Rethinking Residential Real Estate

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the Three Months Ended March 31, 2019

TRICON

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited (in thousands of U.S. dollars)

	Notes	March 31, 2019	December 31, 2018
ASSETS			
Cash		$ 13,292	$ 7,773
Amounts receivable		13,063	17,934
Prepaid expenses and deposits		419	819
Investments – Tricon American Homes	3, 4	1,207,137	1,145,221
Investments – Tricon Lifestyle Rentals	3, 4	142,058	129,838
Investments – Tricon Housing Partners	3, 4	328,425	307,564
Intangible assets	9	19,638	20,733
Deferred income tax assets	8	38,937	36,135
Other assets	9, 10	21,941	21,645
Total assets		**$ 1,784,910**	**$ 1,687,662**
LIABILITIES			
Amounts payable and accrued liabilities	6	$ 8,079	$ 6,429
Dividends payable	12	7,514	7,350
Long-term incentive plan	15	21,720	21,407
Debt	5, 11	437,846	374,716
Deferred income tax liabilities	8	87,487	81,226
Derivative financial instruments	7	10,821	3,936
Total liabilities		**573,467**	**495,064**
Equity			
Share capital	13	794,857	793,521
Contributed surplus		18,422	17,468
Cumulative translation adjustment		19,507	19,525
Retained earnings		369,646	353,220
Total shareholders' equity		1,202,432	1,183,734
Non-controlling interest		9,011	8,864
Total equity		**1,211,443**	**1,192,598**
Total liabilities and equity		**$ 1,784,910**	**$ 1,687,662**

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

Approved by the Board of Directors

David Berman Michael Knowlton

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)

For the three months ended	Notes	March 31, 2019	March 31, 2018
Revenue			
Contractual fees	2, 16	$ 7,036	$ 5,203
General partner distributions	2, 16	250	356
Performance fees	2, 16	203	8
		7,489	5,567
Investment income			
Investment income – Tricon American Homes	16, 17	43,553	86,442
Investment income – Tricon Lifestyle Rentals	16, 17	5,387	1,017
Investment income – Tricon Housing Partners	16, 17	2,227	2,885
		51,167	90,344
		58,656	95,911
Expenses			
Compensation expense	15	8,699	9,723
General and administration expense		2,791	2,324
Interest expense	5	7,330	7,964
Net change in fair value of derivative financial instruments	7	6,885	(29,253)
Transaction costs		1,923	98
Amortization and depreciation expense		1,542	1,233
Realized and unrealized foreign exchange expense (gain)		180	(1,688)
		29,350	(9,599)
Income before income taxes		**29,306**	**105,510**
Income tax expense – current	8	(1,513)	(981)
Income tax expense – deferred	8	(3,730)	(8,585)
Net income from continuing operations		**$ 24,063**	**$ 95,944**
Investment income from discontinued operations and gain from disposal of investments held for sale – Tricon Lifestyle Communities	16, 17	–	1,568
Income tax recovery from discontinued operations – deferred	8	–	1,957
Net income from discontinued operations		**$ –**	**$ 3,525**
Net income		**$ 24,063**	**$ 99,469**
Attributable to:			
Shareholders of Tricon		$ 23,916	$ 99,727
Non-controlling interest		147	(258)
Net income		**$ 24,063**	**$ 99,469**
Other comprehensive income			
Items that will be reclassified subsequently to net income			
Cumulative translation reserve		(18)	1,236
Comprehensive income for the period		**$ 24,045**	**$ 100,705**
Attributable to:			
Shareholders of Tricon		$ 23,898	$ 100,963
Non-controlling interest		147	(258)
Comprehensive income for the period		**$ 24,045**	**$ 100,705**
Basic earnings per share attributable to shareholders of Tricon			
Continuing operations	14	$ 0.17	$ 0.72
Discontinued operations	14	–	0.02
Basic earnings per share attributable to shareholders of Tricon	14	**$ 0.17**	**$ 0.74**
Diluted earnings per share attributable to shareholders of Tricon			
Continuing operations	14	$ 0.16	$ 0.44
Discontinued operations	14	–	0.02
Diluted earnings per share attributable to shareholders of Tricon	14	**$ 0.16**	**$ 0.46**
Weighted average shares outstanding – basic	14	**144,345,582**	**134,245,883**
Weighted average shares outstanding – diluted	14	**146,162,105**	**162,013,381**

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, 2019		**$ 793,521**	**$ 17,468**	**$ 19,525**	**$ 353,220**	**$ 1,183,734**	**$ 8,864**	**$ 1,192,598**
Net income		–	–	–	23,916	23,916	147	24,063
Cumulative translation reserve		–	–	(18)	–	(18)	–	(18)
Dividends/Dividend reinvestment plan	12	933	–	–	(7,490)	(6,557)	–	(6,557)
Stock options	15	2	196	–	–	198	–	198
Shares repurchased and reserved for restricted share awards	15	(12)	46	–	–	34	–	34
Deferred share units	15	413	712	–	–	1,125	–	1,125
Balance at March 31, 2019		**$ 794,857**	**$ 18,422**	**$ 19,507**	**$ 369,646**	**$ 1,202,432**	**$ 9,011**	**$ 1,211,443**
Balance at January 1, 2018		**$ 713,553**	**$ 16,754**	**$ 19,184**	**$ 167,849**	**$ 917,340**	**$ 10,955**	**$ 928,295**
Net income		–	–	–	99,727	99,727	(258)	99,469
Cumulative translation reserve		–	–	1,236	–	1,236	–	1,236
Distributions to non-controlling interest		–	–	–	–	–	(796)	(796)
Dividends/Dividend reinvestment plan	12	2,426	–	–	(7,246)	(4,820)	–	(4,820)
Repurchase of common shares	13	(2,310)	–	–	(1,423)	(3,733)	–	(3,733)
Stock options	15	441	265	–	–	706	–	706
Deferred share units	15	1,178	(593)	–	–	585	–	585
Balance at March 31, 2018		**$ 715,288**	**$ 16,426**	**$ 20,420**	**$ 258,907**	**$ 1,011,041**	**$ 9,901**	**$ 1,020,942**

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 three months ended	Notes	March 31, 2019	March 31, 2018
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income		$ 24,063	$ 99,469
Adjustments for non-cash items			
Amortization and depreciation expense	9, 10	1,542	1,233
Deferred income taxes	8	3,730	6,628
Long-term incentive plan	15	410	2,066
Annual incentive plan	15	4,011	4,049
Amortization of debentures discount and issuance costs		1,041	1,686
Accrued investment income – Tricon American Homes	4	(43,553)	(86,442)
Accrued investment income – Tricon Lifestyle Rentals	4	(5,387)	(1,017)
Accrued investment income – Tricon Housing Partners	4	(2,227)	(2,885)
Accrued investment income from discontinued operations – Tricon Lifestyle Communities	4	–	(1,568)
Net change in fair value of derivative financial instruments	7	6,885	(29,253)
Unrealized foreign exchange gain		(2,860)	(4,413)
Distributions to non-controlling interest		–	(796)
Advances made to investments	4	(59,111)	(48,466)
Distributions received from investments	4	15,281	5,998
		(56,175)	(53,711)
Changes in non-cash working capital items	20	6,921	(4,852)
Net cash (used in) provided by operating activities from continuing operations		**(49,254)**	**(58,563)**
Advances made to investments held for sale	4	–	(304)
Proceeds from disposal of investments held for sale	4	–	–
Net cash (used in) provided by operating activities from discontinued operations		**–**	**(304)**
Net cash (used in) provided by operating activities		**(49,254)**	**(58,867)**
Investing activities			
Purchase of building, furniture, office and computer equipment, and leasehold improvements	10	(743)	(1,365)
Net cash (used in) provided by investing activities		**(743)**	**(1,365)**
Financing activities			
Lease payments	11, 21	(46)	–
Repurchase of common shares	13	(12)	(3,733)
Debt financing, net	5, 21	61,969	65,505
Dividends paid	12	(6,417)	(4,531)
Net cash (used in) provided by financing activities		**55,494**	**57,241**
Effect of foreign exchange rate difference on cash		**22**	**(13)**
Change in cash during the period		**5,519**	**(3,004)**
Cash – beginning of period		**7,773**	**14,813**
Cash – end of period		**$ 13,292**	**$ 11,809**
Supplementary information			
Cash paid on			
Income taxes		**$ 318**	**$ 587**
Interest		**$ 8,695**	**$ 8,966**

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

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

These condensed interim consolidated financial statements were approved for issue on May 6, 2019 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 and measurement

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 is presented in thousands of U.S. dollars except where otherwise indicated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and the same significant accounting policies and methods as those used in the Company's annual financial statements. They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except for (i) investments in Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners, and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The Company presents its 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.

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

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.

3. INVESTMENTS

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

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

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

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

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

	March 31, 2019			December 31, 2018		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – TAH						
TAH wholly-owned	$ –	$ 1,147,300	$ 1,147,300	$ –	$ 1,099,086	$ 1,099,086
TAH JV-1	–	59,837	59,837	–	46,135	46,135
	–	1,207,137	1,207,137	–	1,145,221	1,145,221
Investments – TLR	–	142,058	142,058	–	129,838	129,838
Investments – THP						
U.S. commingled funds	–	113,886	113,886	–	112,332	112,332
Canadian commingled funds	–	6,855	6,855	–	6,599	6,599
Direct investments	–	134,176	134,176	–	111,342	111,342
Separate accounts and side-cars	18,663	54,845	73,508	18,874	58,417	77,291
	18,663	309,762	328,425	18,874	288,690	307,564
Total	**$ 18,663**	**$ 1,658,957**	**$ 1,677,620**	**$ 18,874**	**$ 1,563,749**	**$ 1,582,623**

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

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has provided specific guarantees to the lenders of the TAH warehouse facilities 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 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[1]	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investments at fair value[2]
As at March 31, 2019[3]								
THP1 US[4,5]	USD	$ 226,775	$ 271,222	$ 9,429	$ –	$ 281,258	$ 281,258	$ 87,476
THP2 US	USD	25,000	22,182	2,818	–	28	28	26,410
THP US SP1 LP	USD	6,330	5,369	961	983	4,652	5,635	3,583
THP US SP2 LP	USD	5,760	5,283	477	658	205	863	5,816
Cross Creek Ranch	USD	12,960	12,484	476	6,530	18,671	25,201	7,972
Fulshear Farms	USD	5,000	3,329	1,671	650	–	650	3,607
Grand Central Park	USD	9,785	8,526	1,259	4,441	1,598	6,039	8,471
Trilogy at Verde River	USD	12,600	10,312	2,288	4,688	1,323	6,011	7,254
Viridian	USD	25,400	26,860	1,047	4,788	10,150	14,938	26,811
Trinity Falls	USD	91,750	88,374	3,376	1,989	–	1,989	114,538
Bryson	USD	25,350	19,638	5,712	–	–	–	19,638
Side-cars	USD	23,613	21,007	2,606	7,571	2,059	9,630	9,994
Total USD investments		**$ 470,323**	**$ 494,586**	**$ 32,120**	**$ 32,298**	**$ 319,944**	**$ 352,242**	**$ 321,570**
THP3 Canada	CAD	20,000	12,462	7,538	–	8,977	8,977	6,855
Total CAD investments		**$ 20,000**	**$ 12,462**	**$ 7,538**	**$ –**	**$ 8,977**	**$ 8,977**	**$ 6,855**
Investments – THP								**$ 328,425**
As at December 31, 2018[3]								
THP1 US[4,5]	USD	$ 226,775	$ 271,222	$ 9,429	$ –	$ 280,574	$ 280,574	$ 86,067
THP2 US	USD	25,000	22,012	2,988	–	28	28	26,265
THP US SP1 LP	USD	6,330	5,369	961	899	1,592	2,491	6,232
THP US SP2 LP	USD	5,760	5,233	527	562	205	767	6,542
Cross Creek Ranch	USD	12,960	12,484	476	6,522	18,345	24,867	8,298
Fulshear Farms	USD	5,000	3,329	1,671	650	–	650	3,607
Grand Central Park	USD	9,785	8,526	1,259	4,251	1,598	5,849	8,471
Trilogy at Verde River	USD	12,600	10,312	2,288	4,422	1,323	5,745	7,254
Viridian	USD	25,400	26,860	1,047	4,448	10,150	14,598	26,811
Trinity Falls	USD	91,750	85,449	6,301	1,775	–	1,775	111,342
Side-cars	USD	23,613	20,878	2,735	7,151	1,848	8,999	10,076
Total USD investments		**$ 444,973**	**$ 471,674**	**$ 29,682**	**$ 30,680**	**$ 315,663**	**$ 346,343**	**$ 300,965**
THP3 Canada	CAD	20,000	12,462	7,538	–	8,977	8,977	6,599
Total CAD investments		**$ 20,000**	**$ 12,462**	**$ 7,538**	**$ –**	**$ 8,977**	**$ 8,977**	**$ 6,599**
Investments – THP								**$ 307,564**

(1) In certain cases, distributions received during the investment period can be recalled and re-advanced, leading to a higher advance amount than total commitment.

(2) Investments at fair value as of March 31, 2019 and December 31, 2018 are shown in thousands of U.S. dollars.

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

(4) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.

(5) The cumulative actual cash distributions received from THP1 US were reduced by $9,529 of withholding tax.

4. 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:

	March 31, 2019			December 31, 2018		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – TAH						
TAH wholly-owned	$ –	$ –	$ 1,147,300	$ –	$ –	$ 1,099,086
TAH JV-1	–	–	59,837	–	–	46,135
	–	–	1,207,137	–	–	1,145,221
Investments – TLR	–	–	142,058	–	–	129,838
Investments – THP						
U.S. commingled funds	–	–	113,886	–	–	112,332
Canadian commingled funds	–	–	6,855	–	–	6,599
Direct investments	–	–	134,176	–	–	111,342
Separate accounts and side-cars	–	–	73,508	–	–	77,291
	–	–	328,425	–	–	307,564
	$ –	**$ –**	**$ 1,677,620**	**$ –**	**$ –**	**$ 1,582,623**
Financial liabilities						
Derivative financial instruments (Note 7)	$ –	$ 10,821	$ –	$ –	$ 3,936	$ –

There have been no transfers between levels for the three months ended March 31, 2019.

Financial assets valuation methodologies

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

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

Investments – Tricon American Homes

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

Home values typically do not change materially in the short term, and capital expenditures generally do not significantly impact values in the first three to six months after purchase. As a result, homes acquired in the last two quarters are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to January 1, 2019 were valued at February 28, 2019. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at March 31, 2019.

As of March 31, 2019, TAH managed 18,131 homes, of which 15,563 were wholly-owned rental properties. During the three months ended March 31, 2019, homes were valued using a combination of the Home Price Index ("HPI") and Broker Price Opinion ("BPO") valuation methodologies. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past twelve months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties. The data used to fair value the rental properties is specific to the zip code in which the property is located. The HPI increase during the quarter was 0.9% compared to a 1.5% increase in the first quarter of 2018.

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

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

Deferred income taxes are based on the enacted tax rates for future years. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized at TAH. Working capital approximates fair value.

Debt

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

	Effective		Debt balance[4]	
(in thousands of U.S. dollars)	interest rates	Maturity dates	March 31, 2019	December 31, 2018
Warehouse credit facility[1]	LIBOR+2.65%	November 2019	$ 123,660	$ 100,546
TAH JV-1 warehouse credit facility[2]	LIBOR+2.50%	October 2020	169,533	95,832
Securitization loan, TAH 2016-1	3.59%	November 2021	361,168	361,440
Securitization loan, TAH 2017-1	3.50%	September 2022	462,105	462,594
Term loan	LIBOR+2.00%	October 2022	347,582	347,582
Securitization loan, TAH 2017-2	3.58%	January 2024	364,574	364,574
Securitization loan, TAH 2018-1	3.86%	May 2025	313,865	313,865
Total debt at operating entities			**$ 2,142,487**	**$ 2,046,433**
TAH JV-1 subscription loan[3]	LIBOR+1.75%	August 2021	119,800	119,500
Total debt at TAH JV-1 partner-level entities			**$ 119,800**	**$ 119,500**

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

(2) The TAH JV-1 warehouse credit facility has a maximum borrowing capacity of $300,000 and a one-year extension option. Tricon's proportionate share of the TAH JV-1 warehouse credit facility balance at March 31, 2019 is $57,076 (2018 – $32,263).

(3) Tricon's proportionate share of the TAH JV-1 subscription loan balance at March 31, 2019 is $40,333 (2018 – $40,232).

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

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

Sensitivity

As of March 31, 2019, TAH, and the Company where applicable as its sponsor, were in compliance with the financial covenants and other undertakings outlined in the loan agreements. The one-month LIBOR during the three months ended March 31, 2019 ranged from 2.49% to 2.51%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the three months ended March 31, 2019 would have been $630 (2018 – $879) higher. If interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the three months ended March 31, 2019 would have been $190 (2018 – $769) lower.

If the prices of single-family rental properties managed by TAH were to increase or decrease by 1% (December 31, 2018 – 1%), the impact on investments in TAH fair value at March 31, 2019 would be $32,140 and ($32,140), respectively (December 31, 2018 – $30,987 and ($30,987)).

The weighted average of the quarterly HPI change was 0.9%. If the change in the quarterly HPI increased or decreased by 0.5%, the impact on investments in TAH fair value at March 31, 2019 would be $14,106 and ($14,106), respectively (December 31, 2018 – $13,542 and ($13,542)).

Investments – Tricon Lifestyle Rentals

The Company's investment in TLR Canada is held through a wholly-owned subsidiary, Tricon Lifestyle Rentals Investment LP. 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.

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

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

			March 31, 2019		December 31, 2018		
Description	Valuation technique(s)	Significant unobservable input	Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs	Other inputs and key information
TLR Canada	Waterfall distribution model Net asset value, determined using income approach	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	6.0% 1 – 2 years	6.0% 1.5 years	6.0% 1 – 2 years	6.0% 1.5 years	Construction risk and leasing risk are taken into account in determining the discount rate. Price per square foot, timing of project funding requirements and distributions, stabilized net operating income.
TLR U.S.	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	12.5% 0.4 years	12.5% 0.4 years	12.0% – 13.0% 1 – 2 years	12.5% 1.7 years	Entitlement risk, leasing risk and construction risk are taken into account in determining the discount rate. Discounted at expected return for the project, subsequently adjusted downward as development risk is mitigated over project life.

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

(2) Estimating future cash flows involves modelling developers' or projects' cash flows to determine the quantum and timing of project funding requirements and cash distributions. Estimates of cash flows are based on annual budgets and include estimates of construction and development costs, anticipated selling/leasing prices and absorption rates for each project. Future cash flows incorporate expected sales prices based on executed sales agreements as an indicator of market price, where applicable.

(3) On an annual basis, the Company obtains external valuations dated December 31 for certain TLR Canada investments. As at December 31, 2018, the external valuations for Tricon's interest in two TLR Canada investments totaled $55,957. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant inputs within the appraised value are stabilized revenues and expenses, discount rates and the value of land per square foot. Management has assessed whether any significant market changes have occurred subsequent to the date of valuation and has determined that the value remained unchanged at March 31, 2019.

Sensitivity

For those investments valued using discounted cash flows, an increase of 1% in the discount rate results in a decrease in fair value of $67, and a decrease of 1% in the discount rate results in an increase in fair value of $68 (December 31, 2018 – ($830) and $849, respectively).

For those investments valued using appraised values, an increase of 5% in the appraised land value per square foot would result in an increase in fair value of $876, and a decrease of 5% in the appraised land value per square foot would result in a decrease in fair value of $876 (December 31, 2018 – $860 and ($860), respectively).

Subsequent event

Subsequent to quarter-end, Tricon announced the proposed Starlight Transaction (see Note 22). Additionally, TLR U.S. completed the sale of its 90% interest in The McKenzie, a 183-unit purpose-built rental building in Dallas, Texas, for net proceeds to the Company of $49,934.

Investments – Tricon Housing Partners

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

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

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

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

			March 31, 2019		December 31, 2018		
Description	Valuation technique(s)	Significant unobservable input	Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs	Other inputs and key information
Debt investments	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	10.0% – 12.0% 2 – 6 years	11.3% 4.8 years	10.0% – 12.0% 2 – 6 years	11.3% 5.1 years	Estimated probability of default
Equity investments Commingled funds	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]					Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. **U.S. funds:** Lower of 20% and the expected return for the project, subsequently adjusted downward as development risk is mitigated over project life. **Canadian funds:** Discounted at contractual interest rate; may include contingent interest cash flows (received when developers' project returns exceed the underlying contractual interest), which is discounted using the same method as U.S. funds.
THP1 US			12.5% – 20.0% 1 – 6 years	15.4% 2.7 years	12.5% – 20.0% 1 – 6 years	14.2% 3.2 years	
THP2 US			12.5% – 20.0% 1 – 10 years	16.3% 2.3 years	12.5% – 20.0% 1 – 10 years	15% 1.7 years	
THP3 Canada			8.0% – 18.0% 1 – 8 years	10.1% 0.8 years	8.0% – 18.0% 1 – 8 years	10.1% 1.2 years	
Separate accounts, side-cars and direct investments	Waterfall distribution model	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	12.5% – 24.0% 1 – 17 years	N/A[3] 13.6 years	15.0% – 24.0% 1 – 17 years	N/A[3] 13.6 years	Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. Price per acre of land, timing of project funding requirements and distributions.

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

(2) Estimating future cash flows involves modelling developers' cash flows to determine the quantum and timing of project funding requirements and cash distributions to the investment vehicle. Estimates of developers' cash flows are based on detailed quarterly and annual budgets and include estimates of construction and development costs, anticipated selling prices and absorption rates for each project.

(3) On an annual basis, the Company obtains external valuations for its separate account equity and side-car investments excluding THP US SP1 LP and THP US SP2 LP. As at December 31, 2018, the external valuations for Tricon's interest in eight separate account equity and side-car investments totaled $45,645. 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. Management has assessed whether any significant market changes have occurred subsequent to the date of valuation and has determined that the value remained unchanged at March 31, 2019.

Sensitivity

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

		March 31, 2019		December 31, 2018	
(in thousands of dollars)	Currency	1% increase	1% decrease	1% increase	1% decrease
U.S. commingled funds	USD	$ (779)	$ 797	$ (858)	$ 813
Canadian commingled funds	CAD	(54)	55	(73)	75
Separate accounts, side-cars and direct investments	USD	(3,157)	3,232	(2,925)	2,991

Disposition of investments – Tricon Lifestyle Communities

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

On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172,500. The net proceeds to Tricon were $85,186, which included $83,548 in proceeds from the disposal and $1,638 in reimbursement of expenses. Tricon has received distributions of $84,505 to date; the remaining proceeds of $681 are included in amounts receivable as at March 31, 2019.

Continuity of investments

The following presents the changes in Level 3 instruments for the three months ended March 31, 2019 and for the year ended December 31, 2018:

TAH

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Opening balance	$ 1,145,221	$ 884,115
Advances made to investments	29,363	170,174
Distributions received from investments	(11,000)	(128,000)
Investment income	43,553	218,932
Ending balance	**$ 1,207,137**	**$ 1,145,221**
Unrealized fair value gain included in net income on investments still held	43,553	218,932

TLR

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Opening balance	$ 129,838	$ 89,225
Advances made to investments	6,833	25,974
Distributions received from investments	–	(767)
Investment income	5,387	15,406
Ending balance	**$ 142,058**	**$ 129,838**
Unrealized fair value gain included in net income on investments still held	5,387	15,406

THP

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Opening balance	$ 307,564	$ 306,637
Advances made to investments	22,915	8,938
Distributions received from investments	(4,281)	(19,460)
Investment income	2,227	11,449
Ending balance	**$ 328,425**	**$ 307,564**
Unrealized fair value gain included in net income on investments still held	2,227	11,449

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 7. 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 (Level 2) using significant observable inputs other than quoted prices included in Level 1 is as follows:

2022 convertible debentures	March 31, 2019	December 31, 2018
Risk-free rate[1]	2.32%	2.60%
Stock price[2]	C$ 11.51	C$ 9.69
Implied volatility[3]	23.31%	23.35%
Dividend yield[4]	2.43%	2.89%

(1) Risk-free rates were from the U.S. dollar swap curve 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 over a comparable term to maturity and the volatility of USD/CAD exchange rates.

(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

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

5. DEBT

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Revolving term credit facility	$ 271,250	$ 209,250
Convertible debentures	158,153	157,112
Mortgage	7,267	7,150
Lease obligation (Note 11)	1,176	1,204
Total debt	**$ 437,846**	**$ 374,716**

Revolving term credit facility

The Company has access to a $365,000 revolving term credit facility (the "Facility"). The Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The Facility has a maturity date of June 30, 2020. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company. As part of the Facility, the Company has designated $15,000 to issue letters of credit as security against contingent obligations related to its TLR investments. As at March 31, 2019, the letters of credit outstanding were $6,124 (C$8,184), which expire on January 25, 2020.

During the three months ended March 31, 2019, the minimum balance drawn on the Facility was $209,250, and the maximum amount drawn was $271,250.

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 2.25% to 3.00% above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 3.25% to 4.00% above the respective reference rate. Standby fees ranging from 81.25 basis points to 1.00% of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. Total interest expense incurred under the Facility for the three months ended March 31, 2019 amounted to $3,741 (2018 – $2,822), which includes standby charges of $232 (2018 – $321). The weighted average interest rate during the three months ended March 31, 2019 was 5.85% (2018 – 4.98%).

The Facility agreement requires the Company to maintain the following covenants: (i) a senior funded debt-to-EBITDA ratio of 4.25:1 for each fiscal quarter prior to June 30, 2018; 3.75:1 for each fiscal quarter ending between July 1, 2018 and June 30, 2019; and 3.25:1 for each fiscal quarter ending thereafter; (ii) a minimum interest coverage ratio of 1.25:1 for each fiscal quarter ending prior to December 31, 2018; 1.40:1 for each fiscal quarter ending between January 1, 2019 and December 31, 2019; and 1.50:1 for each fiscal quarter ending thereafter; and (iii) a consolidated total funded debt-to-capital not to exceed 55%. The Company was in compliance with each of the covenants of the Facility.

Convertible debentures

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Principal amount outstanding	$ 172,500	$ 172,500
Less: Transaction costs (net of amortization)	(5,060)	(5,454)
Liability component on initial recognition	167,440	167,046
Debentures discount (net of amortization)	(9,287)	(9,934)
2022 convertible debentures	**$ 158,153**	**$ 157,112**

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. The fair value of the host liability component of the 2022 convertible debentures was $170,303 as of March 31, 2019 and $168,994 as of December 31, 2018. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market interest rate for debt with similar terms.

Mortgage

The Company obtained a mortgage loan to purchase a commercial condominium, which serves as the Company's head office in Toronto. The mortgage carries a fixed interest rate of 4.38% compounded semi-annually and matures on November 22, 2024. Total interest expense incurred on the mortgage for the three months ended March 31, 2019 was $78 (2018 – $84). As at March 31, 2019, the outstanding principal amount was $7,267 (C$9,711). The Company was in compliance with the covenants and other undertakings outlined in the loan agreement.

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

				Debt balance	
(in thousands of U.S. dollars)	Coupon/stated interest rates	Effective interest rates	Maturity dates	March 31, 2019	December 31, 2018
Fixed rate					
2022 convertible debentures	5.75%	6.85%	2022	$ 158,153	$ 157,112
Mortgage	4.38%	4.43%	2024	7,267	7,150
Lease obligation	N/A	5.60%	2026	1,176	1,204
Total fixed-rate debt	**5.65%**	**6.74%**		**$ 166,596**	**$ 165,466**
Variable rate					
Revolving term credit facility	LIBOR+3.25%	5.85%	2020	271,250	209,250
Total debt				**$ 437,846**	**$ 374,716**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Mortgage	Lease obligation	Total
2019	$ –	$ –	$ 147	$ 92	$ 239
2020	271,250	–	186	134	271,570
2021	–	–	194	148	342
2022	–	172,500	202	162	172,864
2023	–	–	211	178	389
2024 and thereafter	–	–	6,327	462	6,789
	271,250	172,500	7,267	1,176	452,193
Transaction costs (net of amortization)					(5,060)
Debentures discount (net of amortization)					(9,287)
Total debt					**$ 437,846**

Interest expense

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

(in thousands of U.S. dollars)

For the three months ended March 31	2019	2018
Credit facility interest	$ 3,741	$ 2,822
Debentures interest	2,846	3,883
Debentures discount amortization	647	1,175
Interest on lease obligation	18	–
Mortgage interest	78	84
Total interest expense	**$ 7,330**	**$ 7,964**

6. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Trade payables and accrued liabilities	$ 2,459	$ 1,898
AIP liability (Note 15)	4,037	1,227
Income taxes payable	723	59
Interest payable	860	3,245
Total amounts payable and accrued liabilities	**$ 8,079**	**$ 6,429**

7. DERIVATIVE FINANCIAL INSTRUMENTS

The conversion and redemption features of the convertible debentures are combined pursuant to IFRS 9, Financial Instruments: Recognition and Measurement, and are measured at fair value at each reporting period using model calibration.

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

The valuation of the conversion and redemption components assumes that the debentures are held to maturity. The value attributed to the derivative financial instruments is shown below:

(in thousands of U.S. dollars)	2022 convertible debentures
March 31, 2019	
Derivative financial instruments – beginning of period	$ 3,936
Fair value changes (based on market price)	6,885
Derivative financial instruments – end of period	**$ 10,821**

For the three months ended March 31, 2019, the fair value of the embedded derivative payable on the 2022 convertible debentures increased by $6,885. The significant change in the value of the conversion option, which is reflected as an expense to the Company, was mainly because of the increase in the Company's share price on the TSX. For the three months ended March 31, 2018, the fair value of the embedded derivative payable decreased by $29,253, which was reflected as income to the Company, and included the fair value change of both the 2022 convertible debentures and 2020 convertible debentures, the latter of which were redeemed in full on October 9, 2018.

The assumed conversion of the 2022 convertible debentures was anti-dilutive mainly due to the increase in fair value of the embedded derivatives for the three months ended March 31, 2019; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the three months ended March 31, 2019. The comparative period in 2018 included the impact of the assumed conversion of the 2020 and 2022 convertible debentures because the fair value impact of the embedded derivatives was dilutive.

8. INCOME TAXES

(in thousands of U.S. dollars)

For the three months ended March 31	2019	2018
Income tax expense – current	$ 1,513	$ 981
Income tax expense – deferred	3,730	8,585
Income tax expense from continuing operations	**$ 5,243**	**$ 9,566**
Income tax recovery from discontinued operations	**–**	**(1,957)**
Income tax expense	**$ 5,243**	**$ 7,609**

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

(in thousands of U.S. dollars)

For the three months ended March 31	2019	2018
Income before income taxes from continuing operations	$ 29,306	$ 105,510
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense	7,766	27,960
Non-taxable gains on investments	(6,002)	(11,166)
Non-taxable losses (gains) on derivative financial instruments	1,825	(7,752)
Foreign tax rate differential	(107)	(80)
Other, including permanent differences[1]	1,761	604
Income tax expense from continuing operations	**$ 5,243**	**$ 9,566**

(1) Other permanent differences are comprised of non-deductible share compensation and non-deductible debentures discount amortization.

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	$ 35,601	$ 34,109
Deferred income tax assets to be recovered within 12 months	3,336	2,026
Total deferred income tax assets	**$ 38,937**	**$ 36,135**
Deferred income tax liabilities		
Deferred income tax liabilities reversing after more than 12 months	$ 86,468	$ 80,189
Deferred income tax liabilities reversing within 12 months	1,019	1,037
Total deferred income tax liabilities	**$ 87,487**	**$ 81,226**

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Change in net deferred income tax liabilities		
Net deferred income tax liabilities – beginning of period	$ 45,091	$ 23,990
Charge to the statement of comprehensive income	3,730	20,161
Other	(271)	940
Net deferred income tax liabilities – end of period	**$ 48,550**	**$ 45,091**

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

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred income tax assets					
At December 31, 2018	$ 5,944	$ 1,930	$ 26,379	$ 1,882	$ 36,135
Addition/(reversal)	214	(215)	2,474	329	2,802
At March 31, 2019	**$ 6,158**	**$ 1,715**	**$ 28,853**	**$ 2,211**	**$ 38,937**

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
Deferred income tax liabilities					
At December 31, 2018	$ 79,747	$ 182	$ 1,297	$ –	$ 81,226
Addition/(reversal)	6,319	1	(59)	–	6,261
At March 31, 2019	**$ 86,066**	**$ 183**	**$ 1,238**	**$ –**	**$ 87,487**

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

9. INTANGIBLE ASSETS

The intangible assets are as follows:

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Placement fees	$ 5,488	$ 5,735
Rights to performance fees	49	65
Customer relationship intangible	4,116	4,245
Contractual development fees	9,985	10,688
Total intangible assets	**$ 19,638**	**$ 20,733**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to receive over the life of the investments that the Company manages. They are amortized by investment over the estimated periods that the Company expects to collect these fees, which range from 2 to 13 years. Amortization expense for the three months ended March 31, 2019 was $1,095 (2018 – $1,123).

There were no impairments to placement fees and rights to performance fees for the three months ended March 31, 2019 and March 31, 2018.

10. OTHER ASSETS

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Building	$ 15,828	$ 15,540
Furniture, computer and office equipment	4,312	4,247
Right-of-use asset (Note 11)	1,100	1,140
Leasehold improvements	482	499
Goodwill	219	219
Total other assets	**$ 21,941**	**$ 21,645**

Depreciation expense for the three months ended March 31, 2019 was $447 (2018 – $110).

11. LEASE OBLIGATION

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

As at March 31, 2019, the carrying value of the Company's lease obligation was $1,176 (December 31, 2018 – $1,204) and the carrying value of the right-of-use asset was $1,100. During the three months ended March 31, 2019, the Company incurred interest expense of $18 (2018 – nil) related to the lease obligation and depreciation expense of $40 (2018 – nil) on the right-of-use asset.

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

(in thousands of U.S. dollars)	
2019	$ 140
2020	191
2021	197
2022	203
2023	209
2024 and thereafter	493
Minimum lease payments obligation	1,433
Imputed interest included in minimum lease payments	(257)
Lease obligation	**$ 1,176**

(1) The portion of the lease obligation payable in 2019 is $92.

12. DIVIDENDS

(in thousands of dollars, except per share amounts)			Common shares	Dividend amount per share		Total dividend amount		Dividend reinvestment plan ("DRIP")	
Date of declaration	Record date	Payment date	outstanding	CAD	USD[1]	CAD	USD[1]	CAD	USD[2]
February 25, 2019	March 31, 2019	April 15, 2019	143,442,251	$ 0.070	$ 0.052	$ 10,041	$ 7,514	$ 1,159	$ 870
						$ 10,041	**$ 7,514**	**$ 1,159**	**$ 870**
February 27, 2018	March 31, 2018	April 16, 2018	133,556,334	$ 0.070	$ 0.054	$ 9,349	$ 7,246	$ 2,597	$ 2,061
May 9, 2018	June 30, 2018	July 16, 2018	133,849,419	0.070	0.053	9,369	7,115	3,046	2,319
August 8, 2018	September 30, 2018	October 15, 2018	138,744,258	0.070	0.054	9,712	7,446	3,043	2,332
November 6, 2018	December 31, 2018	January 15, 2019	143,246,968	0.070	0.051	10,027	7,350	1,273	933
						$ 38,457	**$ 29,157**	**$ 9,959**	**$ 7,645**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts recorded in equity are translated to U.S. dollars using the daily exchange rate on the date of record. Dividends payable of $7,514 recorded on the Company's balance sheet are translated to U.S. dollars using the period-end exchange rate and include $24 related to restricted shares.

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

The Company has a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders may elect to have their cash dividends automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased in the open market) at a discount, in the case of treasury issuances, of up to 5% (1% in the current quarter) 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 three months ended March 31, 2019, 129,036 common shares were issued under the DRIP (2018 – 290,585) for a total amount of $933 (2018 – $2,426).

13. SHARE CAPITAL

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

As of March 31, 2019, there were 143,442,251 common shares issued by the Company (December 31, 2018 – 143,246,968), of which 143,204,810 were outstanding (December 31, 2018 – 143,011,130) and 237,441 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan (Note 15).

	March 31, 2019			December 31, 2018		
	Number of shares issued	Share capital		Number of shares issued	Share capital	
(in thousands of dollars)	(repurchased)	USD	CAD	(repurchased)	USD	CAD
Beginning balance	143,011,130	$ 793,521	$ 988,711	133,472,861	$ 713,553	$ 885,310
Shares issued under DRIP[1]	129,036	933	1,273	1,147,704	9,138	11,720
Stock options exercised[2]	860	2	2	70,320	470	593
Normal course issuer bid (NCIB)	–	–	–	(431,931)	(2,310)	(2,865)
Deferred share units exercised[3]	65,387	413	551	292,475	2,268	2,962
Debentures conversion	–	–	–	8,695,539	72,125	93,301
Shares repurchased and reserved for restricted share awards[4]	(1,603)	(12)	(16)	(235,838)	(1,723)	(2,310)
Ending balance	**143,204,810**	**$ 794,857**	**$ 990,521**	**143,011,130**	**$ 793,521**	**$ 988,711**

(1) In the first quarter of 2019, 129,036 common shares were issued under the DRIP at an average price of $7.23 (C$9.87) per share.

(2) In the first quarter of 2019, 2,750 vested stock options were exercised and settled by issuing 860 common shares.

(3) In the first quarter of 2019, 65,387 common shares were issued for deferred share units (DSUs) redeemed at an average price of $6.32 (C$8.43) per share.

(4) In the first quarter of 2019, 1,603 shares were purchased at $7.49 (C$9.98) per share in accordance with the DRIP with respect to restricted share awards granted to employees in 2018. The restricted shares will vest on the 12th anniversary of the grant date.

14. EARNINGS PER SHARE

Basic

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

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

For the three months ended March 31	2019	2018
Net income from continuing operations	$ 24,063	$ 95,944
Non-controlling interest	147	(258)
Net income attributable to shareholders of Tricon from continuing operations	$ 23,916	$ 96,202
Net income attributable to shareholders of Tricon from discontinued operations	–	3,525
Net income attributable to shareholders of Tricon	$ 23,916	$ 99,727
Weighted average number of common shares outstanding	143,157,017	133,513,904
Adjustments for vested units	1,188,565	731,979
Weighted average number of common shares outstanding for basic earnings per share	144,345,582	134,245,883
Basic earnings per share		
Continuing operations	$ 0.17	$ 0.72
Discontinued operations	–	0.02
Basic earnings per share	**$ 0.17**	**$ 0.74**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has four categories of potentially dilutive shares: stock options, restricted shares (Note 15), deferred share units (Note 15) and convertible debentures (Note 7). For the stock options, restricted shares and deferred share units, the number of dilutive shares is based on the number of shares that could have been acquired at fair value with the assumed proceeds, if any, from their exercise (determined using the average market price of the Company's shares for the period then ended). For the convertible debentures, the number of dilutive shares is based on the number of common shares into which the elected amount would then be convertible. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock options, restricted shares and deferred share units

For the three months ended March 31, 2019, the Company's stock compensation plans resulted in 1,816,523 dilutive shares (2018 – 2,531,917), given that it would be advantageous to the holders to exercise their conversion rights, as the exercise prices of these potential shares are below the Company's average market share price of $8.06 (C$10.71) for the period.

Convertible debentures

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

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

For the three months ended March 31	2019	2018
Net income attributable to shareholders of Tricon from continuing operations	$ 23,916	$ 96,202
Adjustment for convertible debentures interest expense – net of tax	–	3,718
Net change in fair value of financial instruments through profit or loss	–	(29,253)
Adjusted net income attributable to shareholders of Tricon from continuing operations	23,916	70,667
Net income attributable to shareholders of Tricon from discontinued operations	–	3,525
Adjusted net income attributable to shareholders of Tricon	$ 23,916	$ 74,192
Weighted average number of common shares outstanding	144,345,582	134,245,883
Adjustments for stock compensation	1,816,523	2,531,917
Adjustments for convertible debentures	–	25,235,581
Weighted average number of common shares outstanding for diluted earnings per share	146,162,105	162,013,381
Diluted earnings per share		
Continuing operations	$ 0.16	$ 0.44
Discontinued operations	–	0.02
Diluted earnings per share	**$ 0.16**	**$ 0.46**

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 set out below. AIP awards include both short-term (cash and one-year DSUs) and long-term (three-year DSUs, stock options, restricted shares, and PSUs) incentives.

(in thousands of U.S. dollars) For the three months ended March 31	2019	2018
Salaries and benefits	$ 4,278	$ 3,608
Annual incentive plan ("AIP")	4,011	4,049
Long-term incentive plan ("LTIP")	410	2,066
Total compensation expense	**$ 8,699**	**$ 9,723**

For the three months ended March 31	2019		2018	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash component	$ 2,642	$ (57)	$ 2,394	$ 1,332
Restricted shares and share units	1,070	256	1,596	335
Stock options	36	154	–	316
DRIP and revaluation loss[1]	263	57	59	83
Total AIP and LTIP expenses	**$ 4,011**	**$ 410**	**$ 4,049**	**$ 2,066**

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

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

Cash component

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

For the three months ended March 31, 2019, the Company recognized $3,748 (2018 – $3,990) in relation to the AIP expense, of which $2,642 will be settled in cash in December 2019.

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

For the three months ended March 31, 2019, the Company decreased its accrual related to cash-component LTIP by $57 (2018 – increase of $1,332) as a result of a decrease in expected future performance fees from Investment Vehicles that will be paid to management when cash is received from each investment over time. The total LTIP cash payments for the three months ended March 31, 2019 were $81 (2018 – $9).

Restricted shares and share units

AIP – For the three months ended March 31, 2019, the Company recognized $1,070 in equity-based AIP expense (2018 – $1,596), of which $759 will be granted in performance share units (PSUs), deferred share units (DSUs) and stock options in December 2019. The remaining $311 relates to the amortization of PSUs and DSUs granted in the prior year. PSUs are revalued at each reporting date as the total liability amount is dependent on the Company's share price.

LTIP – For the three months ended March 31, 2019, the Company accrued $256 in LTIP expense (2018 – $335) relating to investment income from THP1 US that is 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 three months ended March 31, 2019 is comprised of $75 relating to the current year entitlements and $181 relating to the prior year entitlements.

Stock option plan

For the three months ended March 31, 2019, no stock options were granted (2018 – nil), and 2,750 stock options were exercised (2018 – 60,000) (Note 13). For the three months ended March 31, 2019, the Company recorded a stock option expense of $190 (2018 – $316).

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

	For the three months ended March 31, 2019		For the year ended December 31, 2018	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Opening balance – outstanding	4,823,960	$ 9.18	4,491,001	$ 9.08
Granted	–	–	426,959	9.81
Exercised	(2,750)	7.29	(92,500)	7.50
Forfeited	(1,500)	10.57	(1,500)	10.57
Ending balance – outstanding	**4,819,710**	**$ 9.18**	**4,823,960**	**$ 9.18**

		March 31, 2019		
Grant date	Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (CAD)
May 19, 2010	May 19, 2020	521,000	521,000	$ 6.00
August 3, 2010	August 3, 2020	49,000	49,000	5.26
November 22, 2011	November 22, 2020	20,000	20,000	4.16
May 17, 2013	May 17, 2020	589,000	589,000	6.81
November 25, 2013	November 25, 2020	146,917	146,917	7.74
March 16, 2015	March 16, 2020	530,166	530,166	10.57
November 17, 2015	November 17, 2020	756,668	756,668	10.03
November 14, 2016	November 14, 2023	790,000	513,332	8.85
December 15, 2017	December 15, 2024	990,000	329,994	11.35
December 17, 2018	December 17, 2025	426,959	–	9.81
Total		**4,819,710**	**3,456,077**	**$ 9.18**

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Amounts payable and accrued liabilities (Note 6)	$ 4,037	$ 1,227
Equity – contributed surplus	5,999	5,319
Total AIP	**$ 10,036**	**$ 6,546**

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
LTIP – liability	$ 21,720	$ 21,407
Equity – contributed surplus	11,204	11,031
Total LTIP	**$ 32,924**	**$ 32,438**

16. SEGMENTED INFORMATION

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

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

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

The Company has four reportable segments in 2019 as follows: principal investing in Tricon American Homes ("TAH"), Tricon Lifestyle Rentals ("TLR"), Tricon Housing Partners ("THP") and Private Funds and Advisory ("PF&A"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These four reportable segments have been determined by the Company's chief operating decision makers.

(in thousands of U.S. dollars)

For the three months ended March 31, 2019	TAH	TLR	THP	PF&A	Corporate	Total
Revenue	$ –	$ –	$ –	$ 7,489	$ –	$ 7,489
Investment income	43,553	5,387	2,227	–	–	51,167
	43,553	5,387	2,227	7,489	–	58,656
Compensation and general and administration expense	–	–	–	–	(11,490)	(11,490)
Interest expense	–	–	–	–	(7,330)	(7,330)
Realized and unrealized foreign exchange expense	–	–	–	–	(180)	(180)
Other expenses[1]	–	–	–	–	(10,350)	(10,350)
Income tax expense	–	–	–	–	(5,243)	(5,243)
Net income	**$ 43,553**	**$ 5,387**	**$ 2,227**	**$ 7,489**	**$ (34,593)**	**$ 24,063**

(in thousands of U.S. dollars)

For the three months ended March 31, 2018	TAH	TLR	THP	PF&A	Corporate	Total
Revenue	$ –	$ –	$ –	$ 5,567	$ –	$ 5,567
Investment income	86,442	1,017	2,885	–	–	90,344
	86,442	1,017	2,885	5,567	–	95,911
Compensation and general and administration expense	–	–	–	–	(12,047)	(12,047)
Interest expense	–	–	–	–	(7,964)	(7,964)
Realized and unrealized foreign exchange gain	–	–	–	–	1,688	1,688
Other income[1]	–	–	–	–	27,922	27,922
Income tax expense	–	–	–	–	(9,566)	(9,566)
Net income from continuing operations	86,442	1,017	2,885	5,567	33	95,944
Net income from discontinued operations[2]	–	–	–	–	–	3,525
Net income	**$ 86,442**	**$ 1,017**	**$ 2,885**	**$ 5,567**	**$ 33**	**$ 99,469**

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

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

17. RELATED PARTY TRANSACTIONS AND BALANCES

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

(in thousands of U.S. dollars)

For the three months ended March 31	2019	2018
Contractual fees	$ 7,036	$ 5,203
General partner distributions	250	356
Performance fees	203	8
Total revenue	**$ 7,489**	**$ 5,567**
Investment income – Tricon American Homes	$ 43,553	$ 86,442
Investment income – Tricon Lifestyle Rentals	5,387	1,017
Investment income – Tricon Housing Partners	2,227	2,885
Total investment income from continuing operations	**$ 51,167**	**$ 90,344**
Investment income from discontinued operations and gain from disposal of investments held for sale – Tricon Lifestyle Communities	**$ –**	**$ 1,568**

Balances arising from transactions with related parties

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

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Receivables from related parties included in amounts receivable		
Contractual fees and other receivables from investments managed	$ 5,784	$ 6,784
Employee relocation housing loans[1]	2,585	2,483
Proceeds from disposal of investments held for sale	681	4,242
Loan receivables from investments in associates and joint ventures	18,663	18,874
Annual incentive plan	10,036	6,546
Long-term incentive plan	32,924	32,438
Dividends payable	383	329
Other payables to related parties included in amounts payable and accrued liabilities	92	42

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

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

18. FINANCIAL RISK MANAGEMENT

Liquidity risk

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

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

(in thousands of U.S. dollars) As at March 31, 2019	Due on demand and within the year	From 1 to 2 years	From 3 to 4 years	From 5 years and later	Total
Liabilities					
Amounts payable and accrued liabilities	$ 8,079	$ –	$ –	$ –	$ 8,079
Dividends payable	7,514	–	–	–	7,514
Revolving term credit facility	–	271,250	–	–	271,250
Debentures payable	–	–	172,500	–	172,500
Mortgage	147	380	413	6,327	7,267
Lease obligation	92	282	340	462	1,176
Derivative financial instruments	–	–	10,821	–	10,821
Total	**$ 15,832**	**$ 271,912**	**$ 184,074**	**$ 6,789**	**$ 478,607**

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

During the three months ended March 31, 2019, the change in the Company's liquidity resulted in a working capital surplus of $10,942 (December 31, 2018 – surplus of $12,451). As of March 31, 2019, the outstanding amount under the credit facility was $271,250 (December 31, 2018 – $209,250) and $93,750 of the credit facility remained available to the Company. During the three months ended March 31, 2019, the Company received distributions of $15,281 (2018 – $5,998) from its investments.

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

(in thousands of U.S. dollars) As at March 31, 2019	Within the year	From 1 to 2 years	From 3 to 4 years	From 5 years and later	Total
Principal					
2022 convertible debentures	$ –	$ –	$ 172,500	$ –	$ 172,500
Mortgage[1]	147	380	413	6,327	7,267
Lease obligation	92	282	340	462	1,176
Interest					
2022 convertible debentures	4,959	19,838	4,959	–	29,756
Mortgage[1]	262	602	569	226	1,659
Lease obligation	48	106	72	31	257
Total	**$ 5,508**	**$ 21,208**	**$ 178,853**	**$ 7,046**	**$ 212,615**

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

The details of the net current assets are shown below:

(in thousands of U.S. dollars)	March 31, 2019	December 31, 2018
Cash	$ 13,292	$ 7,773
Amounts receivable	13,063	17,934
Prepaid expenses and deposits	419	819
Current assets	26,774	26,526
Amounts payable and accrued liabilities	8,079	6,429
Dividends payable	7,514	7,350
Mortgage	147	174
Lease obligation	92	122
Net current assets	**$ 10,942**	**$ 12,451**

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: (i) to safeguard its ability to meet financial obligations and growth objectives, including future investments; (ii) to provide an appropriate return to its shareholders; and (iii) to maintain an optimal capital structure that allows multiple financing options, should a financing need arise. The Company's capital consists of debt (including revolving term credit facility and convertible debentures), cash and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of March 31, 2019, the Company was in compliance with all financial covenants (Note 5).

20. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars) For the three months ended March 31	2019	2018
Amounts receivable	$ 4,871	$ 41
Prepaid expenses and deposits	400	(52)
Amounts payable and accruals	1,650	(4,841)
	$ 6,921	**$ (4,852)**

21. FINANCING ACTIVITIES

(in thousands of U.S. dollars)	As at December 31, 2018	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Addition	Non-cash changes: Other[1]	As at March 31, 2019
Revolving term credit facility	$ 209,250	$ 62,000	$ –	$ –	$ –	$ –	$ 271,250
2022 convertible debentures	157,112	–	–	–	–	1,041	158,153
Derivative financial instruments	3,936	–	–	6,885	–	–	10,821
Mortgage	7,150	(31)	148	–	–	–	7,267
Lease obligation	1,204	(46)	–	–	–	18	1,176
Total liabilities from financing activities	**$ 378,652**	**$ 61,923**	**$ 148**	**$ 6,885**	**$ –**	**$ 1,059**	**$ 448,667**

(1) Includes amortization of debentures discount and issuance costs and interest on lease obligation.

22. SUBSEQUENT EVENTS

On April 2, 2019, the Company announced that it has entered into an arrangement agreement pursuant to which it will acquire all of the issued and outstanding limited partnership units of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund") in an all-share transaction (the "Starlight Transaction"), which is expected to close by the end of the second quarter of 2019, subject to outstanding closing conditions. The Starlight Transaction will result in the indirect acquisition of the Fund's portfolio of 23 multi-family properties totaling 7,289 units located primarily in the U.S. Sun Belt and is valued at approximately $1.4 billion. The Company will also indirectly assume approximately $916 million of the Fund's existing debt upon closing. The Starlight Transaction will be funded by issuing 50,779,314 Tricon common shares ("Tricon Shares") to the Fund's unitholders on the closing date.

On May 6, 2019, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after July 15, 2019 to shareholders of record on June 30, 2019.

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