacy TAH portfolio. For the year ended December 31, 2017, Adjusted EBITDA increased by $154.9 million or 135% to $269.7 million from $114.8 million in the prior year for the same reasons noted above.
- Adjusted net income, which excludes non-recurring items, increased by $40.7 million or 216% to $59.5 million for the three months ended December 31, 2017 compared to $18.8 million for the same period in the prior year. The increase is attributable to higher Adjusted EBITDA, partially offset by: (i) higher adjusted interest expense as a result of a higher outstanding debt balance at TAH with respect to the Silver Bay acquisition financing and the new 2022 convertible debentures; and (ii) higher adjusted income tax expense which corresponds with higher earnings. Adjusted net income increased by $84.2 million or 121% to $153.6 million for the twelve months ended December 31, 2017 compared to $69.4 million for the prior year for the same reasons noted above.

- Adjusted basic EPS increased by $0.27 or 159% to $0.44 for the three months and by $0.59 or 95% to $1.21 for the twelve months ended December 31, 2017 compared to the same periods in the prior year. Adjusted diluted EPS for the three and twelve months ended December 31, 2017 increased by $0.23 or 144% and $0.52 or 90% compared to $0.16 and $0.58 in the same periods in the prior year, respectively. The increase in Adjusted basic and diluted EPS is attributable to significantly higher Adjusted net income for the reasons noted above, offset by a higher weighted average share count primarily as a result of the common shares issued in May 2017 in satisfaction of outstanding subscription receipts (refer to the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017, available on SEDAR at www.sedar.com), along with the inclusion of the dilutive impact of all outstanding convertible debentures (2016 – the 2020 convertible debentures were included).

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's consolidated financial statements for the three and twelve months ended December 31, 2017.

For the periods ended December 31	Three months		Twelve months	
(in thousands of U.S. dollars)	2017	2016	2017	2016
Net income	**$ 25,724**	**$ 8,964**	**$ 69,348**	**$ 59,760**
Non-recurring adjustments:				
Transaction costs at investment level	18,501	11,520	63,811	17,492
Transaction costs and formation costs	832	85	3,167	1,829
Non-cash adjustments:				
Control premium adjustment	–	609	–	2,493
Non-controlling interest	(339)	(593)	(96)	(288)
Unrealized foreign exchange loss (gain) at investment level	205	1,109	(2,592)	240
Accrued LTIP expense (recovery)[1]	1,803	1,114	1,211	(712)
Debentures discount amortization	1,175	462	3,949	1,781
Net change in fair value of derivative financial instrument	13,413	(1,032)	23,276	(8,607)
Realized and unrealized foreign exchange loss (gain)	945	(1,596)	1,881	(518)
Tax effect of above adjustments (expense)	(2,773)	(1,841)	(10,329)	(4,091)
Adjusted net income[2]	**$ 59,486**	**$ 18,801**	**$ 153,626**	**$ 69,379**
Add:				
Stock option expense	$ 138	$ –	$ 1,078	$ 766
Adjusted interest expense[2]	26,493	9,876	85,565	33,501
Adjusted amortization expense[2]	747	834	2,966	3,389
Adjusted income tax expense[2]	10,092	156	26,474	7,789
Adjusted EBITDA[2]	**$ 96,956**	**$ 29,667**	**$ 269,709**	**$ 114,824**

(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 December 31		Three months		Twelve months	
(in thousands of U.S. dollars)		2017	2016	2017	2016
Investment income – THP per financial statements		**$ 1,236**	**$ 10,098**	**$ 18,209**	**$ 27,550**
Control premium adjustment		–	609	–	2,493
Tax expense		109	214	158	293
Unrealized foreign exchange loss (gain)		48	537	(671)	81
THP Adjusted EBITDA[1]	A	**$ 1,393**	**$ 11,458**	**$ 17,696**	**$ 30,417**
Investment income – TAH per financial statements		**$ 45,709**	**$ 3,439**	**$ 113,067**	**$ 50,081**
Interest expense		19,575	6,475	62,282	20,872
Transaction costs, non-recurring and non-cash expenses		18,241	11,523	63,396	17,467
Tax (recovery) expense		(50)	(3,961)	1,490	(7,029)
TAH Adjusted EBITDA[1]	B	**$ 83,475**	**$ 17,476**	**$ 240,235**	**$ 81,391**
Investment income – TLC per financial statements		**$ 1,187**	**$ 1,731**	**$ 7,381**	**$ 5,108**
Interest expense		854	727	3,383	2,545
Transaction costs and non-cash expenses		260	(3)	415	25
Tax recovery		(826)	(1,170)	(1,739)	(1,446)
TLC Adjusted EBITDA[1]	C	**$ 1,475**	**$ 1,285**	**$ 9,440**	**$ 6,232**
Investment income – TLR per financial statements		**$ 5,950**	**$ (1,246)**	**$ 12,391**	**$ 2,066**
Interest expense		32	31	128	67
Translation adjustment		157	572	(1,921)	159
Tax expense		2,931	–	2,931	–
TLR Adjusted EBITDA[1]	D	**$ 9,070**	**$ (643)**	**$ 13,529**	**$ 2,292**
NCI change per financial statements		**$ (339)**	**$ (593)**	**$ (96)**	**$ (288)**
NCI portion of amortization		(552)	(570)	(2,409)	(2,429)
Adjusted non-controlling interest[1]	E	**$ (891)**	**$ (1,163)**	**$ (2,505)**	**$ (2,717)**
Compensation expense per financial statements		**$ (4,752)**	**$ (5,855)**	**$ (29,100)**	**$ (22,797)**
Accrued LTIP expense (recovery)		1,803	1,114	1,211	(712)
Stock option expense		138	–	1,078	766
Adjusted compensation expense[1]	F	**$ (2,811)**	**$ (4,741)**	**$ (26,811)**	**$ (22,743)**
Interest expense per financial statements		**$ (7,207)**	**$ (3,105)**	**$ (23,721)**	**$ (11,798)**
TAH interest expense		(19,575)	(6,475)	(62,282)	(20,872)
TLC interest expense		(854)	(727)	(3,383)	(2,545)
TLR interest expense		(32)	(31)	(128)	(67)
Debentures discount amortization		1,175	462	3,949	1,781
Adjusted interest expense[1]	G	**$ (26,493)**	**$ (9,876)**	**$ (85,565)**	**$ (33,501)**
Amortization expense per financial statements		**$ (1,299)**	**$ (1,404)**	**$ (5,375)**	**$ (5,818)**
NCI portion of Johnson's amortization expense		552	570	2,409	2,429
Adjusted amortization expense[1]	H	**$ (747)**	**$ (834)**	**$ (2,966)**	**$ (3,389)**
Tax expense per financial statements		**$ (5,155)**	**$ (3,232)**	**$ (13,305)**	**$ (11,880)**
THP tax expense		(109)	(214)	(158)	(293)
TAH tax recovery (expense)		50	3,961	(1,490)	7,029
TLC tax recovery		826	1,170	1,739	1,446
TLR tax expense		(2,931)	–	(2,931)	–
Tax expense on non-recurring and non-cash expenses		(2,773)	(1,841)	(10,329)	(4,091)
Adjusted income tax expense[1]	I	**$ (10,092)**	**$ (156)**	**$ (26,474)**	**$ (7,789)**

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

8. OPERATIONAL KEY PERFORMANCE INDICATORS

8.1 Key performance indicators

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

Tricon Housing Partners

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

Tricon American Homes

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

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

Tricon Lifestyle Communities

The Company reflects ongoing performance through investment income for TLC and reports changes in the underlying fair value of the investments using a discounted cash flow methodology based on expected future cash flows from operations and eventual sale of the properties. However, the Company believes other information or metrics related to the net assets and operating results of TLC is relevant in evaluating the operating performance of the assets underlying its TLC investment as they are the drivers of ongoing investment income and the fair value of the properties in the investment vertical.

- Net operating income is revenue less property taxes, property insurance and other direct expenses such as salaries, repairs and maintenance, utilities, property management fees and park-level overhead expenses.
- Net operating income 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 TLC's operations.
- Occupancy rate represents leased and revenue-generating rental pads divided by total pads. Management believes occupancy in the TLC properties, as well as TLC's ability to increase rent, directly affects investment income available to Tricon and Tricon's shareholders.
- Long-term occupancy rate refers to the number of rental pads that are subject to an annual lease divided by total pads. This metric is therefore intended to normalize seasonal in-place occupancy variations.
- Funds from operations ("FFO") represents investment income – TLC excluding fair value gains and other non-cash items such as deferred taxes, gains or losses on sale of homes and non-controlling interests. Core funds from operations ("Core FFO") represents FFO less transaction costs and non-recurring items. Management believes these metrics are helpful to investors in understanding TLC's business and comparing its performance to industry peers.

8.2 Assets under management

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

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

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

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

9.1 Revenue, investments and fair value determination

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

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

The Company manages an investment portfolio of residential real estate assets on behalf of third-party investors in the U.S. and Canada. Our objective in our Private Funds and Advisory business is to earn contractual fees, general partner distributions, performance fees and advisory fees through:

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

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

Tricon Housing Partners ("THP")

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

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

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

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

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

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

Tricon American Homes ("TAH")

Investment income is comprised of realized rental income net of expenses from leasing single-family rental homes and investment income from changes in the fair value of single-family rental homes. The fair value of TAH homes is based on Broker Price Opinion ("BPO") methodology and supplemented by the Home Price Index ("HPI") methodology. TAH typically obtains a BPO for a home once every three years. Once a BPO is obtained, the fair value of the home is adjusted using the HPI on a quarterly basis until it is replaced by a more recent BPO. Refer to Note 5 in the financial statements for specific details of these valuation methodologies.

Tricon Lifestyle Communities ("TLC")

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

Tricon Lifestyle Rentals (formerly Tricon Luxury Residences) ("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 consolidated financial statements for details on critical accounting estimates.

Accounting standards adopted in the current year

International Accounting Standard ("IAS") 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

In January 2016, the IASB issued an amendment to IAS 7, Statement of Cash Flows, introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations. The Company has provided the related information for the current period in its consolidated financial statements.

Accounting standards and interpretations issued but not yet adopted

In July 2014, the IASB issued the final publication of the IFRS 9 standard, which will supersede IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new hedge accounting guidance.

Under IFRS 9, financial assets will be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The new hedge accounting standard will align hedge accounting more closely with risk management. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the Company's consolidated financial statements.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company will adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company meets the definition of an investment entity, and therefore, investments in subsidiaries are accounted for at FVTPL, rather than consolidating them. Investment income is out of the scope of IFRS 15, and therefore, we expect that the application of this new standard will have no overall impact on the Company's consolidated financial statements. Immaterial transitional impact concerning accounting for the Company's contractual fees earned through The Johnson Companies LP ("Johnson") has been discussed in its consolidated financial statements.

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

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2018, together with its adoption of IFRS 15. The adoption of IFRS 16 is not expected to have a material impact on the Company's consolidated financial statements as the Company has no significant operating lease arrangements.

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.

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 amendment is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The adoption of IFRIC 22 is not expected to 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.

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 December 31, 2017. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the year ended December 31, 2017, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 Transactions with related parties

Tricon has a ten-year sub-lease commitment on the Company's head office premises with Mandukwe Company Inc., a company owned and controlled by a director of the Company. The annual rental amount is $95,000 (C$119,000) plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

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

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

9.5 Dividends

On February 27, 2018, the Board of Directors approved the Company increasing its dividends by 8% to seven cents per share per quarter in Canadian dollars (C$0.28 on an annualized basis). Concurrently, the Board declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2018 to shareholders of record on March 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").

AIP is calculated based on a percentage of the Company's EBITDA for Bonus Purposes as defined by the AIP with the actual percentage, not to exceed 20%, determined at the Board's discretion annually. For senior management of the Company, 60% of AIP compensation is distributed as cash, and 40% as Deferred Share Units ("DSUs") of the Company with a one-year vesting period.

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 and the DSUs are set out in the Company's most recent Management Information Circular dated March 29, 2017 and available on SEDAR at www.sedar.com and on the Company's website at www.triconcapital.com.

9.7 Risk definition and management

There are certain risks inherent in the Company's activities and those of its investees, including the ones described below, which may impact the Company's performance, the value of its investments and the value of its securities. The risks described below are not the only ones facing the Company and holders of its common shares. Additional risks not currently known to us or that we currently consider to be immaterial may also affect our activities and those of our investees.

General risks

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

General economic conditions

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

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

Real estate industry conditions

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

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

Portfolio concentration

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

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

Competition

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

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

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

Investment pipeline

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

Long investment periods

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

Liquidity risk

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

Transaction execution

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

Rising interest rates

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

Sustaining growth

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

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

Insurance

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

Environmental risk

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

Conflicts of interest

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

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

Management team

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

Government regulation

The Company's activities and those of its investees are subject to numerous regulations across various jurisdictions in North America. Changes in legislation and regulation could result in increased costs and increased risk of non-compliance, which could adversely affect the Company's financial condition and the value of its investments. For example, the City of Toronto is currently conducting a review of its development charges bylaw. Any resulting increase in the fees collected from developers could adversely impact TLR's returns from its investments in Toronto.

Certain jurisdictions have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit the ability to raise rental rates at residential properties. In addition to limiting the ability to raise rental rates, residential tenancy legislation in some jurisdictions prescribes certain limitations on terminations of residential tenancies. While the Company's overall exposure to such jurisdictions is expected to be minimal, any limits on TAH's or TLC's (and, as its portfolio stabilizes, TLR's) ability to raise rental rates at their properties, or to terminate defaulting tenancies, may adversely affect their financial performance. The Province of Ontario enacted new rent control guidelines in 2017 that will affect TLR's ability to raise rental rates on its properties, once stabilized.

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

Construction industry risks

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

Taxation risks

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

Furthermore, tax changes (such as rising property tax rates) could impact the efficiency of the activities of our investees (for example, the tax efficiency of TAH's operations) and could also impact the overall economic conditions relevant to the success of those activities. For example, in the United States, the significant expenses of owning a home, including mortgage interest and state and property tax, are generally deductible for tax purposes (subject to various limitations). Recent changes under the Tax Cuts and Jobs Act ("TCJA") to modify these benefits may increase the after-tax cost of owning a new home, which could adversely impact housing demand and/or sales prices. The impact of these and other tax changes on the activities of our investees could negatively impact the value of our investments and our financial performance.

Recent corporate tax rate reductions in the United States under the TCJA combined with the interest deductibility exemption for real estate investments do not appear to have a negative impact on the Company's effective tax rate or net income. However, detailed tax regulations that usually accompany any new tax legislation (such as the TCJA) have not been released and upon release may contain interpretive changes that could have an adverse impact on the Company's existing tax framework. It is prudent for prospective investors to consult with their own tax advisor.

Divestitures

While the Company expects to divest certain of its non-core assets and business (including the TLC investment vertical, and the U.S. business of the TLR investment vertical), there is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Accordingly, any opportunities for debt reduction resulting from these divestitures, the anticipated effects of these divestitures on the Company's leverage position, or any other anticipated benefits of the divestitures including redeployment of divestiture proceeds, may never be realized, or may not be realized to the extent the Company currently anticipates.

Risks related to Principal Investments

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

Risks related to Tricon Housing Partners

Operational and credit risks

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

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

The above risks are also relevant to TLR.

Risks related to Tricon American Homes and Tricon Lifestyle Communities
Many of the risks noted below will also be relevant to TLR as its portfolio stabilizes.

Lease renewal and turnover risk

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

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

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

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

Resident Default

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

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

Reliance on Vendors

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

Substitutions for rental properties

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

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

Tenant Relief Laws

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

Title risk

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

Homeowners' Association Issues

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

Government subsidies

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

MHC tenant financing

Tenants of manufactured housing communities typically own the manufactured home affixed to the pad that they lease from the MHC owner. The lack of chattel financing for tenants to acquire manufactured homes, or the terms of such chattel financing offered by lending entities, may negatively impact tenants' and prospective tenants' ability to own manufactured homes and may therefore have a negative impact on demand for pads in TLC's portfolio, which could in turn have an adverse effect on TLC's financial performance.

Reliance on Cobblestone

TLC investments involve the acquisition of properties through its joint venture with Cobblestone, which is an operating partner that has expertise in TLC's target markets. The Company's investments in Tricon Lifestyle Communities therefore involve risks, including, but not limited to, the possibility that Cobblestone may have business or economic goals which are inconsistent with those of TLC, that Cobblestone may be in a position to take action or withhold consent contrary to TLC's instructions or requests, and that TLC may be responsible to Cobblestone for indemnifiable losses. In some instances, Cobblestone may have competing interests in TLC's target markets that could create conflicts of interest. Further, Cobblestone may experience financial distress, including bankruptcy or insolvency, and TLC's performance could be adversely affected to the extent Cobblestone cannot meet its obligations.

Defaults or poor performance by Cobblestone could also result in disruptions to operations and other negative impacts on the value of TLC's portfolio that may adversely affect the Company's financial results in connection with Tricon Lifestyle Communities.

Risks related to Tricon Lifestyle Rentals

Guarantees of project debt

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

Risks relating to Private Funds and Advisory

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

Formation of future investment vehicles

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

Structure of future investment vehicles

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

Ongoing investment performance

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

Investment vehicle governance

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

Capital commitment

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

Risks related to a public company and common shares

Stock exchange prices

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

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

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

Additional capital

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

Additional indebtedness

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

Dividends

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

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

Future sales and dilution

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

Holding company

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

Financial reporting and other public company requirements

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

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

10. HISTORICAL FINANCIAL INFORMATION

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

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Financial statement results				
Total revenue and investment income	$ 61,413	$ 71,670	$ 15,433	$ 27,931
Net income (loss)	25,724	57,512	(21,643)	7,755
Basic earnings (loss) per share	0.19	0.43	(0.17)	0.07
Diluted earnings (loss) per share	0.19	0.29	(0.17)	0.07

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Financial statement results				
Total revenue and investment income	$ 21,845	$ 35,860	$ 26,210	$ 27,485
Net income	8,964	23,617	14,322	12,857
Basic earnings per share	0.21	0.21	0.13	0.12
Diluted earnings per share	0.17	0.17	0.11	0.11

For the twelve months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated)	December 31, 2017	December 31, 2016	December 31, 2015
Financial statement results			
Total revenue and investment income	$ 176,447	$ 111,400	$ 102,062
Net income	69,348	59,760	58,463
Basic earnings per share	0.54	0.53	0.60
Diluted earnings per share	0.54	0.46	0.59
Dividends per share	C$ 0.26	C$ 0.26	C$ 0.24

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	$ 1,430,723	$ 972,744	$ 826,526
Debt	383,604	168,857	71,353

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