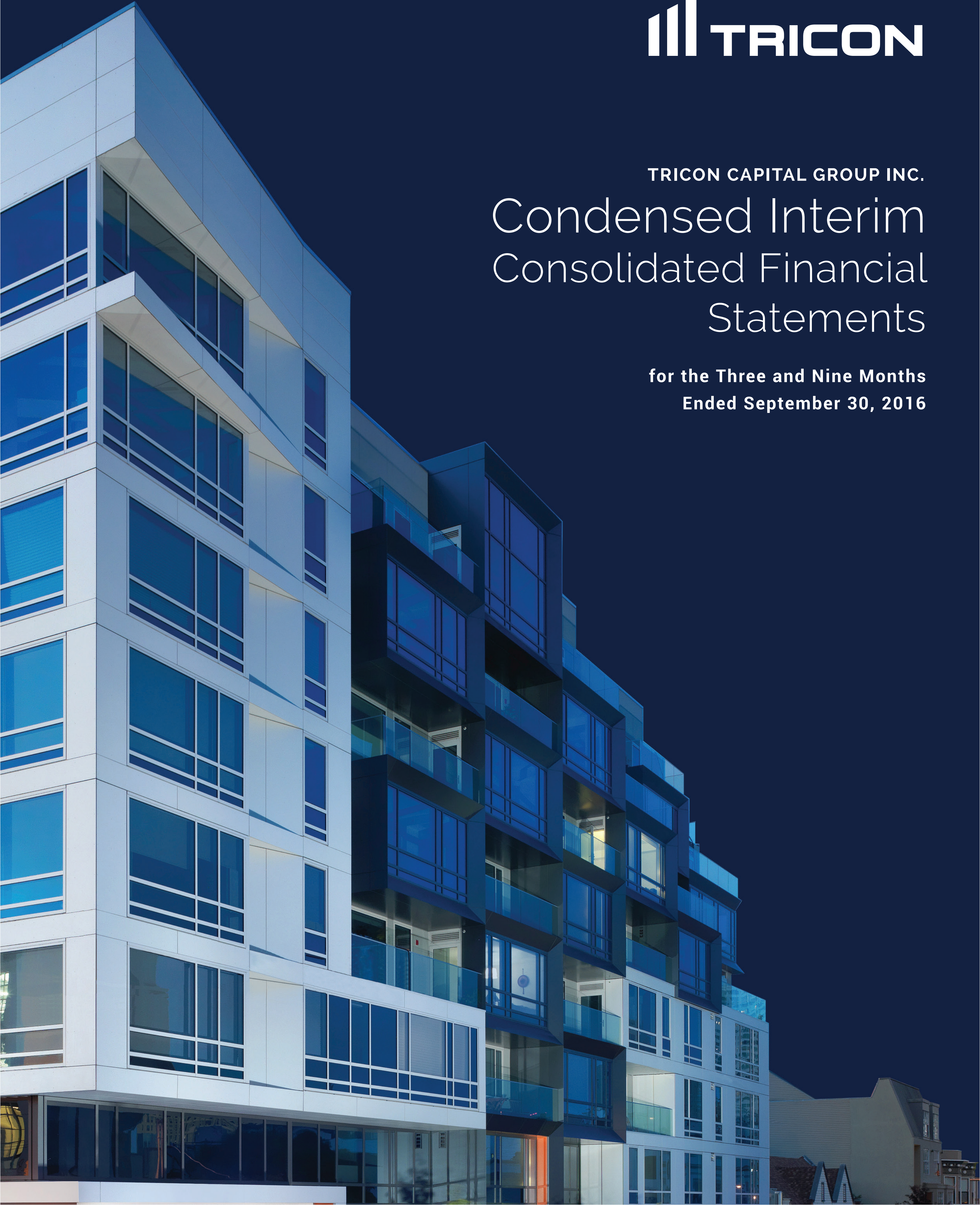
TRICON

TRICON CAPITAL GROUP INC.

Condensed Interim Consolidated Financial Statements

for the Three and Nine Months Ended September 30, 2016



CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited (in thousands of U.S. dollars)

	Notes	September 30, 2016	December 31, 2015
ASSETS			
Cash		$ 5,933	$ 4,493
Amounts receivable		11,873	8,088
Prepaid expenses and deposits	*3*	2,652	2,542
Investments – Tricon Housing Partners	*4,5*	347,840	303,782
Investments – Tricon American Homes	*4,5*	505,074	426,030
Investments – Tricon Lifestyle Communities	*4,5*	38,504	19,153
Investments – Tricon Luxury Residences	*4,5*	57,864	19,582
Intangible assets	*10*	26,312	30,527
Deferred income tax assets	*9*	12,274	11,282
Other assets	*11*	1,370	1,047
Total assets		**$ 1,009,696**	**$ 826,526**
LIABILITIES			
Amounts payable and accrued liabilities	*7*	$ 8,240	$ 7,621
Dividends payable	*12*	5,578	4,857
Long-term incentive plan	*15*	14,895	15,717
Debt	*6*	216,080	71,353
Deferred income tax liabilities	*9*	28,294	20,600
Derivative financial instruments	*8*	1,264	8,376
Total liabilities		**274,351**	**128,524**
Equity			
Share capital	*13*	566,452	561,347
Contributed surplus		11,381	9,812
Cumulative translation adjustment		18,836	20,098
Retained earnings		124,775	90,813
Total shareholders' equity		721,444	682,070
Non-controlling interest		13,901	15,932
Total equity		**735,345**	**698,002**
Total liabilities and equity		**$ 1,009,696**	**$ 826,526**

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

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Notes	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Revenue					
Contractual fees	*17*	$ 5,973	$ 7,281	$ 17,029	$ 17,905
General partner distributions	*17*	332	320	964	975
Performance fees	*17*	678	37	779	47
		6,983	7,638	18,772	18,927
Investment income					
Investment income – Tricon Housing Partners	*16,17*	6,123	5,133	17,452	12,698
Investment income – Tricon American Homes	*16,17*	20,653	15,022	46,642	45,000
Investment income – Tricon Lifestyle Communities	*16,17*	1,496	69	3,377	(612)
Investment income – Tricon Luxury Residences	*16,17*	605	1	3,312	3
		28,877	20,225	70,783	57,089
		35,860	27,863	89,555	76,016
Expenses					
Compensation expense	*15*	6,779	5,017	16,942	14,577
General and administration expense		1,607	1,200	4,815	3,927
Interest expense		3,039	3,616	8,693	10,981
Net change in fair value of derivative	*8*	(4,247)	(15,768)	(7,575)	16,239
Transaction costs		48	940	1,744	3,011
Amortization expense		1,415	1,498	4,414	4,877
Realized and unrealized foreign exchange (gain) loss		(878)	(7,502)	1,078	(16,987)
		7,763	(10,999)	30,111	36,625
Income before non-controlling interest and income taxes		**28,097**	**38,862**	**59,444**	**39,391**
Non-controlling interest change		(75)	(554)	305	(211)
Income before income taxes		**28,022**	**38,308**	**59,749**	**39,180**
Income tax expense (recovery) – current	*9*	(462)	2,597	392	3,732
Income tax expense – deferred	*9*	4,942	2,590	8,256	6,009
Net income		**$ 23,542**	**$ 33,121**	**$ 51,101**	**$ 29,439**
Other comprehensive income					
Items that will be reclassified subsequently to net income					
Cumulative translation reserve		400	(1,849)	(1,262)	2,229
Comprehensive income for the period		**$ 23,942**	**$ 31,272**	**$ 49,839**	**$ 31,668**
Basic earnings per share		**$ 0.21**	**$ 0.34**	**$ 0.45**	**$ 0.32**
Diluted earnings per share		**$ 0.17**	**$ 0.20**	**$ 0.39**	**$ 0.31**
Weighted Average Shares Outstanding – Basic	*14*	**112,584,950**	**97,311,968**	**112,371,206**	**92,838,561**
Weighted Average Shares Outstanding – Diluted	*14*	**123,577,695**	**115,916,032**	**123,280,579**	**94,313,706**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (in thousands of U.S. dollars)

	Notes	Share capital	Contributed surplus	Cumulative translation adjustment	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at January 1, 2016		**$ 561,347**	**$ 9,812**	**$ 20,098**	**$ 90,813**	**$ 682,070**	**$ 15,932**	**$ 698,002**
Net income (loss)		–	–	–	51,101	51,101	(305)	50,796
Cumulative translation reserve		–	–	(1,262)	–	(1,262)	–	(1,262)
Distribution to non-controlling interest		–	–	–	–	–	(1,726)	(1,726)
Dividends/Dividend reinvestment plan	*12*	3,337	–	–	(16,802)	(13,465)	–	(13,465)
Repurchase of common shares	*13*	(1,115)	–	–	(337)	(1,452)	–	(1,452)
Bought deal offering	*13*	1,362	–	–	–	1,362	–	1,362
Stock options	*15*	77	678	–	–	755	–	755
Phantom units	*15*	617	(805)	–	–	(188)	–	(188)
Deferred share units	*15*	827	1,696	–	–	2,523	–	2,523
Balance at September 30, 2016		**$ 566,452**	**$ 11,381**	**$ 18,836**	**$ 124,775**	**$ 721,444**	**$ 13,901**	**$ 735,345**
Balance at January 1, 2015		**$ 393,200**	**$ 7,833**	**$ 17,631**	**$ 52,954**	**$ 471,618**	**$ 18,360**	**$ 489,978**
Net income		–	–	–	29,439	29,439	211	29,650
Cumulative translation reserve		–	–	2,229	–	2,229	–	2,229
Distribution to non-controlling interest		–	–	–	–	–	(2,693)	(2,693)
Dividends/Dividend reinvestment plan	*12*	1,811	–	–	(13,300)	(11,489)	–	(11,489)
Debentures conversion	*13*	1,690	–	–	–	1,690	–	1,690
Issuance of common shares, net of issuance costs of $4,973	*13*	109,763	–	–	–	109,763	–	109,763
Stock options	*15*	201	361	–	–	562	–	562
Phantom units	*15*	528	(641)	–	–	(113)	–	(113)
Deferred share units	*15*	967	1,038	–	–	2,005	–	2,005
Balance at September 30, 2015		**$ 508,160**	**$ 8,591**	**$ 19,860**	**$ 69,093**	**$ 605,704**	**$ 15,878**	**$ 621,582**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of U.S. dollars)

For the nine months ended	Notes	September 30, 2016	September 30, 2015
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income		$ 51,101	$ 29,439
Adjustments for non-cash items			
Non-controlling interest		(305)	211
Amortization of intangibles and fixed assets	*10,11*	4,414	4,877
Deferred income taxes	*9*	8,256	6,009
Long-term incentive plan	*15*	1,413	1,458
Annual incentive plan	*15*	6,725	4,570
Amortization of debenture discount and issuance costs	*6*	1,652	3,841
Accrued investment income – Tricon Housing Partners	*5,16*	(17,452)	(12,698)
Accrued investment income – Tricon American Homes	*5,16*	(46,642)	(45,000)
Accrued investment income – Tricon Lifestyle Communities	*5,16*	(3,377)	612
Accrued investment income – Tricon Luxury Residences	*5,16*	(3,312)	(3)
Net change in fair value of derivative	*8*	(7,575)	16,239
Unrealized foreign exchange gain		(3,989)	(23,264)
Distributions to non-controlling interest		(1,726)	(2,693)
Acquisitions of investments	*5*	(195,789)	(123,725)
Distributions received	*5*	85,563	145,063
		(121,043)	4,936
Changes in non-cash working capital items	*20*	(3,276)	(20,578)
Net cash (used) provided by operating activities		(124,319)	(15,642)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	*11*	(601)	(63)
Placement fees	*10*	–	(18)
Net cash (used) by investing activities		(601)	(81)
Financing activities			
Issuance (repurchase) of common shares	*13*	(1,115)	114,736
Equity issuance cost	*13*	–	(4,973)
Proceeds from (repayment of) revolving term credit facility – net of financing costs	*6*	140,250	(46,800)
Dividends paid	*12*	(12,811)	(11,460)
Net cash (used) provided by investing activities		126,324	51,503
Effect of exchange rate difference on cash		**36**	**(72)**
Change in cash during the period		**1,440**	**35,708**
Cash – beginning of period		**4,493**	**4,940**
Cash – end of period		**$ 5,933**	**$ 40,648**
Supplementary information			
Cash paid on			
Income taxes		**$ 4,670**	**$ 15,929**
Interest		**$ 6,687**	**$ 8,059**

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

1. NATURE OF BUSINESS

Tricon Capital Group Inc. (“Tricon” or the “Company”) is a principal investor and asset manager focused on the residential real estate industry in North America. In the principal investment portfolios, the Company primarily invests through Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences. In Private Funds and Advisory, the Company manages, on behalf of private investors, commingled funds, side-cars and separate investment accounts that invest in the development of real estate in North America and generate contractual fee income for the Company.

Tricon was incorporated on June 16, 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company is domiciled in Canada. Tricon became a public company on May 20, 2010, and its common shares are listed on the TSX (symbol: TCN).

These condensed interim consolidated financial statements were approved for issue on November 7, 2016 by the Board of Directors of Tricon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The condensed interim consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is also the Company’s functional currency. All financial information has been rounded to the nearest thousand U.S. dollars except where otherwise indicated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost basis except for (i) investments in Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences and (ii) derivative financial instruments, which are recorded at fair value through profit or loss (“FVTPL”).

The Company presents its condensed interim consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the condensed interim consolidated financial statements provide information on the Company’s current assets and current liabilities (Note 18). The Company believes this presentation is more relevant given the nature of the Company’s operations, which do not have specifically identifiable operating cycles.

ACCOUNTING STANDARDS ADOPTED IN THE CURRENT YEAR

IAS 1, “Presentation of Financial Statements”, was amended in December 2014 to clarify guidance on materiality and aggregation, the presentation of sub-totals, the structure of financial statements and the disclosure of accounting policies. The amendment was adopted on January 1, 2016, without a significant impact on Tricon’s balance sheet and statements of operations.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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 amendments are effective on or after January 1, 2017. The Company is analyzing the amendments to determine their impact on Tricon’s balance sheet and statements of operations.

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment is effective from January 1, 2017 and earlier application is permitted. The Company is analyzing the amendment to determine its impact on Tricon’s statements of cash flows.

3. PREPAID EXPENSES AND DEPOSITS

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Deposits for office building	$ 2,177	$ 1,626
Deposits for investments	–	436
Other prepaid expenses and deposits	475	480
Total prepaid expenses and deposits	**$ 2,652**	**$ 2,542**

4. INVESTMENTS

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

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

Investments – Tricon Lifestyle Communities ("TLC") are investments in U.S. manufactured housing communities that lease land to owners of prefabricated homes.

Investments – Tricon Luxury Residences ("TLR") are investments in Canadian and U.S. Class A multi-family rental developments.

The Company makes these investments via equity investments and loan advances. The following is a summary of the composition of the Company's investments:

	September 30, 2016			December 31, 2015		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
U.S. funds	$ –	$ 189,295	$ 189,295	$ –	$ 233,547	$ 233,547
Canadian funds	–	9,605	9,605	–	8,340	8,340
Separate accounts and side-cars	20,753	128,187	148,940	18,000	43,895	61,895
	20,753	327,087	347,840	18,000	285,782	303,782
Investments – TAH	–	505,074	505,074	–	426,030	426,030
Investments – TLC	–	38,504	38,504	–	19,153	19,153
Investments – TLR	–	57,864	57,864	–	19,582	19,582
Total	**$ 20,753**	**$ 928,529**	**$ 949,282**	**$ 18,000**	**$ 750,547**	**$ 768,547**

The underlying loan instruments within the Company's Tricon Housing Partners investments, if utilized, are denominated in U.S. dollars and bear interest at rates of between 9.45% and 11.95%, compounded monthly.

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

The following tables summarize the balances in the investment funds that are managed by Tricon, presented in the functional currency of the fund:

(in thousands of dollars)

THP Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investment at fair value[2]
As at September 30, 2016[1]								
THP1 US[3,4]	US	$ 226,775	$ 273,380	$ 11,451	$ –	$ 191,738	$ 191,738	$ 165,206
THP2 US	US	25,000	16,175	8,825	–	–	–	24,089
THP US SP1 LP	US	6,330	5,273	1,057	135	–	135	5,953
Cross Creek Ranch	US	14,400	12,295	2,105	5,553	9,952	15,505	8,589
Fulshear Farms	US	5,000	3,206	1,794	631	–	631	3,263
Grand Central Park	US	8,075	7,862	213	2,588	1,520	4,108	7,950
Trilogy at Verde River	US	10,350	8,271	2,079	2,389	–	2,389	10,173
Viridian	US	25,400	24,896	504	1,479	3,500	4,979	21,718
Trinity Falls	US	95,633	73,865	21,768	145	–	145	75,334
Side-cars	US	17,880	14,610	3,270	3,522	–	3,522	15,960
Total US Investments		**434,843**	**439,833**	**53,066**	**16,442**	**206,710**	**223,152**	**338,235**
THP3 Canada	CA	20,000	11,447	8,553	–	2,643	2,643	9,605
Total CA Investments		**$ 20,000**	**$ 11,447**	**$ 8,553**	**$ –**	**$ 2,643**	**$ 2,643**	**$ 9,605**
Investments – THP								**$ 347,840**
As at December 31, 2015[1]								
THP1 US[3,4]	US	$ 226,775	$ 272,970	$ 19,120	$ –	$ 132,062	$ 132,062	$ 212,159
THP2 US	US	25,000	15,105	9,895	–	–	–	21,388
Cross Creek Ranch	US	14,400	12,295	2,105	4,860	9,952	14,812	8,708
Fulshear Farms	US	5,000	3,206	1,794	553	–	553	3,215
Grand Central Park	US	8,075	7,357	718	1,939	1,520	3,459	6,996
Trilogy at Verde River	US	10,350	6,691	3,659	1,509	–	1,509	8,155
Viridian	US	25,400	24,328	1,072	476	3,500	3,976	20,827
Side-cars	US	17,880	12,820	5,060	2,974	–	2,974	13,994
Total US Investments		**332,880**	**354,772**	**43,423**	**12,311**	**147,034**	**159,345**	**295,442**
THP3 Canada	CA	20,000	11,194	8,806	–	2,368	2,368	8,340
Total CA Investments		**$ 20,000**	**$ 11,194**	**$ 8,806**	**$ –**	**$ 2,368**	**$ 2,368**	**$ 8,340**
Investments – THP								**$ 303,782**

(1) Commitment, unfunded commitment, advances and distributions are shown in fund or separate account originating currency.

(2) Investments at fair value as of September 30, 2016 and December 31, 2015 are shown in U.S. dollars.

(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.

(4) The cumulative actual cash distribution received from THP1 US was reduced by $1,281 of withholding tax.

5. FAIR VALUE ESTIMATION

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

The following describes the categories within the fair value hierarchy:

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

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

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

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

	September 30, 2016			December 31, 2015		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
U.S. funds	$ –	$ –	$ 189,295	$ –	$ –	$ 233,547
Canadian funds	–	–	9,605	–	–	8,340
Separate accounts and side-cars	–	–	148,940	–	–	61,895
	–	–	347,840	–	–	303,782
Investments – TAH	–	–	505,074	–	–	426,030
Investments – TLC	–	–	38,504	–	–	19,153
Investments – TLR	–	–	57,864	–	–	19,582
	$ –	**$ –**	**$ 949,282**	**$ –**	**$ –**	**$ 768,547**
Financial liabilities						
Derivative financial instruments (Note 8)	$ –	$ 1,264	$ –	$ –	$ 8,376	$ –

There have been no transfers between levels for the period ended September 30, 2016.

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

FINANCIAL ASSETS VALUATION METHODOLOGIES

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Valuation Committee at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

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

Investments – Tricon Housing Partners

Tricon establishes wholly-owned subsidiaries that invest in the limited partnerships as a limited partner. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of each limited partnership's net assets at each measurement date. The fair values of each limited partnership's net assets are calculated by determining the fair values of the underlying projects using discounted cash flows, appraised values or share prices as reported on the appropriate stock exchange.

In addition to the investments in limited partnerships, the Company invests in separate accounts and side-car investments through limited partnership with other third parties. Tricon's ownership interests in these investments are held through the Company's wholly-owned subsidiaries. The investments are measured at fair value as determined by the waterfall distribution calculations specified in the relevant limited partnership agreement. The inputs into the waterfall distribution calculations include the fair value of the land and working capital held by the limited partnerships. The fair value of the land is based on appraisals prepared by an external third-party valuator or on internal valuations.

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-car are held through the Company's wholly-owned subsidiaries. The side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as those for the limited partnership investments.

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

Description	Valuation technique(s)	Significant unobservable input
Debt investments	Discounted cash flow	a) Discount rate[1] b) Future cash flow
Equity investments		
Commingled funds	Net asset value	a) Discount rate[2] b) Future cash flow c) Control premium/discount, if any[3]
Separate accounts and side-cars	Waterfall distribution model	a) Discount rate[2] b) Future cash flow c) Appraised value[4]

(1) The range of discount rates in the discounted cash flow model was from 10% to 12%.

(2) The range of discount rates in the discounted cash flow model was from 12.5% to 20.0%. Generally, an increase in future cash flow will result in an increase in the fair value of debt instruments and fund equity investments. An increase in the discount rate will result in a decrease in the fair value of debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(3) As at September 30, 2016, the THP1 US Co-Investment included a control premium of $610.

(4) The Company obtained external valuations for seven separate account equity investments at December 31, 2015, totaling $22,929. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per acre. External valuations are obtained annually and the Company assesses whether any changes to inputs would have a significant impact on the loan balances as at September 30, 2016.

Sensitivity

The effects on Investments – Tricon Housing Partners of a 1% change in the discount rates are as follows:

		September 30, 2016		December 31, 2015	
(in thousands of dollars)	Currency	1% increase	1% decrease	1% increase	1% decrease
U.S. funds	US	$ (2,207)	$ 1,956	$ (1,437)	$ 1,470
Canadian funds	CA	(334)	346	(264)	274
Separate accounts and side-cars	US	(338)	344	(424)	435

Investments – Tricon American Homes

All of the Company's investments in TAH limited partnerships are held through a wholly-owned subsidiary, Tricon SF Home Rental Inc., and are recorded at fair value. The fair value of the Company's investment in Tricon SF Home Rental Inc. is calculated based on Tricon's proportionate share of each entity's fair value of net assets. The fair value of the net assets of the various entities is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Home values do not change materially in the short term, and capital expenditures do not significantly impact values in the first three months after purchase. As a result, homes acquired in the quarter are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to July 1, 2016 were valued at August 31, 2016. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at September 30, 2016.

During the quarter, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 3,576 of TAH's rental properties. The homes were valued by independent brokers who hold active real estate licenses and have market experience in the locations and segments of the homes valued. The brokers value each home based on recent comparable sales and active comparable listings in the area, assuming the homes were all renovated to an average standard in their respective areas. The BPO retrieves information on the comparable properties from the Multiple Listing Service ("MLS") public database.

The remainder of the rental properties, including those previously valued by BPO, had their values updated using the Home Price Indexes ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past 12 months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties.

In addition to the investment properties generating rental income, a small percentage of the investment properties are held for resale. These inventory properties were originally purchased as rental properties but subsequently selected for sale through the investee's active asset management process. All inventory homes are valued at the lower of carrying amount and fair value less cost to sell.

The Company also takes into account the carried interest payable to local operating partners as general partners of some of the underlying limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the relevant limited partnership agreement with each local operator and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate of interest that the limited partnerships would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years, with fair values determined by discounting to the reporting period. Working capital of the limited partnerships approximates fair value.

Sensitivity

The TAH debt facility is subject to variable rates based on the one-month LIBOR plus 300 basis points, subject to a 25 basis point LIBOR floor. As of September 30, 2016, the rental partnerships and the Company as its sponsor are in compliance with the financial covenant and other undertakings outlined in the loan agreement (previously, the rate was three-month LIBOR plus 360 basis points, subject to a 50 basis point LIBOR floor). The one-month LIBOR during the nine months ended September 30, 2016 ranged from 0.43% to 0.53%. If interest rates had been 10 basis points lower, with all other variables held constant, investment income in TAH for the nine months ended September 30, 2016 would have been $236 (2015 – $0) higher. At September 30, 2016, if interest rates had been 10 basis points higher, with all other variables held constant, investment income in TAH for the nine months ended September 30, 2016 would have been $236 (2015 – $15) lower. Investment income is more sensitive to interest rate increases than decreases because of the interest rate floor on borrowings. The calculated impact of a 10 basis point increase is higher in the nine months ended September 30, 2016 than in the nine months ended September 30, 2015 because of the decrease in the interest rate floor from 0.50% on the three-month LIBOR to 0.25% on the one-month LIBOR effective with the June 12, 2015 amendment.

TAH is indebted in the amount of $361 million under a securitization loan. The securitization transaction involved the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in a loan secured by a portion of the Company's portfolio of single-family properties. Monthly payments of interest commenced on June 9, 2015. All outstanding principal and interest shall be paid in full prior to maturity on May 9, 2017, with three one-year extensions available at the Company's option. As of September 30, 2016, the securitization entity is in compliance with the covenants and other undertakings outlined in the loan agreement. Interest-only payments are required on the securitization loan at a weighted average interest rate of one-month LIBOR plus 1.96% per annum, subject to a 3.955% cap on the LIBOR rate. The one-month LIBOR during the nine months ended September 30, 2016 ranged from 0.43% to 0.53%. If interest rates had been 10 basis points higher or lower, with all other variables held constant, investment income in TAH for the nine months ended September 30, 2016 would have been $271 lower or higher (2015 – $120).

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1% (December 31, 2015 – 1%), the impact on investments in TAH fair value at September 30, 2016 would be $10,092 and ($10,092), respectively (December 31, 2015 – $9,705 and ($9,705)).

Investments – Tricon Lifestyle Communities

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

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of future capital expenditures, generally do not change significantly in the first 12 months after acquisition, investments are recorded at cost for the first 12 months after acquisition. As a result, these properties are recorded at their purchase price plus the cost of capital expenditures. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

The Company fair values the TLC properties using a discounted cash flow methodology. The fair value is determined based on rental income from the current leases and assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year net operating income ("NOI"), supported by the terms of existing leases and assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

The Company also takes into account the carried interest payable to the general partner of the underlying limited partnership in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the limited partnership agreement and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnership would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years. Working capital of the limited partnership approximates fair value.

Sensitivity

Since the rate of interest on borrowings incurred by Tricon Lifestyle Communities is fixed, Investment income – Tricon Lifestyle Communities for the period would not change due to interest rate fluctuations.

TLC's fair value measurements of its investments are based on significant unobservable inputs including discount rates and future cash flows. At September 30, 2016, an increase of 1% in the discount rate results in a decrease in fair value of ($1,738), and a decrease of 1% in the discount rate results in an increase in fair value of $1,271.

Investments – Tricon Luxury Residences

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

TLR Canada fair values its properties based on an external appraisal performed annually as of November 30 of each year. The fair value is determined based on active market prices (including, but not limited to, dollar value per square foot), adjusted (if necessary) for differences in the nature, location or condition of the asset, as well as assumptions about the recoverability of development costs. Management has assessed whether any market changes have occurred subsequent to the date of prior valuation and has determined that the value remained unchanged at September 30, 2016.

TLR U.S. fair values its properties using a discounted cash flow methodology. The fair value is determined based on assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year net operating income ("NOI"), supported by the assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

Sensitivity

TLR U.S.' fair value measurements of its investments are based on significant unobservable inputs including discount rates and future cash flows. An increase of 1% in the discount rate results in a decrease in fair value of ($1,226), and a decrease of 1% in the discount rate results in an increase in fair value of $1,270.

TLR Canada's income is largely based on the fair value of appraised assets held for development at year end. As at September 30, 2016, an increase of 1% of the appraised value per square foot would result in an increase in fair value of $38, and a decrease of 1% of the appraised value would result in a decrease in fair value of ($38).

Continuity of investments

The following presents the changes in Level 3 instruments for the nine months ended September 30, 2016 and December 31, 2015:

THP

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Opening balance	$ 303,782	$ 317,123
Additional investment	84,845	33,998
Distributions received	(57,892)	(66,311)
Investment income	17,452	18,753
Revaluation of opening balance	(347)	219
Ending balance	**$ 347,840**	**$ 303,782**
Unrealized fair value gain on investments still held	$ 17,452	$ 18,753

TAH

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Opening balance	$ 426,030	$ 344,170
Additional investment	60,000	118,131
Distributions received	(27,671)	(94,133)
Investment income	46,642	57,746
Revaluation of opening balance	73	116
Ending balance	**$ 505,074**	**$ 426,030**
Unrealized fair value gain on investments still held	$ 34,681	$ 51,902

TLC

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Opening balance	$ 19,153	$ 4,246
Additional investment	15,974	14,810
Investment income	3,377	97
Ending balance	**$ 38,504**	**$ 19,153**
Unrealized fair value gain on investments still held	$ 1,689	$ 1,035

TLR

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Opening balance	$ 19,582	$ –
Additional investment	34,970	19,767
Investment income	3,312	(185)
Ending balance	**$ 57,864**	**$ 19,582**
Unrealized fair value gain on investments still held	$ 2,582	$ –

FINANCIAL LIABILITIES VALUATION METHODOLOGIES

Derivative financial instruments relate to the conversion and redemption features of the convertible debentures and are valued using model calibration, as discussed in Note 8. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Quantitative information about fair value measurements using significant unobservable inputs (Level 2) is as follows:

	September 30, 2016	December 31, 2015
	February 2013 Debenture	February 2013 Debenture
Risk-free rate[1]	0.92%	1.08%
Stock price[2]	C$9.26	C$9.06
Implied volatility[3]	24.26%	30.17%
Dividend yield[4]	3.06%	2.92%

(1) Risk-free rates were from the CAD swap curves matching the terms to maturity of the debentures.
(2) Closing price of the stock as of the valuation date.
(3) Implied volatility was computed from the trading volatility of the Company's stock.
(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

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

6. DEBT

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Revolving term credit facility	$ 160,250	$ 20,000
Convertible debentures	55,830	51,353
Total debt	**$ 216,080**	**$ 71,353**

REVOLVING TERM CREDIT FACILITY

The Company has access to a $235 million revolving term credit facility (the "Facility"). The Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The Facility may be further increased to $275 million with the approval of the lenders. The Facility has a maturity date of June 30, 2019. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During 2016, the minimum balance drawn on the Facility was $20,000, and the maximum amount drawn was $178,750.

Advances under the Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 250 to 300 basis points above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 350 to 400 basis points above the respective reference rate. Standby fees ranging from 87.5 to 100 basis points of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. The Facility total interest expense incurred for the nine months ended September 30, 2016 amounted to $3,220 (2015 – $2,360). The weighted average interest rate during that period was 4.133%.

The Facility agreement requires the Company to maintain the following covenants: a senior funded debt-to-EBITDA ratio of 4.00:1 for each fiscal quarter ending after July 1, 2016 and prior to April 1, 2017, and 3.25:1 for each fiscal quarter ending thereafter; a minimum interest coverage ratio of 1.5:1; and a consolidated total funded debt-to-capital not to exceed 55%. As at September 30, 2016, the outstanding balance of the Facility was $160,250 (December 31, 2015 – $20,000) and the Company was in compliance with each of the covenants of the Facility.

Convertible debentures

The debt component of the convertible debentures (the "Debentures") recognized on the consolidated balance sheet was calculated as follows:

(in thousands of dollars)	February 2013 Debenture USD[1]	February 2013 Debenture CAD
September 30, 2016		
Face value outstanding	$ 65,361	$ 85,731
Less: Transaction costs (net of amortization)	(1,735)	(2,276)
Liability component on initial recognition	63,626	83,455
Debentures discount (net of amortization)	(7,796)	(10,226)
Convertible debentures	**$ 55,830**	**$ 73,229**

(in thousands of dollars)	February 2013 Debenture USD[1]	February 2013 Debenture CAD
December 31, 2015		
Face value outstanding	$ 61,940	$ 85,731
Less: Transaction costs (net of amortization)	(1,957)	(2,709)
Liability component on initial recognition	59,983	83,022
Debentures discount (net of amortization)	(8,630)	(11,945)
Convertible debentures	**$ 51,353**	**$ 71,077**

(1) Balance translated at period-end exchange rate.

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. The fair value of the debt components of the Debentures is $71,941 (C$94,361) as of September 30, 2016 and $60,852 (C$84,219) as of December 31, 2015. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market risk-free rate.

The face and weighted average interest rates are as follows:

(in thousands of U.S. dollars)	Coupon interest rates	Effective interest rates	Maturity dates	Debt balance September 30, 2016	Debt balance December 31, 2015
Fixed Rate					
February 2013 Debenture	5.60%	6.46%	2020	$ 55,830	$ 51,353
Variable Rate					
Revolving term credit facility	4.00%	4.13%	2019	160,250	20,000
Total debt	**4.41%**	**4.73%**		**$ 216,080**	**$ 71,353**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Total
2016	$ –	$ –	$ –
2017	–	–	–
2018	–	–	–
2019	160,250	–	160,250
2020	–	65,361	65,361
2021	–	–	–
2022 and thereafter	–	–	–
	160,250	65,361	225,611
Transaction costs (net of amortization)			(1,735)
Debentures discount (net of amortization)			(7,796)
Total debt			**$ 216,080**

7. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables and accruals consist of amounts payable and accruals, income taxes payable, and interest payable, as follows:

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Accrued liabilities	$ 7,706	$ 6,017
Income taxes payable	164	–
Interest payable	370	1,604
Total amounts payable and accrued liabilities	**$ 8,240**	**$ 7,621**

8. DERIVATIVE FINANCIAL INSTRUMENTS

The conversion and redemption features of the convertible debentures are combined pursuant to IAS 39, "Financial Instruments: Recognition and Measurement", and are measured at fair value at each reporting period using model calibration.

The conversion and redemption components were valued using a binomial pricing model and then the valued amount was calibrated to the traded price of the underlying debentures. The valuation model uses market-based inputs including the spot price of the underlying equity, implied volatility of the equity, risk-free rates from the CAD swap curves and dividend yields related to the equity.

The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

As at September 30, 2016, the fair value of the embedded derivative payable on the February 2013 Debenture decreased by $7,575 (C$9,936) (2015 – increase of $32,007), primarily as a result of a decrease in the price of the Company's stock in relation to the conversion price of the underlying debentures. The decrease in fair value of the embedded derivative was offset by an increase of $463 due to foreign exchange revaluation, resulting in a fair value at September 30, 2016 of $1,264 (C$1,658).

The assumed conversion of the debentures was dilutive due to the gain recognized on the derivative financial instruments in the nine months ended September 30, 2016; as a result, the shares issuable on conversion were included in the weighted average diluted shares outstanding for the nine months ended September 30, 2016. The comparative period in 2015 excluded the impact of the assumed conversion.

The assumed conversion of the debentures was also dilutive in the three months ended September 30, 2016; as a result, the shares issuable on conversion were included in the weighted average diluted shares outstanding for the three months ended September 30, 2016. The comparative quarter in 2015 also included the impact of the assumed conversion.

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

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
September 30, 2016						
Derivative financial instruments – beginning of period	$ –	$ –	$ 8,376	$ 11,594	$ 8,376	$ 11,594
Fair value changes (based on market price)	–	–	(7,575)	(9,936)	(7,575)	(9,936)
Revaluation to period-end exchange rate	–	–	463	–	463	–
Derivative financial instruments – end of period	**$ –**	**$ –**	**$ 1,264**	**$ 1,658**	**$ 1,264**	**$ 1,658**

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
December 31, 2015						
Derivative financial instruments – beginning of period	$ 22,789	$ 26,438	$ 13,187	$ 15,299	$ 35,976	$ 41,737
Fair value changes (based on market price)	3,948	5,465	(2,676)	(3,705)	1,272	1,760
Conversion of convertible debentures	(23,892)	(31,903)	–	–	(23,892)	(31,903)
Revaluation to period-end exchange rate	(2,845)	–	(2,135)	–	(4,980)	–
Derivative financial instruments – end of period	**$ –**	**$ –**	**$ 8,376**	**$ 11,594**	**$ 8,376**	**$ 11,594**

9. INCOME TAXES

	For the three months ended September 30		For the nine months ended September 30	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Income tax expense (recovery) – current	$ (462)	$ 2,597	$ 392	$ 3,732
Income tax expense – deferred	4,942	2,590	8,256	6,009
Income tax expense	**$ 4,480**	**$ 5,187**	**$ 8,648**	**$ 9,741**

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

	For the three months ended September 30		For the nine months ended September 30	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Income before income taxes	$ 28,022	$ 38,308	$ 59,749	$ 39,180
Combined statutory federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Expected income tax expense	7,425	10,152	15,833	10,383
Tax rate differential (foreign tax rates)	214	440	175	814
Tax effects of				
Permanent differences[1]	(3,865)	(11,128)	(8,042)	(11,937)
Prior year adjustments associated with exit strategy changes[2]	–	8,706	–	13,934
Prior year adjustments	253	(3,692)	253	(3,692)
Other[3]	453	709	429	239
Income tax expense	**$ 4,480**	**$ 5,187**	**$ 8,648**	**$ 9,741**

(1) Permanent differences for 2016 are comprised of the following: (a) the non-taxable portion of unrealized foreign exchange gains/losses on the convertible debentures; (b) the non-taxable portion of the unrealized gain recognized on the investment in Tricon American Homes; and (c) the fair value change on the derivative, and obligations related to investments held under repurchase agreement.

(2) As a result of a change in the exit strategy for TAH and TLC, portfolio gains will be taxed at capital gains rates instead of ordinary income rates.

(3) Other adjustments includes revaluation due to change of presentation currency.

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

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	$ 12,274	$ 11,282
Total deferred tax assets	**$ 12,274**	**$ 11,282**
Deferred tax liabilities:		
Deferred tax liabilities reversing after more than 12 months	$ 28,294	$ 20,600
Total deferred tax liabilities	**$ 28,294**	**$ 20,600**

The movement of the deferred tax accounts was as follows:

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Change in net deferred tax liabilities:		
Net deferred tax liabilities – beginning of period	$ 9,318	$ 7,554
Charge to the statement of comprehensive income	8,256	3,014
Credit directly to equity	(1,362)	–
Other	(192)	(1,250)
Net deferred tax liabilities – end of period	**$ 16,020**	**$ 9,318**

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

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred tax assets					
At December 31, 2015	$ 4,455	$ 1,621	$ 4,912	$ 294	$ 11,282
Addition/(reversal)	(149)	255	765	121	992
At September 30, 2016	**$ 4,306**	**$ 1,876**	**$ 5,677**	**$ 415**	**$ 12,274**

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
Deferred tax liabilities					
At December 31, 2015	$ 19,365	$ 206	$ 1,029	$ –	$ 20,600
Addition/(reversal)	7,943	32	(281)	–	7,694
At September 30, 2016	**$ 27,308**	**$ 238**	**$ 748**	**$ –**	**$ 28,294**

Tricon will have sufficient future income to realize the deferred tax assets.

10. INTANGIBLE ASSETS

The intangible assets are comprised as follows:

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Placement fees	$ 1,973	$ 2,471
Rights to performance fees	204	250
Customer relationship intangible	5,402	5,788
Contractual development fees	18,733	22,018
Total intangible assets	**$ 26,312**	**$ 30,527**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to collect over the life of the projects that the Company manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which range from 2 to 13 years.

The customer relationship intangible from Johnson represents the management fees, development fees and commissions that Tricon will collect from future projects. These are based on future projects which are a result of Johnson's existing customer relationships, and as such are considered to be definite-life intangibles.

11. OTHER ASSETS

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Office equipment	$ 883	$ 529
Leasehold improvements	268	299
Goodwill	219	219
Total other assets	**$ 1,370**	**$ 1,047**

There were no impairment charges for the nine months ended September 30, 2016 and September 30, 2015.

12. DIVIDENDS

(in thousands of dollars, except per share amounts)				Dividend amount per share		Total dividend amount		Dividend reinvestment plan	
Date of declaration	Record date	Payment date	Common shares outstanding	in C$	in US$[1]	in C$	in US$[1]	in C$	in US$[2]
March 8, 2016	March 31, 2016	April 15, 2016	112,069,541	$ 0.065	$ 0.050	$ 7,285	$ 5,616	$ 1,345	$ 1,046
May 11, 2016	June 30, 2016	July 15, 2016	112,239,181	0.065	0.050	7,296	5,608	1,753	1,351
August 10, 2016	September 30, 2016	October 15, 2016	112,567,194	0.065	0.050	7,317	5,578	1,612	1,223
						$ 21,898	**$ 16,802**	**$ 4,710**	**$ 3,620**
March 10, 2015	March 31, 2015	April 15, 2015	90,431,078	$ 0.060	$ 0.047	$ 5,420	$ 4,281	$ 639	$ 516
May 11, 2015	June 30, 2015	July 15, 2015	90,533,290	0.060	0.048	5,438	4,351	806	623
August 13, 2015	September 30, 2015	October 15, 2015	104,211,647	0.060	0.045	6,253	4,668	965	748
November 11, 2015	December 31, 2015	January 15, 2016	112,037,851	0.060	0.043	6,722	4,857	1,365	940
						$ 23,833	**$ 18,157**	**$ 3,775**	**$ 2,827**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts are translated to USD using the noon rate on the date of record.

(2) Dividends reinvested are translated to USD using the noon rate on the date common shares are issued.

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

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

For the nine months ended September 30, 2016, 540,664 common shares were issued under the DRIP (2015 – 225,157) for a total amount of $3,337 (2015 – $1,811).

On November 7, 2016, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on January 13, 2017 to shareholders of record on December 31, 2016.

13. SHARE CAPITAL

	September 30, 2016			December 31, 2015		
		Share capital			Share capital	
(in thousands of dollars)	Number of shares issued	in US$	in C$	Number of shares issued	in US$	in C$
Beginning balance	112,037,851	$ 561,347	$ 677,277	90,192,448	$ 393,200	$ 456,148
Shares issued under DRIP[1]	540,664	3,337	4,463	318,615	2,558	3,210
Stock options exercised[2]	10,503	77	100	135,890	1,075	1,426
Shares issued for phantom units released from escrow[3]	104,595	617	643	112,434	528	691
Normal course issuer bid (NCIB)	(244,520)	(1,115)	(1,539)	(636,400)	(2,921)	(3,856)
Deferred share units exercised[4]	118,101	827	1,129	152,779	972	1,209
Debenture conversions	–	–	–	8,604,085	56,499	75,384
Bought deal offering[5]	–	1,362	1,903	13,158,000	109,436	143,065
Ending balance	**112,567,194**	**$ 566,452**	**$ 683,976**	**112,037,851**	**$ 561,347**	**$ 677,277**

(1) In 2016, 540,664 common shares were issued under the DRIP at an average price of $6.17 (C$8.25) per share.

(2) In 2016, a total of 10,503 shares were issued for stock options vested and exercised at an average price of $7.33 per share (C$9.52).

(3) On August 15, 2016, 104,595 shares were issued for phantom units vested at $5.91 per share (C$6.15).

(4) In 2016, 118,101 deferred shared units (DSUs) were vested and exercised at an average price of $6.99 (C$9.56).

(5) The increase in share capital relates to tax savings connected to equity issuance costs.

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

As of September 30, 2016, the Company had 112,567,194 common shares outstanding (December 31, 2015 – 112,037,851).

14. EARNINGS PER SHARE

BASIC

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

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Net income	$ 23,542	$ 33,121	$ 51,101	$ 29,439
Weighted average number of common shares outstanding	112,475,591	97,138,145	112,261,847	92,664,738
Adjustments for vested units	109,359	173,823	109,359	173,823
Weighted average number of common shares outstanding for basic earnings per share	112,584,950	97,311,968	112,371,206	92,838,561
Basic net earnings per share	**$ 0.21**	**$ 0.34**	**$ 0.45**	**$ 0.32**

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares. The Company has three categories of potential dilutive shares related to stock compensation: stock options, deferred share units (see Note 15) and the convertible debentures (see Note 8). For the stock compensation, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of September 30, 2016) based on the monetary value of the stock compensation arrangements. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock compensation

For the three months ended September 30, 2016, the Company's stock compensation plans resulted in 2,244,684 dilutive share units (September 30, 2015 – 1,564,669) as the exercise price of the potential share units is below the average market share price of $7.26 (C$9.48) for the three months.

For the nine months ended September 30, 2016, the Company's stock compensation plans resulted in 2,161,312 dilutive share units (September 30, 2015 – 1,475,145) as the exercise price of the potential share units is below the average market share price of $6.68 (C$8.82) for the nine months.

Convertible debentures

For the three months ended September 30, 2016, the Company's convertible debentures are dilutive (September 30, 2015 – dilutive). For the nine months ended September 30, 2016, the Company's convertible debentures are also dilutive (September 30, 2015 – anti-dilutive) as debenture interest expense and the change in fair value of the derivative financial instruments, net of tax, would not result in an increased net earnings per share upon conversion.

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
Net income	$ 23,542	$ 33,121	$ 51,101	$ 29,439
Adjustment for convertible debenture interest expense	916	2,129	3,080	–
Changes in fair value for financial instruments through profit or loss	(3,122)	(11,589)	(5,568)	–
Adjusted net income	$ 21,336	$ 23,661	$ 48,613	$ 29,439
Weighted average number of common shares outstanding	112,584,950	97,311,968	112,371,206	92,838,561
Adjustments for stock compensation	2,244,684	1,564,669	2,161,312	1,475,145
Adjustments for convertible debentures	8,748,061	17,039,395	8,748,061	–
Weighted average number of common shares outstanding for diluted earnings per share	123,577,695	115,916,032	123,280,579	94,313,706
Diluted earnings per share	**$ 0.17**	**$ 0.20**	**$ 0.39**	**$ 0.31**

15. COMPENSATION EXPENSE

The breakdown of compensation expense, including the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements, is as follows:

	For the three months ended September 30		For the nine months ended September 30	
(in thousands of U.S. dollars)	2016	2015	AIP	LTIP
Salaries and benefits	$ 2,938	$ 3,099	$ 8,804	$ 8,549
Annual incentive plan ("AIP")	2,493	1,682	6,725	4,570
Long-term incentive plan ("LTIP")	1,348	236	1,413	1,458
Total compensation expense	**$ 6,779**	**$ 5,017**	**$ 16,942**	**$ 14,577**

For the Three Months Ended September 30	2016		2015	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 1,463	$ (53)	$ 976	$ (1,016)
Deferred share units ("DSUs")	1,015	874	650	527
Stock options	–	264	–	516
DRIP and revaluation loss	15	263	56	209
Total AIP and LTIP expenses	**$ 2,493**	**$ 1,348**	**$ 1,682**	**$ 236**

For the Nine Months Ended September 30	2016		2015	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 4,031	$ (1,827)	$ 2,724	$ (1,446)
Deferred share units ("DSUs")	2,682	2,077	1,816	1,383
Stock options	–	766	–	863
DRIP and revaluation loss	12	397	30	658
Total AIP and LTIP expenses	**$ 6,725**	**$ 1,413**	**$ 4,570**	**$ 1,458**

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

CASH SETTLED

AIP – For the nine months ended September 30, 2016, the Company accrued $6,713 (2015 – $4,540) in relation to the AIP, of which 60%, being $4,031, is expected be settled in cash in December 2016. The balance of the AIP accrual will be paid in DSUs, which will vest one year from the grant date.

On February 12, 2016, the Company paid $1,872 in relation to the 2015 AIP.

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

For the nine months ended September 30, 2016, the Company reduced its accrual by $1,827 related to cash-settled LTIP (2015 – $1,446 accrual reduction), as a result of a reduction in expected performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

PHANTOM UNIT PLAN ("PUP")

On August 13, 2013, as a result of the crystallization of performance fees from the acquisition of the Company's 68.4% interest in the THP1 US limited partnership, 584,252 phantom units were granted on a fully vested basis and held in escrow to be released over three years on the anniversary date of the transaction. The Company estimated that 30% of the benefit value will be settled in cash to satisfy tax withholding requirements and accordingly, this cash-settled component is fair valued at each reporting period and resulted in a loss of $180 for the nine months ended September 30, 2016, which is included in the revaluation loss.

DEFERRED SHARE UNITS ("DSUs")

AIP – For the nine months ended September 30, 2016, the Company accrued $2,682 in AIP expense (2015 – $1,816), representing approximately 40% of the 2016 AIP entitlement which will be granted in DSUs in December 2016, and will vest one year later. On February 15, 2016, 219,388 DSUs were granted at $5.61 (C$7.78) per unit in settlement of the 2015 AIP entitlement. The fair value of the DSUs on the grant date was $1,231 (C$1,707) and they will vest on February 15, 2017.

LTIP – For the nine months ended September 30, 2016, the Company accrued $2,077 in LTIP expense (2015 – $1,383) relating to investment income from THP1 US that will be paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the nine months ended September 30, 2016 is comprised of $511 relating to the current year entitlement and $1,566 relating to the prior year entitlement. On February 15, 2016, 364,381 DSUs were granted at $5.61 (C$7.78) per unit under the 2015 DSU plan and will vest equally from 2017 to 2021.

STOCK OPTION PLAN

During the nine months ended September 30, 2016, no stock options were granted (2015 – 721,500) and 42,000 stock options were exercised. In the three months ended September 30, 2016, 33,500 stock options were exercised at a weighted average exercise price of C$6.88. The average share price for the nine months ended September 30, 2016 was C$8.82 and it was C$9.48 for the three months ended September 30, 2016.

For the nine months ended September 30, 2016, the Company recorded $766 (2015 – $863) in relation to stock option compensation expense.

	For the nine months ended September 30, 2016		For the year ended December 31, 2015	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Opening balance – outstanding	3,398,835	$ 8.42	2,101,500	$ 6.48
Granted	–	–	1,741,500	10.24
Exercised	(42,000)	6.99	(407,498)	6.27
Forfeited	(3,000)	10.57	(36,667)	7.19
Ending balance – outstanding	3,353,835	$ 8.44	3,398,835	$ 8.42

		September 30, 2016		
Grant date	Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (C$)
May 19, 2010	May 19, 2020	587,000	587,000	$ 6.00
August 3, 2010	August 3, 2020	54,000	54,000	5.26
November 22, 2011	November 22, 2020	20,000	20,000	4.16
May 17, 2013	May 17, 2020	804,334	804,334	6.81
November 25, 2013	November 25, 2020	171,501	111,162	7.74
March 16, 2015	March 16, 2020	717,000	238,998	10.57
November 17, 2015	November 17, 2020	1,000,000	10,000	10.03
Total		**3,353,835**	**1,825,494**	**$ 8.44**

AIP liability is disclosed under the following balance sheet headings:

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Amounts payable and accrued liabilities	$ 5,589	$ 1,998
Equity – contributed surplus	3,570	3,104
AIP – end of period	**$ 9,159**	**$ 5,102**

LTIP liability is shown included under the following balance sheet headings:

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
LTIP	$ 14,895	$ 15,717
Equity – contributed surplus	7,198	6,457
LTIP – end of period	**$ 22,093**	**$ 22,174**

16. SEGMENTED INFORMATION

The Company has five reportable segments, as follows: Private Funds and Advisory ("PF&A"); and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Luxury Residences ("TLR"). The reportable segments are business units offering different products and services, and managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision makers.

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

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

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

(in thousands of U.S. dollars)

For the three months ended September 30, 2016	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 6,983	$ –	$ –	$ –	$ –	$ –	$ 6,983
Investment income	–	6,123	20,653	1,496	605	–	28,877
	6,983	6,123	20,653	1,496	605	–	35,860
Expenses	–	–	–	–	–	(3,384)	(3,384)
Interest expense	–	–	–	–	–	(3,039)	(3,039)
Amortization	–	–	–	–	–	(1,415)	(1,415)
Income tax expense	–	–	–	–	–	(4,480)	(4,480)
Net income							**$ 23,542**

(in thousands of U.S. dollars)

For the three months ended September 30, 2015	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 7,638	$ –	$ –	$ –	$ –	$ –	$ 7,638
Investment income	–	5,133	15,022	69	1	–	20,225
	7,638	5,133	15,022	69	1	–	27,863
Expenses	–	–	–	–	–	15,559	15,559
Interest expense	–	–	–	–	–	(3,616)	(3,616)
Amortization	–	–	–	–	–	(1,498)	(1,498)
Income tax expense	–	–	–	–	–	(5,187)	(5,187)
Net income							**$ 33,121**

(in thousands of U.S. dollars)

For the nine months ended September 30, 2016	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 18,772	$ –	$ –	$ –	$ –	$ –	$ 18,772
Investment income	–	17,452	46,642	3,377	3,312	–	70,783
	18,772	17,452	46,642	3,377	3,312	–	89,555
Expenses	–	–	–	–	–	(16,699)	(16,699)
Interest expense	–	–	–	–	–	(8,693)	(8,693)
Amortization	–	–	–	–	–	(4,414)	(4,414)
Income tax expense	–	–	–	–	–	(8,648)	(8,648)
Net income							**$ 51,101**

(in thousands of U.S. dollars)

For the nine months ended September 30, 2015	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 18,927	$ –	$ –	$ –	$ –	$ –	$ 18,927
Investment income (loss)	–	12,698	45,000	(612)	3	–	57,089
	18,927	12,698	45,000	(612)	3	–	76,016
Expenses	–	–	–	–	–	(20,978)	(20,978)
Interest expense	–	–	–	–	–	(10,981)	(10,981)
Amortization	–	–	–	–	–	(4,877)	(4,877)
Income tax expense	–	–	–	–	–	(9,741)	(9,741)
Net income							**$ 29,439**

17. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has a 10-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director and shareholder of Tricon. For the nine months ended September 30, 2016, the Company paid $56 in rental payments to Mandukwe, including realty taxes, maintenance and utility costs (2015 – $75).

TRANSACTIONS WITH RELATED PARTIES

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

	For the three months ended September 30		For the nine months ended September 30	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Contractual fees	$ 5,973	$ 7,281	$ 17,029	$ 17,905
General partner distributions	332	320	964	975
Performance fees	678	37	779	47
Total revenue	**$ 6,983**	**$ 7,638**	**$ 18,772**	**$ 18,927**
Investment income – Tricon Housing Partners	$ 6,123	$ 5,133	$ 17,452	$ 12,698
Investment income – Tricon American Homes	20,653	15,022	46,642	45,000
Investment income – Tricon Lifestyle Communities	1,496	69	3,377	(612)
Investment income – Tricon Luxury Residences	605	1	3,312	3
Total investment income	**$ 28,877**	**$ 20,225**	**$ 70,783**	**$ 57,089**

BALANCES ARISING FROM TRANSACTIONS WITH RELATED PARTIES

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

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	$ 450	$ 102
Other receivables	5,176	6,592
Employee relocation housing loans[1]	785	963
Loans receivable from investment in associates and joint ventures	20,753	18,000
Long-term incentive plan	22,093	22,174
Annual incentive plan	9,159	5,102
Dividends payable to employees and associated corporations	309	290
Other payables to related parties included in amounts payable and accruals	273	333

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing in 2019.

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at September 30, 2016 (December 31, 2015 – $nil).

18. FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

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

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

(in thousands of U.S. dollars) As at September 30, 2016	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	$ 8,240	$ –	$ –	$ –	$ 8,240
Dividends payable	5,578	–	–	–	5,578
Revolving term credit facility	–	–	160,250	–	160,250
Debentures payable	–	–	65,361	–	65,361
Derivative financial instruments	–	–	1,264	–	1,264
Total	**$ 13,818**	**$ –**	**$ 226,875**	**$ –**	**$ 240,693**

During 2016, the change in the Company's liquidity resulted in a working capital surplus of $3,988 (December 31, 2015 – deficit of $19,897). As of September 30, 2016, the outstanding credit facility was $160,250 (December 31, 2015 – $20,000).

The details of the net current assets (liabilities) are shown below:

(in thousands of U.S. dollars)	September 30, 2016	December 31, 2015
Cash	$ 5,933	$ 4,493
Amounts receivable	11,873	8,088
Current assets	17,806	12,581
Amounts payable and accruals	8,240	7,621
Dividends payable	5,578	4,857
Net current assets before the undernoted	3,988	103
Revolving credit facility	–	20,000
Net current assets (liabilities)	**$ 3,988**	**$ (19,897)**

During the nine months ended September 30, 2016, the Company received distributions of $85,631 (2015 – $145,063) from its investments.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's capital consists of debt, including bank debt, convertible debentures, demand credit facility and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of September 30, 2016, the Company is in compliance with all bank covenants.

20. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars)

For the nine months ended September 30	2016	2015
Amounts receivable	$ (3,785)	$ (1,821)
Prepaid expenses and deposits	(110)	(8,604)
Amounts payable and accruals	619	(10,153)
	$ (3,276)	**$ (20,578)**

21. SUBSEQUENT EVENTS

Securitization transaction

On October 25, 2016, TAH closed its second single-family rental securitization transaction, which involved the issuance and sale of six classes of fixed-rate certificates, with a weighted average interest rate of 3.59% and a five-year term to maturity, that represent beneficial ownership interests in a loan secured by 3,439 of TAH's single-family rental properties. TAH received gross transaction proceeds of approximately $363,000, which represents approximately 72% of the value of the securitized portfolio and approximately 80% of its all-in cost. Following repayment of TAH's warehouse credit facility (which, following the transaction had an outstanding balance of approximately $59,000) approximately $60,000 of equity was repatriated to Tricon from the net transaction proceeds.

Acquisition of minority interests

When TAH was launched in 2012, it entered into a series of five-year limited partnerships with local operating partners in each of its target markets. Upon internalization of TAH's property management operations in early 2015, the real estate limited partnerships were left in place and the operating partners obtained a minority interest in the internalized TAH property management entity ("TAH OpCo"). Since then, the local operating partners have owned an approximately 10% interest in TAH's consolidated real estate holdings and a 45% interest in TAH OpCo.

Between October 31 and November 7, 2016, TAH completed the acquisition of over 90% of the minority interest in its real estate holdings and property management entity. The total purchase price of $65,700 is payable in cash, with approximately 34% having been paid at closing and the remainder payable in stages over the 12 months following closing.

TAH continues to negotiate the purchase of the remaining minority interests from two local operating partners, though there can be no assurance that any further acquisitions will be completed.

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