TRICON

TRICON CAPITAL GROUP INC.

Management's Discussion and Analysis

for the Three and Nine Months Ended September 30, 2016

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

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

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

This MD&A includes forward-looking statements pertaining to: anticipated investment performance including, in particular, project timelines and sales expectations, projected Internal Rate of Return ("IRR"), returns on investment ("ROI"), expected performance fees and expected future cash flow; anticipated demand for homebuilding, lots, single-family rental homes, manufactured housing communities and luxury apartment suites; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home ("TAH")'s underwriting model; the intentions to build portfolios and attract investment in TAH, Tricon Lifestyle Communities ("TLC") and Tricon Luxury Residences ("TLR") and the Company's investment horizon and exit strategy for each investment vertical. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's Annual Information Form dated March 8, 2016 and its 2015 annual MD&A, both of which are available on SEDAR at www.sedar.com.

Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. See the Company's Annual Information Form dated March 8, 2016 and its 2015 annual MD&A for a more complete list of risks relating to an investment in the Company and an indication of the impact such risks could have on the Company.

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

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

1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of November 7, 2016, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon", "us", "we" or "the Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2016.

As disclosed in our press release dated August 10, 2016, the Company has revamped its MD&A presentation to give greater prominence to International Financial Reporting Standards ("IFRS") measures, consistent with CSA Staff Notice 52-306 (Revised) – *Non-GAAP Financial Measures*, and to simplify the overall presentation of financial results. In addition, in order to provide comparability and continuity of the information presented, the Company has included an Appendix to this MD&A which includes revised sections of the Company's MD&A for the three- and six-month periods ended June 30, 2016, presented on the new revamped template. A short presentation made to key stakeholders, which provides a general overview of the new MD&A format, is available on the Company's website at www.triconcapital.com.

Additional information about the Company, including our 2015 Annual Information Form, is available on our website at www.triconcapital.com, and on the Canadian Securities Administrators' website at www.sedar.com.

The Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 were prepared using International Financial Reporting Standards accounting policies consistent with the Company's audited consolidated financial statements for the year ended December 31, 2015.

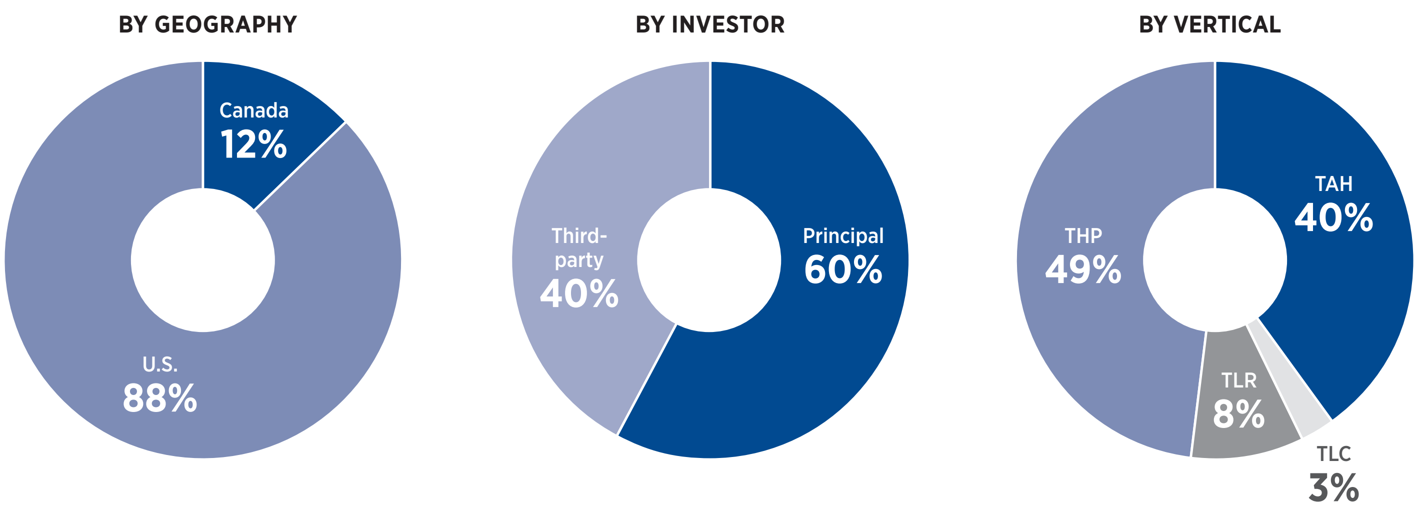
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 WHO WE ARE AND WHAT WE DO

Tricon Capital Group (TSX: TCN) is a principal investor and asset manager focused on the residential real estate industry in North America, with approximately $3.1 billion (C$4.1 billion) of assets under management. Tricon owns, or manages on behalf of third-party investors, a portfolio of investments in land and homebuilding assets, single-family rental homes, manufactured housing communities and multi-family development projects. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $18 billion.

$3.1 billion

Assets Under Management (AUM)



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

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

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

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

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

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

A detailed description of our investment verticals is included in our 2015 Annual Information Form, available on SEDAR at www.sedar.com, and more information about the revenue recognized from our investments is included in Section 9.1.

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

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

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

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

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

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

A detailed description of the sources of fee income from Private Funds and Advisory activities is included in Section 9.1 and in our 2015 Annual Information Form, available on SEDAR at www.sedar.com.

1.2 HOW WE INVEST AND CREATE VALUE

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

Tricon Housing Partners

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

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

Through its investment in Houston-based Johnson, Tricon has the ability to leverage an integrated development platform with expertise in land entitlement, infrastructure, municipal bond finance and place making, and deep relationships with public and regional homebuilders and commercial developers. Johnson is an active development manager of master planned communities in the United States and the only development manager in the United States to have four master planned communities ranked in the top 30 in 2016 (Source: Robert Charles Lesser & Co. Real Estate Advisors). Tricon uses Johnson's platform to (i) invest in cash flowing MPCs that generate proceeds from lot sales, commercial pad sales and the issuance of municipal bonds, and to (ii) earn development management fee income and sales commissions from the development and sale of residential lots and commercial land within the master planned communities that Johnson manages (regardless of whether they are owned by Tricon or managed on behalf of third-party investors), thereby enhancing its investment returns.

Tricon American Homes

Our single-family rental home investment vertical, Tricon American Homes, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 250 employees that oversee all aspects of TAH's day-to-day business activities.

TAH's investment objective is to generate a recurring cash flow stream from its portfolio of single-family rental homes and capture home price appreciation within attractive U.S. housing markets. TAH adheres to specific investment criteria for each of its target markets and has local on-the-ground staff who are responsible for underwriting, acquiring and overseeing the renovation of single-family rental homes. TAH has a disciplined, yield-based selective acquisition process, with a plan to acquire on average 400 net new homes per quarter over time.

The acquired homes are sourced through trustee sales and foreclosures, from the Multiple Listing Service, and through selective portfolio acquisitions.

TAH is in the process of growing an institutional-quality portfolio, allowing the Company to potentially exit this investment vertical via a public offering of TAH or a partial sale to an institutional investor within the next five to seven years.

Tricon Lifestyle Communities

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

Tricon's strategy for TLC is to assemble a high-yielding, institutional-quality portfolio of largely age-restricted communities in a highly-fragmented market that is primarily dominated by private owners. TLC's objective is to generate stable cash flow by leasing pads to owners of prefabricated homes within its MHC, and to enhance the value of these communities through capital improvement programs and enhanced resident services. TLC's capital improvement program will typically include upgrading existing infrastructure/amenities, improving existing home quality by refurbishing in-place home inventory, purchasing new homes and professionally rebranding all communities. TLC believes the impact of these improvements will be an increase in occupancy and rental rates over time.

TLC is in the process of growing a diverse portfolio of quality assets, allowing the Company to potentially exit this investment vertical via a public offering or a partial sale to an institutional investor within the next seven to ten years.

Tricon Luxury Residences

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

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

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

In the U.S., TLR co-invests with local developers and acts as the dedicated limited partner providing the majority of the project capital. For its two existing investments in the Dallas-Forth Worth Metropolitan Statistical Area (MSA), TLR has committed to providing 90% of the project's equity capital. TLR intends to partially sell down its interest in the projects upon construction completion and achieving stabilized occupancy.

2. HIGHLIGHTS

FINANCIAL HIGHLIGHTS

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

	Three months		Nine months	
For the periods ended September 30	2016	2015	2016	2015
Total revenue and investment income	$ 35,860	$ 27,863	$ 89,555	$ 76,016
Net income	23,542	33,121	51,101	29,439
Basic earnings per share	0.21	0.34	0.45	0.32
Diluted earnings per share	0.17	0.20	0.39	0.31
Dividends per share	C$ 0.065	C$ 0.060	C$ 0.195	C$ 0.180
Non-IFRS measures[1]				
Adjusted EBITDA	$ 34,063	$ 25,195	$ 85,157	$ 84,493
Adjusted net income	20,994	11,997	50,578	50,127
Adjusted basic earnings per share	0.19	0.12	0.45	0.54
Adjusted diluted earnings per share	0.17	0.10	0.41	0.45
As at September 30			2016	2015
Total assets			$ 1,009,696	$ 802,391
Total liabilities			274,351	180,809
Investments			949,282	701,455
Debt			216,080	83,204
Assets under management ("AUM")[2]			$ 3,097,149	$ 2,523,407

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

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

INVESTMENT HIGHLIGHTS BY VERTICAL

The following table includes IFRS measures for investment income as well as non-IFRS measures, including key performance metrics for each investment vertical. Such metrics are described in detail in Section 4, where the Company's operational results for each vertical are discussed. The investment value shown below represents Tricon's equity investment in each vertical.

For the periods ended September 30 (in thousands of U.S. dollars, except for percentages and units)	Three months		Nine months	
	2016	2015	2016	2015
TRICON HOUSING PARTNERS *(Refer to Sections 3.3 and 4.1)*				
Investment – THP			**$ 347,840**	**$ 304,070**
Investment Income – THP	**$ 6,123**	**$ 5,133**	**17,452**	**12,698**
TRICON AMERICAN HOMES *(Refer to Sections 3.3 and 4.2)*				
Investments – TAH			**$ 505,074**	**$ 383,987**
Investment income – TAH	**$ 20,653**	**$ 15,022**	**46,642**	**45,000**
Net operating income	13,880	10,753	40,458	30,835
Operating margin[1]			60%	60%
Core funds from operations	5,389	3,781	17,431	12,916
Total homes owned			8,006	6,827
Occupancy			91.7%	91.0%
Stabilized occupancy			95.4%	95.7%
TRICON LIFESTYLE COMMUNITIES *(Refer to Sections 3.3 and 4.3)*				
Investments – TLC			**$ 38,504**	**$ 9,881**
Investment income – TLC	**$ 1,496**	**$ 69**	**3,377**	**(612)**
Net operating income	1,247	399	3,891	940
Operating margin[1]			58%	60%
Core funds from operations	441	186	1,585	401
Total number of rental sites			2,644	506
Occupancy			72.5%	89.8%
Long-term occupancy			70.0%	89.8%
TRICON LUXURY RESIDENCES *(Refer to Sections 3.3 and 4.4)*				
Investments – TLR			**$ 57,864**	**$ 3,517**
Investment income – TLR	**$ 605**	**$ 1**	**3,312**	**3**
Units under construction			1,339	502
PRIVATE FUNDS AND ADVISORY *(Refer to Section 4.5)*				
Third-party assets under management			$ 1,238,999	$ 1,176,543
Contractual fees and GP distributions	**$ 6,305**	**$ 7,601**	**17,993**	**18,880**
Performance fees	**678**	**37**	**779**	**47**

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

(1) Reflects TAH and TLC operating margins for the full year of 2015.

3. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2016.

3.1 REVIEW OF INCOME STATEMENTS

Condensed interim consolidated statements of income

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months			Nine months		
	2016	2015	Variance	2016	2015	Variance
Revenue						
Contractual fees	$ 5,973	$ 7,281	$ (1,308)	$ 17,029	$ 17,905	$ (876)
General partner distributions	332	320	12	964	975	(11)
Performance fees	678	37	641	779	47	732
	6,983	7,638	(655)	18,772	18,927	(155)
Investment income						
Investment income – Tricon Housing Partners	6,123	5,133	990	17,452	12,698	4,754
Investment income – Tricon American Homes	20,653	15,022	5,631	46,642	45,000	1,642
Investment income – Tricon Lifestyle Communities	1,496	69	1,427	3,377	(612)	3,989
Investment income – Tricon Luxury Residences	605	1	604	3,312	3	3,309
	28,877	20,225	8,652	70,783	57,089	13,694
Total revenue and investment income	**$ 35,860**	**$ 27,863**	**$ 7,997**	**$ 89,555**	**$ 76,016**	**$ 13,539**
Expenses						
Compensation expense	6,779	5,017	1,762	16,942	14,577	2,365
General and administration expense	1,607	1,200	407	4,815	3,927	888
Interest expense	3,039	3,616	(577)	8,693	10,981	(2,288)
Other expenses	(3,662)	(20,832)	17,170	(339)	7,140	(7,479)
	7,763	(10,999)	18,762	30,111	36,625	(6,514)
Income before non-controlling interest and income taxes	28,097	38,862	(10,765)	59,444	39,391	20,053
Non-controlling interest change	(75)	(554)	479	305	(211)	516
Income before income taxes	28,022	38,308	(10,286)	59,749	39,180	20,569
Income tax expense (recovery) – current	(462)	2,597	(3,059)	392	3,732	(3,340)
Income tax expense – deferred	4,942	2,590	2,352	8,256	6,009	2,247
Net income	**$ 23,542**	**$ 33,121**	**$ (9,579)**	**$ 51,101**	**$ 29,439**	**$ 21,662**
Basic earnings per share	**$ 0.21**	**$ 0.34**	**$ (0.13)**	**$ 0.45**	**$ 0.32**	**$ 0.14**
Diluted earnings per share	**$ 0.17**	**$ 0.20**	**$ (0.03)**	**$ 0.39**	**$ 0.31**	**$ 0.08**
Weighted average shares outstanding – basic	**112,584,950**	**97,311,968**	**15,272,982**	**112,371,206**	**92,838,561**	**19,532,645**
Weighted average shares outstanding – diluted	**123,577,695**	**115,916,032**	**7,661,663**	**123,280,579**	**94,313,706**	**28,966,873**

The following discussion is based on selected line items of the condensed interim consolidated statements of comprehensive income for the three and nine months ended September 30, 2016.

Contractual fees

Contractual fees for the three months ended September 30, 2016 totaled $6.0 million, a decrease of $1.3 million or 18% from the same period in the prior year. Year to date, contractual fees were $17.0 million, a decrease of $0.9 million or 5% from the same period in 2015 (refer to the table below for details).

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2016	2015	Variance	2016	2015	Variance
Management fees – private Investment Vehicles	$ 3,277	$ 3,305	$ (28)	$ 9,270	$ 9,448	$ (178)
Development fees – TDG	394	150	244	1,103	220	883
Development fees – Johnson	2,302	3,826	(1,524)	6,656	8,237	(1,581)
Contractual fees	**$ 5,973**	**$ 7,281**	**$ (1,308)**	**$ 17,029**	**$ 17,905**	**$ (876)**

The decrease in contractual fees of $1.3 million for the three months ended September 30, 2016 is attributable to:

- A decrease in management fee revenue of $0.4 million compared to the same period in the prior year as a result of distributions of capital from completed projects in THP1 US and THP2 Canada (the largest being Faria Preserve and 5 St. Joseph, respectively), offset by increases in revenues from TLR Canada compared to the prior year.
- A decrease in advisory fee revenue from Johnson of $1.5 million as a result of fewer lot sales in the quarter compared to the same period in the prior year.
- An increase in development fees of $0.2 million compared to the same period in the prior year attributable to the projects under development in TLR Canada, namely, The Selby, 57 Spadina and Scrivener Square.

The overall decrease in contractual fees of $0.9 million for the nine months ended September 30, 2016 is attributable to:

- A decrease in fee revenue of $0.2 million compared to the same period in the prior year, mainly as a result of lower invested capital in THP1 US and THP3 Canada, partially offset by an increase in fee revenue from new investments in U.S. Investment Vehicles and TLR Canada.
- An increase in development fees of $0.9 million, as TLR Canada invested in two new development projects in Toronto in 2016.
- A decrease in fee revenue from Johnson of $1.6 million compared to the prior year as a result of fewer lot deliveries caused by unfavourable weather conditions in Texas in the first quarter of 2016 as well as a slowdown in the Houston housing market.

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three and nine months ended September 30, 2016.

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2016	2015	Variance	2016	2015	Variance
THP1 US	$ 2,874	$ 4,550	$ (1,676)	$ 11,663	$ 9,874	$ 1,789
THP2 US	878	173	705	1,541	644	897
THP3 Canada	(30)	(97)	67	1,011	222	789
Trinity Falls	1,468	–	1,468	1,468	–	1,468
Separate accounts[1]	315	310	5	1,349	777	572
Side-cars[2]	618	197	421	420	1,181	(761)
Investment income – THP	**$ 6,123**	**$ 5,133**	**$ 990**	**$ 17,452**	**$ 12,698**	**$ 4,754**

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

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

Investment income from THP for the three months ended September 30, 2016 was $6.1 million, an increase of $1.0 million or 19% compared to the same period in the prior year. On a year-to-date basis, investment income increased by $4.8 million or 37% compared to the same period in the prior year.

The change in the quarter and year to date is mainly attributable to the investment income contribution from Trinity Falls and THP US SP1 LP (a separate account), which are new investments made in 2016. These increases were partially offset in the quarter by lower investment income from THP1 US due to reduced investment balances from distributions received in 2015 and 2016. For the year to date, THP1 US contributed higher investment income as a result of unrealized fair value gains from The Rockwell condominium project, from which the Company expects to receive cash distributions in the last quarter of 2016 and the first quarter of 2017. The fair value changes in the period are primarily associated with Rockwell reaching a significant sales threshold.

Investment income – Tricon American Homes

The following table provides details regarding the components of investment income from TAH for the three and nine months ended September 30, 2016.

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2016	2015	Variance	2016	2015	Variance
Rental revenue	$ 23,642	$ 19,215	$ 4,427	$ 67,879	$ 51,698	$ 16,181
Rental expenses	(9,762)	(8,462)	(1,300)	(27,421)	(20,863)	(6,558)
Net operating income[1]	**13,880**	**10,753**	**3,127**	**40,458**	**30,835**	**9,623**
Overhead expenses	(5,229)	(4,076)	(1,153)	(13,687)	(20,169)	6,482
Fair value gain	17,113	12,715	4,398	34,268	45,422	(11,154)
Interest expense	(5,111)	(4,370)	(741)	(14,397)	(11,088)	(3,309)
Investment income – TAH	**$ 20,653**	**$ 15,022**	**$ 5,631**	**$ 46,642**	**$ 45,000**	**$ 1,642**

(1) KPI measure; see Section 8.1.

Investment income for the three months ended September 30, 2016 was $20.7 million, an increase of $5.6 million or 37% from $15.0 million for the same period in 2015. The increase is attributable to:

- An increase of $3.1 million in net operating income ("NOI"), (a key performance indicator ("KPI"); refer to Section 8.1 for a description), mainly as a result of an increase in the number of properties owned by TAH.
- An increase in overhead expenses of $1.2 million associated with an increase in general and administration expense due to TAH's significant portfolio growth compared to the same period in the prior year.
- An increase in fair value gain of $4.4 million as a result of the strong ongoing home price appreciation in TAH's key markets and updated BPOs in anticipation of the securitization transaction completed subsequent to quarter end (see Section 4.2).
- An increase in interest expense as a result of a higher outstanding debt balance, resulting from growth in the portfolio size, together with an increase in the weighted average interest rate (3.0% for Q3 2016 versus 2.6% for Q3 2015).

Investment income for the nine months ended September 30, 2016 was $46.6 million, an increase of $1.6 million or 4%, compared to $45.0 million for the same period in 2015. The increase is attributable to:

- An increase in NOI of $9.6 million as a result of a greater number of properties owned by TAH.
- A decrease in overhead expenses of $6.5 million stemming from higher transaction costs incurred in 2015 in relation to TAH's first securitization transaction.
- A decrease in fair value gain of $11.2 million, primarily due to lower home price appreciation experienced in the first two quarters of the year compared to the same period in 2015.
- Increased interest expense of $3.3 million incurred in 2016 as a result of owning a larger leveraged portfolio.

Investment income – Tricon Lifestyle Communities

The following table provides details regarding the investment income from TLC for the three and nine months ended September 30, 2016.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Nine months 2016	Nine months 2015	Nine months Variance
Rental revenue	$ 2,245	$ 651	$ 1,594	$ 6,766	$ 1,550	$ 5,216
Rental expenses	(998)	(252)	(746)	(2,875)	(610)	(2,265)
Net operating income[1]	**1,247**	**399**	**848**	**3,891**	**940**	**2,951**
Overhead expenses	43	(152)	195	(408)	(1,130)	722
Fair value gain	865	–	865	1,712	–	1,712
Interest expense	(659)	(178)	(481)	(1,818)	(422)	(1,396)
Investment income – TLC	**$ 1,496**	**$ 69**	**$ 1,427**	**$ 3,377**	**$ (612)**	**$ 3,989**

(1) KPI measure; see Section 8.1.

For the three months ended September 30, 2016, investment income from TLC was $1.5 million compared to $0.1 million for the same period in the prior year. Year-to-date investment income was $3.4 million compared to a $0.6 million loss in the same period in the prior year, an increase of $4.0 million. The increase in the quarter and year to date is primarily attributable to an increase in NOI resulting from the acquisition of nine new communities or 2,138 rental sites, offset by increased interest expense from the acquisition financing. In addition, fair value increased for the quarter and year to date as a result of the substantial completion of capital improvement programs at Longhaven and Skyhaven in addition to realized rent increases above the underwritten business plan.

Investment income – Tricon Luxury Residences

The following table provides details regarding investment income from TLR for three and nine months ended September 30, 2016.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Nine months 2016	Nine months 2015	Nine months Variance
Rental revenue	$ 207	$ 1	$ 206	$ 385	$ 3	$ 382
Overhead and other expenses	(553)	–	(553)	(1,898)	–	(1,898)
Fair value gain	951	–	951	4,825	–	4,825
Investment income – TLR	**$ 605**	**$ 1**	**$ 604**	**$ 3,312**	**$ 3**	**$ 3,309**

The investment income increase for the three and nine months ended September 30, 2016 is attributable to the fair value gains recognized as a result of reaching development milestones for The Maxwell and The McKenzie projects in Dallas-Fort Worth (both TLR U.S. projects), as well as rental income growth as a result of new properties acquired in 2016. This is offset by overhead expense of $0.6 million in the third quarter related mainly to an unfavourable foreign currency adjustment and non-controlling interests, and $1.9 million in the nine months related mainly to a favourable foreign currency adjustment offset by non-controlling interests.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Nine months 2016	Nine months 2015	Nine months Variance
Salaries expense	$ 2,938	$ 3,099	$ (161)	$ 8,804	$ 8,549	$ 255
Annual Incentive Plan	2,493	1,682	811	6,725	4,570	2,155
Long-Term Incentive Plan	1,348	236	1,112	1,413	1,458	(45)
Total compensation expense	**$ 6,779**	**$ 5,017**	**$ 1,762**	**$ 16,942**	**$ 14,577**	**$ 2,365**

Compensation expense for the three and nine months ended September 30, 2016 increased by $1.8 million and $2.4 million, respectively, compared to the same periods in the prior year, primarily due to an increase in the accrual for incentive arrangements (AIP and LTIP), which is determined based on the Company's earnings (refer to Section 9.6). Payroll costs year to date show a small increase due to staffing increases made to accommodate the Company's ongoing growth plans.

General and administration expense

General and administration expense for the three and nine months ended September 30, 2016 increased by $0.4 million and $0.9 million, respectively, compared to the same periods in the prior year, primarily due to increased levels of investment activity.

Interest expense

The table below provides a summary of interest expense.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2016	2015	Variance	2016	2015	Variance
Credit facility interest	$ 1,794	$ 748	$ 1,046	$ 4,502	$ 2,360	$ 2,142
Debentures interest	801	1,822	(1,021)	2,872	5,511	(2,639)
Debentures discount amortization	444	1,046	(602)	1,319	3,110	(1,791)
Total interest expense	**$ 3,039**	**$ 3,616**	**$ (577)**	**$ 8,693**	**$ 10,981**	**$ (2,288)**

Interest expense was $3.0 million for the three months ended September 30, 2016 compared to $3.6 million for the same period in the prior year, a decrease of $0.6 million or 16%. For the year-to-date period, the interest expense was $8.7 million compared to $11.0 million for the same period in the prior year, representing a decrease of $2.3 million or 21%. The decrease was primarily driven by lower interest expense incurred on convertible debentures, offset by higher interest expense incurred on the corporate revolving credit facility due to increased utilization. The lower convertible debenture interest expense was a result of the redemption of all of the previously outstanding 6.375% convertible unsecured subordinated debentures in November 2015.

Other expenses

The table below provides a breakdown of other expenses.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2016	2015	Variance	2016	2015	Variance
Net change in fair value of derivative	$ (4,247)	$ (15,768)	$ 11,521	$ (7,575)	$ 16,239	$ (23,814)
Transaction costs	48	940	(892)	1,744	3,011	(1,267)
Amortization expense	1,415	1,498	(83)	4,414	4,877	(463)
Realized and unrealized foreign exchange (gain) loss	(878)	(7,502)	6,624	1,078	(16,987)	18,065
Total other expenses	**$ (3,662)**	**$ (20,832)**	**$ 17,170**	**$ (339)**	**$ 7,140**	**$ (7,479)**

The net change in fair value of derivative is driven by a net decrease (net increase for the nine months ended September 30, 2015) in the fair value of the conversion and redemption features of the Company's outstanding convertible debentures mainly as a result of a change in the trading price of the Company's common shares relative to the conversion price. For the current three-month period, the lower fair value gain is mainly a function of fewer convertible debentures outstanding and a lower share price compared to the prior year. For the nine-month period, the fair value change variance was $23.8 million and is attributable to a lower share price.

Income tax expense

The primary driver of lower income tax expense is the increased amount of permanent differences (i.e., gains that are not taxable) that were deducted in arriving at the Company's taxable income. They include differences related to the non-taxable portion of unrealized foreign exchange gains, unrealized fair value gain on the Company's investment in TAH, and the fair value change on the outstanding convertible debentures.

3.2 REVIEW OF SELECTED BALANCE SHEET ITEMS

As at (in thousands of U.S. dollars)	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Assets				
Cash	$ 5,933	$ 8,695	$ 29,456	$ 4,493
Amounts receivable	11,873	14,912	9,773	8,088
Prepaid expenses and deposits	2,652	8,298	3,020	2,542
Investments – Tricon Housing Partners	347,840	270,716	270,241	303,782
Investments – Tricon American Homes	505,074	512,024	472,995	426,030
Investments – Tricon Lifestyle Communities	38,504	33,106	31,636	19,153
Investments – Tricon Luxury Residences	57,864	53,212	32,284	19,582
Intangible assets	26,312	27,672	29,027	30,527
Deferred income tax assets	12,274	13,359	13,526	11,282
Other assets	1,370	1,265	1,155	1,047
Total assets	**$ 1,009,696**	**$ 943,259**	**$ 893,113**	**$ 826,526**
Liabilities				
Amounts payable and accrued liabilities	$ 8,240	$ 9,711	$ $4,764	$ 7,621
Dividends payable	5,578	5,648	5,609	4,857
Long-term incentive plan	14,895	15,281	15,494	15,717
Debt	216,080	167,886	132,016	71,353
Deferred income tax liabilities	28,294	24,204	22,149	20,600
Derivative financial instruments	1,264	5,648	8,003	8,376
Total liabilities	**274,351**	**228,378**	**188,035**	**128,524**
Equity				
Share capital	566,452	564,348	563,245	561,347
Contributed surplus	11,381	10,762	9,570	9,812
Cumulative translation adjustment	18,836	18,436	18,609	20,098
Retained earnings	124,775	106,811	98,099	90,813
Total shareholders' equity	721,444	700,357	689,523	682,070
Non-controlling interest	13,901	14,524	15,555	15,932
Total equity	**735,345**	**714,881**	**705,078**	**698,002**
Total liabilities and equity	**$ 1,009,696**	**$ 943,259**	**$ 893,113**	**$ 826,526**

Investments – Tricon Housing Partners

As shown in the table below, investments in THP increased by $77.1 million or 28% to $347.8 million as at September 30, 2016, from $270.7 million as at June 30, 2016, resulting from $6.1 million of investment income and $77.2 million of cash contributions by the Company to Trinity Falls and other investments, offset by $6.2 million of cash distributions mainly from THP1 US, specifically from the Greater Bay Area and Phoenix portfolio projects.

(in thousands of U.S. dollars)	As at June 30, 2016	Advances	Investment income	Distributions	As at September 30, 2016
THP1 US	$ 167,800	$ 410	$ 2,874	$ (5,878)	$ 165,206
THP2 US	22,974	237	878	–	24,089
THP3 Canada	9,932	–	(30)	(297)	9,605
Trinity Falls	–	73,866	1,468	–	75,334
Separate accounts[1]	54,656	2,387	603	–	57,646
Side-cars[2]	15,354	276	330	–	15,960
Investments – THP	**$ 270,716**	**$ 77,176**	**$ 6,123**	**$ (6,175)**	**$ 347,840**

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

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

Investments – Tricon American Homes

Investments in TAH decreased by $7.0 million or 1% to $505.1 million as at September 30, 2016, from $512.0 million as at June 30, 2016. The decrease was primarily driven by cash distributions of $27.6 million from the financing proceeds for homes purchased in prior quarters as well as operating cash flows, partly offset by investment income of $20.7 million, which included a $17.1 million fair value gain on the properties.

(in thousands of U.S. dollars)	As at June 30, 2016	Advances	Investment income	Distributions	As at September 30, 2016
Investments – TAH	**$ 512,024**	**$ –**	**$ 20,653**	**$ (27,603)**	**$ 505,074**

Investments – Tricon Lifestyle Communities

Investments in TLC increased by $5.4 million or 16% to $38.5 million as at September 30, 2016, from $33.1 million as at June 30, 2016, primarily as a result of a new property acquired during the quarter (see Section 4.3) and investment income, as shown below.

(in thousands of U.S. dollars)	As at June 30, 2016	Advances	Investment income	Distributions	As at September 30, 2016
Investments – TLC	**$ 33,106**	**$ 3,902**	**$ 1,496**	**$ –**	**$ 38,504**

Investments – Tricon Luxury Residences

Investments in TLR increased by $4.7 million or 9% to $57.9 million as at September 30, 2016, from $53.2 million as at June 30, 2016. The investment balance is comprised of $33.0 million in TLR U.S. and $24.9 million in TLR Canada. The increase was mainly driven by advances made to existing projects during the quarter.

(in thousands of U.S. dollars)	As at June 30, 2016	Advances	Investment income	Distributions	As at September 30, 2016
Investments – TLR	**$ 53,212**	**$ 4,047**	**$ 605**	**$ –**	**$ 57,864**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total amount	Maturity date	Interest rate terms	September 30, 2016	December 31, 2015
Revolving term credit facility	USD	$ 235,000	June 2019	LIBOR+350 bps	$ 160,250	$ 20,000
5.60% convertible debenture	CAD	85,731	March 2020	5.60%	55,830	51,353
					$ 216,080	**$ 71,353**

(1) The 5.60% convertible unsecured subordinated debentures are denominated in Canadian dollars. Balances shown are presented in U.S. dollars and exclude the value of derivative instrument embedded in the debentures (see Section 3.1 under the heading "Other expenses"). USD:CAD exchange rates used to present debt balances in U.S. dollars are at September 30, 2016: 0.7624 and at December 31, 2015: 0.7742.

The Company has access to a $235 million corporate revolving credit facility provided by a syndicate of lenders. As of September 30, 2016, $160.3 million was drawn on the facility. In the second quarter of 2016, the Company extended the maturity date of the corporate revolving credit facility to September 30, 2019.

As of September 30, 2016, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "5.60% convertible debentures") which, in the aggregate, are convertible into 8,748,061 common shares of the Company at a conversion price of C$9.80 per common share. The 5.60% convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met (including that the market price of the common shares is not less than 125% of the conversion price).

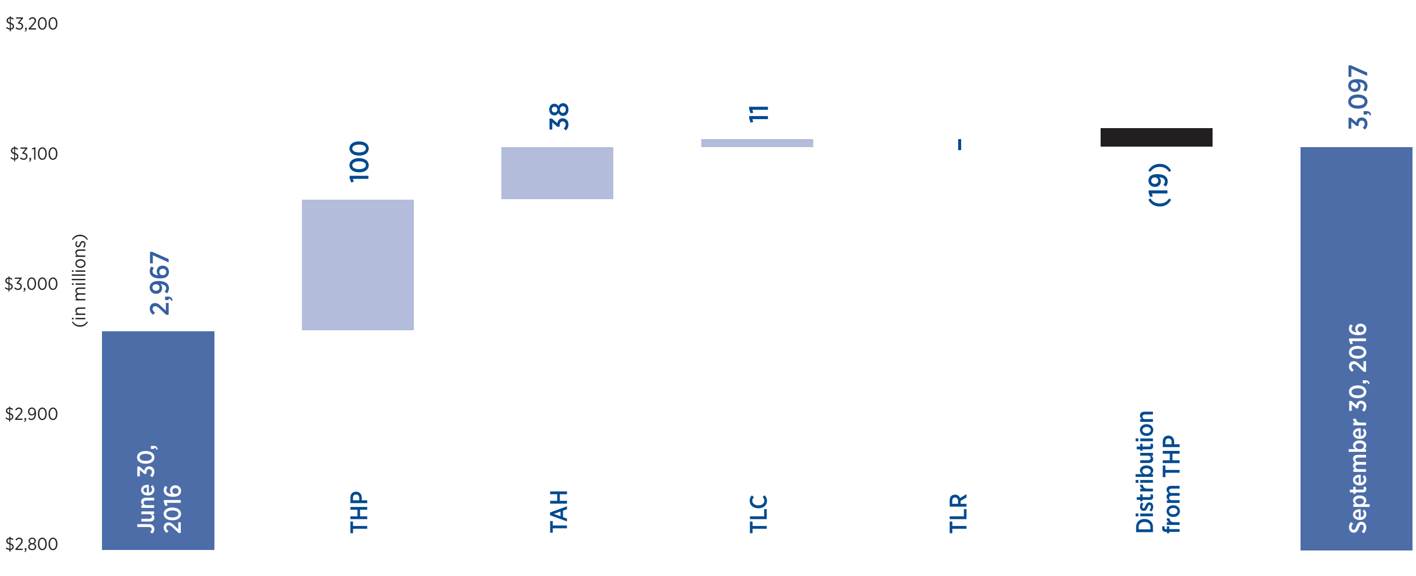
3.3 ASSETS UNDER MANAGEMENT

Assets under management ("AUM") (KPI measure; refer to Section 8.1) were $3.1 billion as at September 30, 2016, representing an increase of 5% since June 30, 2016. Refer to Section 8.2 for a detailed description of AUM.

As shown in the chart below, which summarizes the changes in AUM over the third quarter on a vertical-by-vertical basis, the AUM increase since June 30, 2016 was primarily attributable to:

- A net increase of $80.9 million in THP AUM, reflecting a $97.1 million investment in the Trinity Falls project, as well as $4.6 million of fair value gains in THP Co-Investments, offset by distributions of $5.4 million from THP1 US during the period. Additionally, distributions from the 5 St. Joseph project in THP2 Canada resulted in a $6.2 million return of capital and a $7.6 million reduction in outstanding loan guarantees in the period.
- An increase of $38.3 million in TAH driven by $21.9 million of fair value adjustments related to home price appreciation in the portfolio (before deducting minority interest), as well as $16.4 million of new investments primarily related to home renovations for recently acquired homes and, to a lesser extent, the cost of new acquisitions in the quarter.
- An increase of $11.2 million in TLC AUM as a result of a new investment in Brighthaven, in addition to advances made towards capital enhancement programs.

Changes in assets under management



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

(in thousands of U.S. dollars)	September 30, 2016[1]	June 30, 2016[1]	March 31, 2016[1]	December 31, 2015[1]	September 30, 2015[1]
PRINCIPAL INVESTMENTS					
Tricon Housing Partners					
THP1 US	$ 176,657	$ 179,660	$ 175,572	$ 225,029	$ 226,977
THP2 US	32,914	31,942	31,765	28,611	28,720
THP3 Canada	16,126	16,554	16,058	14,618	15,372
Trinity Falls	97,102	–	–	–	–
Separate accounts	65,398	64,306	70,526	56,990	59,349
Side-cars	19,230	18,998	19,013	19,306	19,051
Tricon Housing Partners	**407,427**	**311,460**	**312,934**	**344,554**	**349,469**
Tricon American Homes[2]	**1,232,862**	**1,194,530**	**1,112,966**	**1,034,346**	**967,578**
Tricon Lifestyle Communities[2]	**98,802**	**87,633**	**85,964**	**50,356**	**23,948**
Tricon Luxury Residences					
U.S.	62,370	60,094	59,058	55,555	–
Canada	56,279	67,803	30,421	8,215	5,869
Tricon Luxury Residences	**118,649**	**127,897**	**89,479**	**63,770**	**5,869**
Principal Investments	**$ 1,857,740**	**$ 1,721,520**	**$ 1,601,343**	**$ 1,493,026**	**$ 1,346,864**
PRIVATE FUNDS AND ADVISORY					
Tricon Housing Partners					
THP1 US	$ 62,411	$ 61,193	$ 61,010	$ 84,476	$ 85,404
THP2 US	308,740	308,740	308,740	308,740	308,740
THP1 Canada	736	471	471	442	3,838
THP2 Canada	23,179	38,720	45,987	43,153	44,358
THP3 Canada	102,478	101,998	102,052	96,304	99,170
Separate accounts	412,640	412,640	387,320	401,734	406,011
Side-cars	160,917	161,916	161,916	161,916	161,916
Syndicated investments	25,675	26,528	34,786	32,642	33,851
Tricon Housing Partners	**1,096,776**	**1,112,206**	**1,102,282**	**1,129,407**	**1,143,288**
Tricon Luxury Residences	**142,223**	**133,130**	**78,121**	**45,431**	**33,255**
Private Funds and Advisory	**$ 1,238,999**	**$ 1,245,336**	**$ 1,180,403**	**$ 1,174,838**	**$ 1,176,543**
Total Assets Under Management	**$ 3,096,739**	**$ 2,966,856**	**$ 2,781,746**	**$ 2,667,864**	**$ 2,523,407**

(1) USD:CAD exchange rates used at each balance sheet date are: at Sep 30, 2016: 0.7624; Jun 30, 2016: 0.7742; Mar 31, 2016: 0.7700; Dec 31, 2015: 0.7225; and Sep 30, 2015: 0.7493.

(2) Tricon American Homes and Tricon Lifestyle Communities Assets Under Management are equal to the aggregate fair value of investment properties and investment properties held for sale before imputed selling expenses and therefore may differ from total capitalization in the verticals.

3.4 SUBSEQUENT EVENTS

On October 25, 2016, TAH completed its second securitization transaction, the details of which are summarized in Section 4.2.

Subsequent to the end of the quarter, TAH completed the acquisition of over 90% of the minority interests in its real estate holdings and operating entity. The details of these acquisitions are summarized in Section 4.2.

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.

As reported in our news release dated November 9, 2016, the board of directors of the Company increased the size of the board to eight members and appointed Ira Gluskin as a new director.

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

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

4.1 TRICON HOUSING PARTNERS

During the third quarter of 2016, THP continued to advance its existing development projects while adding new investments as described below. A summary of THP's principal investments is presented in the following table with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1). The table also summarizes historical and projected cash flows to Tricon arising from the sale of finished lots, homes and condominium units from THP's projects over the next eight to ten years (forward-looking information; refer to page 1).

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded equity commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 121,887	$ 165,206	$ 11,861	$ 176,657	$ 273,380	$ 191,738	$ 200,315
THP2 US	7.5%	18,806	24,089	8,825	32,914	16,175	–	28,052
THP3 Canada	10.2%	8,871	9,605	6,521	16,126	8,727	2,015	13,255
Trinity Falls	100.0%	73,865	75,334	21,768	97,102	73,865	–	177,404
Separate accounts[2]	12.5%	53,695	57,646	7,752	65,398	61,803	14,972	134,827
Side-cars[3]	7.4%	14,506	15,960	3,270	19,230	14,610	–	25,760
Total		**$ 291,630**	**$ 347,840**	**$ 59,997**	**$ 407,427**	**$ 448,560**	**$ 208,725**	**$ 579,613**

Investment income – Q3 2016	$ 6,123
as a % of invested capital (Q3 annualized)	8.4%

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

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

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

For the quarter ended September 30, 2016, investment income of $6.1 million represented an 8.4% annualized net return on outstanding invested capital. This metric may fluctuate quarter to quarter, based on timing of development milestones and project budget revisions. On a full-year basis, management expects the net return on invested capital to be in the range of 9%–11%. From an operational perspective, highlights for THP's principal investments include:

THP1 US

THP1 US distributed $8.6 million to its investors during the three months ended September 30, 2016, including $5.9 million to Tricon. Of the total distributions, $5.6 million was generated from a bulk sale of lots in Phoenix to a public homebuilder and $3.0 million related to home closings at Oakwood Shores, a homebuilding project in the San Francisco Bay Area. In addition, The Rockwell, a San Francisco condominium development, completed construction of its west tower and began closing unit sales – the project is expected to make meaningful cash distributions in the fourth quarter of this year. Tricon management continues to expect THP1 US to generate approximately $200 million of cash distributions to Tricon between the fourth quarter of 2016 and the end of 2018.

THP2 US

In the third quarter, THP2 US advanced toward completion of two of its shorter-term homebuilding projects, Villa Metro in Santa Clarita, California and Santa Rita Ranch in Phoenix, Arizona, with final distributions to investors expected from both projects in the first half of 2017.

THP3 Canada

THP3 Canada distributed $2.6 million (C$3.4 million) to its investors during the three months ended September 30, 2016, including $0.3 million (C$0.3 million) to Tricon. Of note, Massey Tower, a condominium project in Toronto, Ontario, was able to secure sales contracts at or above budgeted pricing for 22 units sold during the quarter, and phase one of Hollybridge, a condominium project in Vancouver, British Columbia, is nearing completion with closings expected in the fourth quarter of 2016 followed by cash distributions to investors by the end of 2016 or in early 2017. Pre-sales have commenced at phase two of Hollybridge, with over 80% of the units sold within three weeks.

Separate accounts and side-cars

At Viridian, 38 lots were sold to homebuilders during the third quarter and 23 homes were sold by homebuilders to end consumers. The slower pace of sales (there were 48 home sales in the comparable period) was expected as a result of the previously reported lot development delays. The pace of development has improved subsequent to quarter-end, with development recently completed on 140 new lots. Homebuilders have commenced takedowns of these new lots in anticipation of a "Grand Re-Opening" of the community in early 2017 that is set to include a new 15-home model home park and the opening of the next phase of the Viridian Lake Club amenity centre. The Dallas-Forth Worth housing market continues to lead the nation in new home closings in 2016 and, with limited competition in the surrounding region, management believes that Viridian is well positioned to significantly increase lot and home sales in 2017.

At Cross Creek Ranch, 158 lots were sold to homebuilders in the quarter compared to 13 lots in the same period in 2015. The significant increase in lot sales was expected as builders are replenishing their inventory after churning through lots they acquired in late 2014. Home sales by homebuilders to end customers remain strong with 107 homes sold in the quarter, up 75.4% from 61 sold in the same period in 2015. The project continues to benefit from a robust builder program and product diversity, including the recent grand opening of the project's active-adult community being developed by Taylor Morrison. With significant amenities in place, a proven sales track record and a diverse product offering, Cross Creek Ranch has become the leading community for new home sales in the Katy-South submarket of Houston and management expects it to continue to outperform smaller and newer subdivisions in the area.

At Grand Central Park, the first phase of lot sales commenced in the second quarter with 104 lots sold to a diverse group of regional and national homebuilders through the third quarter. Construction of new model and spec homes has commenced in anticipation of a grand opening event in early 2017.

Trinity Falls

On July 20, 2016, Tricon acquired Trinity Falls, a fully-entitled 1,700-acre master planned community located in the fast-growing North Dallas submarket of McKinney, Texas. The project was initially capitalized with a $74 million contribution from Tricon and in-place development financing. Trinity Falls will be developed by Tricon's Johnson subsidiary and is the fifth investment made by Tricon alongside Johnson. Trinity Falls has delivered over 700 lots to homebuilders since August 2014 and is projected to deliver an additional ~3,200 lots over the next ten years, as well as one million square feet of retail and commercial space. During the quarter, inclusive of the period prior to Tricon's acquisition, 62 homes were sold by homebuilders at the community compared to 57 homes sold in the third quarter of 2015. Development at the community is proceeding as expected and the project has sold 63 lots to homebuilders since the acquisition.

4.2 TRICON AMERICAN HOMES

As indicated in the second quarter, TAH has slowed its acquisition pace temporarily so that it allocates capital towards acquiring the minority interests of its local operating partners in the existing portfolio (see "Subsequent events" below). This approach provides TAH with an opportunity to focus on the integration of assets acquired in the past year, to improve operating efficiencies and drive occupancy, while increasing its share of investment income from existing homes in the portfolio. In the third quarter of 2016, TAH disposed of 12 net homes (26 homes sold offset by 14 homes acquired).

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

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total homes owned	8,006	8,018	7,603	7,193	6,827	6,513	5,163
Less homes held for sale	324	114	65	93	68	55	63
Rental homes	7,682	7,904	7,538	7,100	6,759	6,458	5,100
Homes acquired	14	452	482	400	345	1,385	149
Less homes disposed	26	37	72	34	31	35	16
Net homes acquired during the quarter	(12)	415	410	366	314	1,350	133
Occupancy	91.7%	88.9%	88.4%	87.8%	91.0%	93.6%	89.1%
Stabilized occupancy	95.4%	95.9%	95.4%	95.3%	95.7%	95.8%	95.0%
Annualized turnover rate	30.1%	30.1%	26.7%	30.8%	32.9%	27.8%	27.9%
Average monthly rent	$ 1,217	$ 1,191	$ 1,175	$ 1,148	$ 1,141	$ 1,137	$ 1,143
Average quarterly rent growth – renewal	4.4%	4.2%	3.6%	2.8%	2.0%	1.8%	2.9%
Average quarterly rent growth – new move-in	6.3%	6.4%	4.5%	1.5%	5.4%	5.0%	5.3%
Average quarterly rent growth – blended	5.1%	5.0%	4.1%	2.2%	3.3%	3.3%	4.0%

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Nine months 2016	Nine months 2015	Nine months Variance	Full year 2015
Rental revenue[1]	$ 23,642	$ 19,215	$ 4,427	$ 67,879	$ 51,698	$ 16,181	$ 71,876
Property taxes	3,516	2,936	580	9,676	6,845	2,831	9,909
Repair and maintenance	2,790	2,618	172	8,203	6,214	1,989	8,568
Property management fees	1,715	1,359	356	4,842	3,816	1,026	5,291
Property insurance	644	908	(264)	2,024	2,188	(164)	2,859
HOA/Utilities	622	551	71	1,723	1,528	195	1,943
Other direct expenses	475	90	385	953	272	681	427
Total rental expenses	9,762	8,462	1,300	27,421	20,863	6,558	28,997
Net operating income	**$ 13,880**	**$ 10,753**	**$ 3,127**	**$ 40,458**	**$ 30,835**	**$ 9,623**	**$ 42,879**
Operating margin	**59%**	**56%**		**60%**	**60%**		**60%**
Overhead expenses	(5,229)	(4,076)	(1,153)	(13,687)	(20,169)	6,482	(24,781)
Fair value gain A	17,113	12,715	4,398	34,268	45,422	(11,154)	53,933
Interest expense B	(5,111)	(4,370)	(741)	(14,397)	(11,088)	(3,309)	(14,285)
Investment income – TAH (per Tricon income statement)	**$ 20,653**	**$ 15,022**	**$ 5,631**	**$ 46,642**	**$ 45,000**	**$ 1,642**	**$ 57,746**
Fair value adjustment on homes	$ 21,887	$ 12,747	$ 9,140	$ 42,921	$ 51,605	$ (8,684)	$ 61,089
Less non-controlling interest and performance fees[2]	(4,774)	(32)	(4,742)	(8,653)	(6,183)	(2,470)	(7,156)
Fair value gain A	$ 17,113	$ 12,715	$ 4,398	$ 34,268	$ 45,422	$ (11,154)	$ 53,933
Warehouse credit facility interest	$ 2,852	$ 1,926	$ 926	$ 7,377	$ 7,585	$ (208)	$ 9,052
Securitization debt interest	2,247	2,352	(105)	6,984	3,009	3,975	4,729
Other debt interest	12	92	(80)	36	494	(458)	504
Interest expense B	$ 5,111	$ 4,370	$ 741	$ 14,397	$ 11,088	$ 3,309	$ 14,285
Weighted average interest rate	3.0%	2.6%		2.9%	3.1%		3.0%

(1) Includes bad debt expense of $269 and $494 for the three and nine months ended September 30, 2016, respectively.

(2) Reflects deemed performance fees to minority interest holders on assumed liquidation of the rental home portfolio.

During the third quarter of 2016, rental revenue increased by $4.4 million or 23.0% to $23.6 million, compared to $19.2 million in the same period of 2015. This is primarily the result of a 14.5% increase in the number of leased rental homes from 6,153 at the end of the third quarter of 2015 to 7,046 at the end of the third quarter of 2016 as well as rising rents. As at September 30, 2016, occupancy increased by 0.7% to 91.7%, compared to 91.0% in the same period in 2015. Stabilized occupancy decreased by 0.3% to 95.4% compared to 95.7% in the same period in 2015. In addition, TAH achieved average rent growth of 5.1% in the third quarter and 4.7% for the nine months ended September 30, 2016, reflecting strong demand for high-quality and well-located rental homes.

The growth in revenues contributed to a rise in net operating income for the third quarter of 2016 of $3.1 million or 29.1% to $13.9 million compared to $10.8 million for the same period in 2015. Operating margin of 59% improved from last year's third quarter margin of 56% as a result of revenue growth combined with a decrease in insurance expenses and lower repairs and maintenance costs as a percentage of revenue, although both quarters were negatively impacted by seasonally higher repair and maintenance costs caused by hot weather-related HVAC repairs. For the nine months ended September 30, 2016, operating margin remained consistent at 60% compared to the operating margin for the twelve months ended December 31, 2015, which is in line with management's full-year expectations given the current geographic mix of the portfolio.

TAH's fair value gain in the third quarter of 2016 was $17.1 million compared to $12.7 million in the same period in the prior year and reflects strong ongoing home price appreciation in TAH's target markets, with a 1.7% HPI increase this quarter (6.8% annualized) versus a 1.3% HPI increase in the third quarter of 2015 (5.2% annualized).

Funds from operations and core funds from operations

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Nine months 2016	Nine months 2015
Investment income – TAH	$ 20,653	$ 15,022	$ 46,642	$ 45,000
Fair value gain	(17,113)	(12,715)	(34,268)	(45,422)
(Gain) loss on sale of homes	88	(472)	241	(620)
Non-controlling interest	1,001	1,905	1,940	5,244
Amortization of fixed assets	120	–	320	–
Imputed selling costs[1]	649	253	2,306	2,787
Deferred tax recovery	(1,691)	(1,107)	(3,068)	(9,239)
Funds from operations (FFO)	**$ 3,707**	**$ 2,886**	**$ 14,113**	**$ (2,250)**
Transaction costs and non-recurring costs[2]	1,682	895	3,318	15,166
Core funds from operations (Core FFO)	**$ 5,389**	**$ 3,781**	**$ 17,431**	**$ 12,916**

(1) Imputed selling costs are approximately 1% of the fair value of the investment properties.

(2) YTD 2016 includes transaction costs of $2,147 related to credit facility amendment costs of $609 and internalization-related expenses of $1,538, and non-recurring costs of $1,171; YTD 2015 includes transaction costs related to securitization and portfolio acquisition.

For the third quarter of 2016, Core FFO increased by $1.6 million or 42.5% to $5.4 million compared to $3.8 million for the same period in 2015. The increase was driven by a larger portfolio of homes and higher operating margin. For the year to date, Core FFO increased by $4.5 million or 35.0% to $17.4 million compared to $12.9 million in the same period in the prior year, mainly as result of growth in the number of rental homes and concurrent growth in net operating income.

Assets under management and investment balance

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

(in thousands of U.S. dollars)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Purchase price of homes	$ 827,597	$ 829,165	$ 780,719	$ 725,075	$ 691,405	$ 655,452	$ 503,063
Cumulative capital expenditures[1]	190,051	186,742	168,370	152,681	138,366	130,774	120,680
Total cost basis of rental homes	$ 1,017,648	$ 1,015,907	$ 949,089	$ 877,756	$ 829,771	$ 786,226	$ 623,743
Cost of homes held for sale	25,717	11,013	7,871	9,619	708	1,544	2,302
Cumulative fair value adjustment	189,497	167,610	156,006	146,971	137,099	124,407	109,516
Portfolio home price appreciation during the quarter	1.7%	1.4%	1.0%	1.4%	1.3%	4.1%	1.5%
Fair value of homes (AUM)	**$ 1,232,862**	**$ 1,194,530**	**$ 1,112,966**	**$ 1,034,346**	**$ 967,578**	**$ 912,177**	**$ 735,561**
Less imputed selling costs[2]	12,329	11,945	11,130	8,833	9,706	9,187	7,453
Fair value of homes, net C	1,220,533	1,182,585	1,101,836	1,025,513	957,872	902,990	728,108
Warehouse credit facility (LIBOR+300 bps)	351,612	313,486	277,606	240,907	218,374	179,056	335,177
Securitization debt (LIBOR+196 bps) D	360,397	360,647	361,260	361,260	361,260	361,260	–
Other debt	1,200	1,200	1,200	1,200	1,200	15,684	16,497
Partner equity (minority interest)	57,224	52,050	48,638	48,514	49,959	48,959	53,932
Other net assets[3]	(54,974)	(56,822)	(59,863)	(52,398)	(56,908)	(65,836)	(52,206)
Investments – TAH (per Tricon balance sheet) C – D	**$ 505,074**	**$ 512,024**	**$ 472,995**	**$ 426,030**	**$ 383,987**	**$ 363,867**	**$ 374,708**
Debt-to-cost	68.4%	65.8%	66.9%	68.0%	69.9%	70.6%	56.2%
Debt-to-value	57.8%	56.5%	57.5%	58.3%	60.0%	61.0%	47.8%

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.
(2) Imputed selling costs are approximately 1% of the fair value of the investment properties.
(3) Other net assets include working capital at TAH's local operating subsidiaries.

TAH's portfolio is diversified across 14 target markets. Market-level details are presented below.

Geography	Total homes owned[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or rehab	Occupancy	Stabilized occupancy
Atlanta	1,207	1,025	870	87	68	84.9%	91.4%
Charlotte	1,412	1,296	1,188	52	56	91.7%	95.8%
Columbia	426	426	350	47	29	82.2%	90.4%
Dallas	614	608	534	50	24	87.8%	98.5%
Houston	820	818	769	25	24	94.0%	97.6%
Indianapolis	353	352	308	33	11	87.5%	90.6%
Las Vegas	295	295	290	2	3	98.3%	98.3%
Northern California	631	631	621	5	5	98.4%	98.4%
Phoenix	409	409	386	6	17	94.4%	94.6%
Reno	251	251	244	2	5	97.2%	97.2%
San Antonio	204	203	188	9	6	92.6%	92.6%
Southeastern Florida	604	589	561	18	10	95.2%	96.9%
Southern California	280	279	267	5	7	95.7%	96.4%
Tampa	500	500	470	14	16	94.0%	95.5%
Total/Weighted average	**8,006**	**7,682**	**7,046**	**355**	**281**	**91.7%**	**95.4%**

Geography	Average purchase price per home	Average capital expenditures per home	Total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 85,000	$ 27,000	$ 112,000	1,749	$ 1,103	$ 0.63
Charlotte	72,000	27,000	99,000	1,407	998	0.71
Columbia	89,000	15,000	104,000	1,414	1,029	0.73
Dallas	125,000	14,000	139,000	1,517	1,259	0.83
Houston	119,000	17,000	136,000	1,613	1,269	0.79
Indianapolis	112,000	16,000	128,000	1,553	1,189	0.77
Las Vegas	136,000	18,000	154,000	1,589	1,188	0.75
Northern California	124,000	25,000	149,000	1,252	1,372	1.10
Phoenix	115,000	14,000	129,000	1,974	1,059	0.54
Reno	150,000	20,000	170,000	1,537	1,364	0.89
San Antonio	93,000	30,000	123,000	1,633	1,185	0.73
Southeastern Florida	100,000	35,000	135,000	1,423	1,503	1.06
Southern California	148,000	26,000	174,000	1,290	1,509	1.17
Tampa	90,000	33,000	123,000	1,384	1,340	0.97
Total/Weighted average	**$ 104,000**	**$ 24,000**	**$ 128,000**	**1,521**	**$ 1,217**	**$ 0.80**

(1) Includes 324 investment properties held for sale.

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 million, 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 million) approximately $60 million 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 $65.7 million 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.

4.3 TRICON LIFESTYLE COMMUNITIES

In the third quarter of 2016, TLC completed the acquisition of an age-restricted manufactured housing community in Mesa, Arizona, referred to as Brighthaven (formerly known as Dollbeer). Brighthaven is comprised primarily of traditional manufactured home tenants alongside a small seasonal resident base. Similar to other parks in the TLC portfolio, this property has the potential to be improved through a capital expenditure program intended to increase occupancy, rent and star classification over time. In the third quarter of 2016, an initial rent increase of 4.0% was implemented at Brighthaven, in line with expectations.

In addition to the newly acquired park, TLC continued to generate rental revenue and progress on enhancements at the ten parks owned as of June 30, 2016. The tables in this section provide a summary of operating metrics for the portfolio that management uses to evaluate the performance of TLC over time and relative to industry peers. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total number of parks	11	10	10	5	2	2	1
Parks acquired during the period	1	–	5	3	–	1	–
Total number of rental sites	2,644	2,467	2,467	1,119	506	506	314
Rental sites acquired during the period	177	–	1,348	613	–	192	–
Occupancy	72.5%	69.8%	75.6%	88.7%	89.8%	87.6%	87.9%
Long-term occupancy	70.0%	67.7%	66.4%	82.4%	89.8%	87.6%	87.6%
Annualized turnover rate	4.7%	5.5%	5.8%	2.6%	2.7%	N/A	N/A
Average gross monthly rent per site	$ 385	$ 376	$ 378	$ 354	$ 462	$ 481	N/A
Average rent increase	4.0%	3.3%	3.4%	4.3%	0.0%	0.0%	4.0%

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Nine months 2016	Nine months 2015	Nine months Variance	Full year 2015
Rental revenue[1]	$ 2,245	$ 651	$ 1,594	$ 6,766	$ 1,550	$ 5,216	$ 2,577
Property taxes	101	38	63	318	96	222	149
Repairs and maintenance	136	27	109	306	61	245	111
Property insurance	40	12	28	118	27	91	50
Utilities	343	92	251	1,039	208	831	344
Property management[2]	378	83	295	1,094	218	876	383
Operating expenses	998	252	746	2,875	610	2,265	1,037
Net operating income	**$ 1,247**	**$ 399**	**$ 848**	**$ 3,891**	**$ 940**	**$ 2,951**	**$ 1,540**
Operating margin	**56%**	**61%**		**58%**	**61%**		**60%**
Overhead expenses	43	(152)	195	(408)	(1,130)	722	(733)
Fair value gain	865	–	865	1,712	–	1,712	–
Interest expense	(659)	(178)	(481)	(1,818)	(422)	(1,396)	(710)
Investment income – TLC (per Tricon income statement)	**$ 1,496**	**$ 69**	**$ 1,427**	**$ 3,377**	**$ (612)**	**$ 3,989**	**$ 97**

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

(2) Property management fees includes property-level management and personnel and property-level overhead expenses.

During the third quarter of 2016, rental revenue increased by $1.6 million to $2.2 million, compared to $0.7 million in the same period in 2015. This is primarily due to the acquisition of nine communities comprising 2,138 rental pads over the past four quarters.

Occupancy decreased by 17.3% from 89.8% as at September 30, 2015 to 72.5% as at September 30, 2016, as a result of a change in portfolio mix from two parks to eleven parks. A discussion of the change in occupancy since June 30, 2016 has been included below to provide a better understanding of occupancy trends.

Occupancy increased by 2.7% to 72.5% as at September 30, 2016, compared to 69.8% as at June 30, 2016. The increase in occupancy was a direct result of the acquisition of Brighthaven, which achieved occupancy of 85.3% as of September 30, 2016. Third quarter and second quarter occupancy for the overall portfolio is typically lower than first and fourth quarter occupancy as seasonal residents vacate the communities during the hot summer months and return during the winter months. Additionally, long-term occupancy across the portfolio has continued to improve, to 70.0%, representing a 2.3% increase compared to the second quarter of 2016. The increase in long-term occupancy is due in part to a successful used home sale and leasing program intended to attract permanent residents to TLC's parks.

The year-to-date operating margin for 2016 was 58%, which is lower than the 60% for the full year of 2015. The lower operating margin was a result of new properties acquired in the fourth quarter of 2015 and the first quarter of 2016, which initially have lower margins stemming from operating inefficiencies and sub-optimal occupancy, as well as a higher percentage of seasonal tenants; this was offset by higher margins from Longhaven, Skyhaven and the recently acquired Brighthaven. TLC plans to increase the operating margin and occupancy of its newly-acquired parks over time and to improve their star classification by upgrading the infrastructure and amenities, improving the home quality and rebranding the communities.

TLC is currently on track with its planned capital expenditure programs at its newly acquired parks. At Skyhaven, the capital improvement program is now officially complete, and the park achieved a 1.0% increase in occupancy in the third quarter of 2016. TLC began the capital improvement process at Brookhaven, Springhaven, Sunhaven, Newhaven and Glenhaven during the quarter. The planned improvements are similar in scope to the work completed at Longhaven and Skyhaven. Each community will benefit from new front entrance signage, monumentation and landscaping. Significant upgrades to the existing amenities are also planned: refreshed shuffleboard courts, new pool decking and furniture, as well as general upgrades to the clubhouse spaces. These improvements are expected to be completed in early 2017.

Funds from operations and core funds from operations

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

For the periods ended September 30	Three months		Nine months	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Investment income – TLC	$ 1,496	$ 69	$ 3,377	$ (612)
Fair value gain	(865)	–	(1,712)	–
Loss on sale of homes	59	11	96	17
Non-controlling interest	29	9	72	17
Deferred tax expense (recovery)	(283)	71	(276)	531
Funds from operations (FFO)	**$ 436**	**$ 160**	**$ 1,557**	**$ (47)**
Transaction costs and non-recurring costs	5	26	28	448
Core funds from operations (Core FFO)	**$ 441**	**$ 166**	**$ 1,585**	**$ 401**

Core FFO for the third quarter of 2016 increased to $0.4 million compared to $0.2 million for the same period in 2015, mainly as a result of the contribution of newly acquired parks. For the same reason, Core FFO for the nine months ended September 2016 increased to $1.6 million compared to $0.4 million in the same period in the prior year.

Assets under management and investment balance

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

(in thousands of U.S. dollars)		Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Purchase price of parks		$ 91,420	$ 82,620	$ 82,619	$ 48,370	$ 23,370	$ 23,370	$ 14,121
Transaction-related costs		1,434	1,107	1,024	(49)	2	1	–
Cumulative capital expenditures[1] net of homes sold		3,179	2,002	1,264	978	576	326	289
Total cost basis of parks		$ 96,033	$ 85,729	$ 84,907	$ 49,299	$ 23,948	$ 23,697	$ 14,410
Cumulative fair value adjustment		2,769	1,904	1,057	1,057	–	–	–
Fair value of parks (AUM)	**A**	**$ 98,802**	**$ 87,633**	**$ 85,964**	**$ 50,356**	**$ 23,948**	**$ 23,697**	**$ 14,410**
Partner equity (minority interest)	B	549	491	475	334	216	213	121
Debt	B	60,356	54,478	54,598	32,497	15,800	15,812	10,575
Other net assets[2]	B	(607)	(442)	(745)	(1,628)	(1,949)	(473)	(493)
Investments – TLC (per Tricon Balance Sheet)	**A – B**	**$ 38,504**	**$ 33,106**	**$ 31,636**	**$ 19,153**	**$ 9,881**	**$ 8,145**	**$ 4,207**
Debt-to-cost		62.8%	63.5%	64.3%	65.9%	66.0%	66.7%	73.4%
Debt-to-value		61.1%	62.2%	63.5%	64.5%	66.0%	66.7%	73.4%

(1) Cumulative capital expenditures include costs incurred under the capital enhancement program.
(2) Other net assets include working capital.

Loan maturity	Outstanding debt	Weighted average interest rate
2020	$ 15,920	3.69% fixed
2022	13,418	4.48% fixed
2023	8,830	4.59% fixed
2024	16,570	4.51% fixed
2026	5,618	4.90% fixed
Total/Weighted average	**$ 60,356**	**4.33% fixed**

TLC's portfolio consists of eleven parks with the following operating characteristics:

Property	Location	Acres	Residential sites	Acquisition price ($000)	Acquisition price per site	Average gross monthly rent per site[1]	Occupancy	Long-term occupancy
Longhaven	Phoenix, AZ	38.0	314	$ 14,120	$ 44,968	$ 487	92.4%	92.0%
Skyhaven	Phoenix, AZ	17.5	192	9,250	48,177	371	90.1%	90.1%
Springhaven[2]	Phoenix, AZ	15.0	320	14,975	46,797	334	74.4%	74.4%
Brookhaven[2]	Phoenix, AZ	10.0	140	4,375	31,250	206	90.7%	90.0%
Sunhaven[2]	Phoenix, AZ	9.4	153	5,650	36,928	271	69.9%	69.3%
Glenhaven	Phoenix, AZ	11.8	164	4,910	29,939	419	61.6%	56.1%
Newhaven	Phoenix, AZ	11.3	111	2,620	23,604	320	75.7%	55.0%
Parkhaven	Phoenix, AZ	28.3	455	11,309	24,855	400	63.7%	63.1%
Rosehaven	Phoenix, AZ	36.0	411	11,578	28,170	402	61.3%	58.2%
Sundowner	Phoenix, AZ	13.7	207	3,833	18,517	368	48.8%	43.5%
Brighthaven	Phoenix, AZ	16.6	177	8,800	49,718	476	86.4%	85.3%
Total/Weighted average		**207.6**	**2,644**	**$ 91,420**	**$ 34,576**	**$ 385**	**72.5%**	**70.0%**

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

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

4.4 TRICON LUXURY RESIDENCES

In the third quarter of 2016, TLR progressed on the development of its existing luxury rental apartment projects. A summary of TLR's principal investments is presented below along with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1).

		TLR principal investments					
(in thousands of U.S. dollars)	Location	TLR's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
The McKenzie	Dallas, TX	90%	$ 22,553	$ 27,776	$ –	$ 9,670	$ 37,446
The Maxwell	Frisco, TX	90%	11,213	12,804	–	12,120	24,924
The Selby	Toronto, ON	15%	5,663	5,824	2,230	567	8,621
57 Spadina	Toronto, ON	20%	6,515	6,515	3,630	–	10,145
Scrivener Square	Toronto, ON	50%	7,396	7,612	9,911	11,663	29,186
Shops of Summerhill	Toronto, ON	25%	4,893	4,910	3,417	–	8,327
Total			**$ 58,233**	**$ 65,441**	**$ 19,188**	**$ 34,020**	**$ 118,649**

(1) Investments – TLR per Tricon balance sheet of $57,864 includes the principal investments above of $65,441 as well as net liabilities and non-controlling interest of $7,577.

Operational highlights of these development projects for the third quarter of 2016 include the following:

At The McKenzie, adjacent to the affluent Highland Park neighbourhood of Dallas, below-grade construction was completed in the quarter and above-grade formwork commenced; trades are 50% contracted and the project is progressing as planned. Construction of the 183-unit rental building is expected to be completed in mid-2018, with occupancy stabilized in late 2018.

At The Maxwell in Frisco, Texas, construction and site work progressed, with 50% of trades now under contract. Construction of the 325-unit rental building is expected to be completed in the third quarter of 2018.

Construction continued on The Selby in Toronto, where approximately 70% of hard construction costs have been tendered and formwork has been completed up to the third floor. The project is scheduled to be completed in 2018 at which point the leasing program will commence for all 502 apartment units.

57 Spadina is currently in the design stage and is scheduled to pursue site plan approval in the second quarter of 2017. The project is comprised of 329 apartment units and approximately 20,000 square feet of retail space over two levels. Construction is expected to commence in early 2018.

At Scrivener Square, located in the affluent Rosedale/Summerhill neighbourhood of Toronto, the rezoning process has commenced. TLR Canada has partnered with Diamond Corporation in a 50/50 joint venture partnership to advance the project.

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

	Projected construction		Projected total cost	Projected	Projected retail	Projected development
	Start	End	($000)	rental units	(sq. feet)	yield[1]
The McKenzie	Q4 2015	Q2 2018	$ 86,208	183	–	5.50–6.00%
The Maxwell	Q2 2016	Q3 2018	57,274	325	–	6.50–7.00%
The Selby	Q1 2015	Q4 2018	138,434	502	–	5.25–5.75%
57 Spadina	Q1 2018	Q2 2020	108,586	329	20,000	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	TBD
Total			**$ 390,502**	**1,339**		

(1) Forward-looking information. Refer to page 1.

4.5 PRIVATE FUNDS AND ADVISORY

In the third quarter of 2016, the Private Funds and Advisory business continued to generate contractual fees while maintaining projected return expectations for third-party investors in its various Investment Vehicles.

Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, and advisory fees earned from Johnson.

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2016	2015	Variance	2016	2015	Variance
THP1 US	$ 541	$ 797	$ (256)	$ 1,827	$ 2,570	$ (743)
THP2 US	976	977	(1)	2,907	2,906	1
Separate accounts	848	974	(126)	2,478	2,034	444
Side-cars	251	299	(48)	888	931	(43)
Trinity Falls	145	–	145	145	–	145
THP1 Canada	4	18	(14)	11	166	(155)
THP2 Canada	74	152	(78)	353	571	(218)
Canadian syndicated investments	65	88	(23)	190	270	(80)
TLR Canada	321	–	321	321	310	11
TLR U.S.	52	–	52	150	–	150
Management fees – private Investment Vehicles	3,277	3,305	(28)	9,270	9,758	(488)
Development fees – TDG	394	150	244	1,103	220	883
Development fees – Johnson	2,302	3,826	(1,524)	6,656	8,237	(1,581)
Contractual fees	**$ 5,973**	**$ 7,281**	**$ (1,308)**	**$ 17,029**	**$ 18,215**	**$ (1,186)**

The table below provides a summary of Investment Vehicles in which Tricon manages third-party capital, along with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1). The table also includes projected performance fees that Tricon could earn over time based on current business plans.

	Third-party investments				Projected returns[2]				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 57,198	$ –	$ 5,213	$ 62,411	2.2x	14%	1.8x	11%	$ 11,397
THP2 US	176,119	–	132,621	308,740	1.8x	20%	1.5x	15%	24,131
Separate accounts[3]	355,372	–	57,268	412,640	2.5x	20%	2.4x	20%	37,863
Side-cars[4]	130,547	–	30,370	160,917	1.8x	21%	1.7x	19%	9,037
THP1 Canada	736	–	–	736	2.1x	16%	1.6x	12%	7,254
THP2 Canada	21,769	–	1,410	23,179	1.9x	14%	1.5x	10%	4,519
THP3 Canada	76,431	–	26,047	102,478	1.9x	13%	1.6x	9%	1,629
Canadian syndicated investments[5]	20,486	–	5,189	25,675	2.0x	11%	1.8x	10%	2,815
Total – THP	**$ 838,658**	**$ –**	**$ 258,118**	**$ 1,096,776**					**98,645**
TLR Canada[6]	55,935	47,309	38,979	142,223	2.6x	13%	2.5x	12%	17,620
Total	**$ 894,593**	**$ 47,309**	**$ 297,097**	**$ 1,238,999**					**$ 116,265**

(1) Commitments to projects include guarantees made under loan agreements plus reserves. Project commitments can exceed total capitalization as a result of reinvestment rights.

(2) Net ROI and IRR are based on cash flow estimates after all Investment Vehicle expenses (including Contractual and Performance Fees). ROI, IRR and estimated performance fees are based on Tricon's analysis of projected cash flows for incomplete projects in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and annual budgets and cash flow projections prepared by developers for all incomplete projects. Refer to page 1.

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

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

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

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

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

	Total units[2]					Total units sold				
As of September 30, 2016[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,029	24,897	5,832	1,556	43,142	287	4,232	2,733	653	28,247
Canada	285	3,896	713	5,739	219,520	173	2,056	431	4,836	103,361
Total units as at September 30, 2016	**1,314**	**28,793**	**6,545**	**7,295**	**262,662**	**460**	**6,288**	**3,164**	**5,489**	**131,608**
Total units as at December 31, 2015	1,251	25,427	6,359	7,340	261,458	457	4,897	2,651	5,171	100,087
Adjustments to business plans[2]	–	(124)	(23)	–	–	(13)	204	–	–	–
Adjusted total units as at December 31, 2015	**1,251**	**25,303**	**6,336**	**7,340**	**261,458**	**444**	**5,101**	**2,651**	**5,171**	**100,087**

(1) Units sold and remaining shown above include all projects in private Investment Vehicles under the THP investment vertical (THP1 US, THP2 US, THP3 Canada, separate accounts and side-cars) as well as THP1 Canada and THP2 Canada.

(2) Total units may change as a result of business plan updates.

The Johnson Companies LP ("Johnson")

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

For the periods ended September 30 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months		Nine months	
	2016	2015	2016	2015
Development fees – Johnson	$ 2,302	$ 3,826	$ 6,656	$ 8,237
Land sales (acres)	29	75	92	115
Lot sales	693	843	1,474	1,762
Third-party home sales	886	770	2,190	1,965

During the third quarter, lot sales accelerated to 693 sales compared to 493 sales in the second quarter of 2016, a 40% increase. The pickup in sales was primarily driven by the addition of Trinity Falls (acquired in July 2016), the introduction of Taylor Morrison's active-adult (55+) community called Bonterra within Cross Creek Ranch and the commencement of lot sales at new communities Grand Central Park and Jordan Ranch.

Compared to the same period last year, lot sales decreased by 18%, mainly as a result of the 2015 launch of Harvest Green which had significant pent-up builder demand for lots. It should be noted that the increase of 15% in third-party home sales compared to the prior year is an indication that builders are churning through their lot inventory and, barring an unforeseen economic change, is a positive leading indicator of demand for lots in the future. In addition, acreage sales which generally relate to commercial land parcels that are sold to retail/mixed-use developers declined in the third quarter. The amount of commercial acreage tends to vary widely by community and as such, these sales tend to be episodic in nature.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 FINANCING STRATEGY

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

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

5.2 LIQUIDITY

Tricon generates substantial liquidity through:

- Cash distributions generated from the turnover of assets with shorter investment horizons.
- Syndicating investments to private investors and thereby extracting Tricon capital invested.
- Stable cash flow received from our income-generating TAH and TLC investment verticals.
- Repatriation of equity extracted through securitized refinancings within TAH.
- Fee income from our Private Funds and Advisory business.

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

Working capital

As at September 30, 2016, Tricon had a net working capital surplus of $4.0 million, reflecting current assets of $17.8 million, offset by payables and accrued liabilities of $13.8 million.

5.3 CAPITAL RESOURCES

Debt structure

Management attempts to stagger the maturity of Tricon's debts with the objective of achieving even, annual maturities over a ten-year time horizon to reduce Tricon's exposure to interest rate fluctuations in any one period. The Company's long-term debt structure is summarized in Section 3.2.

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

As at September 30, 2016, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

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

On October 6, 2015, the Toronto Stock Exchange approved the Company's intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. In the three months ended September 30, 2016, the Company did not acquire any shares under the NCIB program.

As of November 7, 2016, there were 112,754,769 common shares of the Company issued and outstanding.

6. NON-IFRS MEASURES

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

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

- Adjusted EBITDA is defined as net income (loss) before income tax (from both consolidating and investment entities), interest (from both consolidating and investment entities), amortization (excluding non-controlling interest portion of amortization expense), stock option expense and non-recurring and non-cash expenses.
- Adjusted net income is defined as net income (loss) before non-recurring and non-cash expenses.
- Adjusted basic EPS is defined as adjusted net income divided by the weighted average basic common shares outstanding in the period. Adjusted diluted EPS is defined as adjusted net income divided by the weighted average diluted common shares outstanding in the period.

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

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months 2016	Three months 2015	Three months Variance	Nine months 2016	Nine months 2015	Nine months Variance
THP Adjusted EBITDA	A	$ 6,241	$ 5,400	$ 841	$ 18,959	$ 18,477	$ 482
TAH Adjusted EBITDA	B	26,724	19,621	7,103	63,915	67,366	(3,451)
TLC Adjusted EBITDA	C	1,877	309	1,568	4,947	754	4,193
TLR Adjusted EBITDA	D	1,014	1	1,013	2,935	3	2,932
Contractual fees and other income		6,305	7,601	(1,296)	17,993	18,880	(887)
Performance fees		678	37	641	779	47	732
Adjusted non-controlling interest EBITDA	E	(602)	(1,180)	578	(1,554)	(2,285)	731
Interest income		–	28	(28)	–	47	(47)
Adjusted EBITDA before corporate overhead		42,237	31,817	10,420	107,974	103,289	4,685
Adjusted compensation expense	F	(6,567)	(5,422)	(1,145)	(18,002)	(14,869)	(3,133)
General and administration		(1,607)	(1,200)	(407)	(4,815)	(3,927)	(888)
Adjusted EBITDA		**34,063**	**25,195**	**8,868**	**85,157**	**84,493**	**664**
Stock option expense		(264)	(516)	252	(766)	(863)	97
Adjusted interest expense	G	(8,397)	(7,118)	(1,279)	(23,625)	(19,381)	(4,244)
Adjusted amortization expense	H	(888)	(872)	(16)	(2,555)	(2,803)	248
Adjusted net income before taxes		**24,514**	**16,689**	**7,825**	**58,211**	**61,446**	**(3,235)**
Adjusted income tax expense	I	(3,520)	(4,692)	1,172	(7,633)	(11,319)	3,686
Adjusted net income		**$ 20,994**	**$ 11,997**	**$ 8,997**	**$ 50,578**	**$ 50,127**	**$ 451**
Adjusted basic earnings per share		**$ 0.19**	**$ 0.12**	**$ 0.07**	**$ 0.45**	**$ 0.54**	**$ (0.09)**
Adjusted diluted earnings per share		**$ 0.17**	**$ 0.10**	**$ 0.07**	**$ 0.41**	**$ 0.45**	**$ (0.04)**
Weighted average shares outstanding – basic		**112,584,950**	**97,311,968**	**15,272,982**	**112,371,206**	**92,838,561**	**19,532,645**
Weighted average shares outstanding – diluted		**123,577,695**	**115,916,032**	**7,661,663**	**123,280,579**	**111,353,101**	**11,927,478**

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

- Adjusted EBITDA increased by $8.9 million or 35% to $34.1 million in the third quarter of 2016 compared to $25.2 million in the prior year period, as a result of higher THP and TAH investment income, as well as contributions from the two newer verticals, TLC and TLR.
- Adjusted net income, which excludes non-recurring items, increased by $9.0 million or 75% to $21.0 million in the third quarter of 2016 relative to $12.0 million in the same period in the prior year, and is attributable to higher investment income from all four verticals in the quarter and a lower tax expense, partly offset by higher corporate expenses and adjusted interest expense.
- Adjusted basic earnings per share and adjusted diluted earnings per share for the third quarter of 2016 increased by 58% and 70% to $0.19 and $0.17, respectively, compared to $0.12 and $0.10 in the same period in 2015. The increase was a result of higher adjusted net income, offset by a higher number of common shares outstanding. In the third quarter of 2015, the Company completed a bought deal public offering of approximately 13.2 million common shares for gross proceeds of C$150 million and deployed the net proceeds into new investment opportunities that are expected to be accretive to earnings per share over time.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2016.

For the periods ended September 30	Three months		Nine months	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Net income	**$ 23,542**	**$ 33,121**	**$ 51,101**	**$ 29,439**
Transaction costs adjustments:				
Transaction costs at investment level	2,656	1,327	5,972	20,930
Transaction costs and formation costs	48	940	1,744	3,011
Non-cash adjustments:				
Control premium adjustment	$ –	$ –	$ 1,884	$ 5,446
Foreign exchange (gain) loss at investment level	495	91	(869)	–
LTIP accrued expenses[1]	(52)	(921)	(1,826)	(1,155)
Debentures discount amortization	444	1,046	1,319	3,110
Interest expense reclassification	–	28	–	47
Net change in fair value of derivative	(4,247)	(15,768)	(7,575)	16,239
Unrealized foreign exchange (gain) loss	(878)	(7,502)	1,078	(16,987)
Tax effect of above adjustments (expense)	(1,014)	(365)	(2,250)	(9,953)
Adjusted net income[2]	**$ 20,994**	**$ 11,997**	**$ 50,578**	**$ 50,127**
Add:				
Stock option expense	$ 264	$ 516	$ 766	$ 863
Adjusted interest expense[2]	8,397	7,118	23,625	19,381
Adjusted amortization expense[2]	888	872	2,555	2,803
Adjusted income tax expense[2]	3,520	4,692	7,633	11,319
Adjusted EBITDA[2]	**$ 34,063**	**$ 25,195**	**$ 85,157**	**$ 84,493**

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

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

For the periods ended September 30 (in thousands of U.S. dollars)		Three months 2016	Three months 2015	Nine months 2016	Nine months 2015
Investment income – THP per financial statements		$ 6,123	$ 5,133	$ 17,452	$ 12,698
Control premium adjustment		–	–	1,884	5,446
Tax expense		–	176	79	333
Unrealized foreign exchange loss (gain)		118	91	(456)	–
THP Adjusted EBITDA[1]	A	$ 6,241	$ 5,400	$ 18,959	$ 18,477
Investment income – TAH per financial statements		$ 20,653	$ 15,022	$ 46,642	$ 45,000
Interest expense		5,111	4,370	14,397	11,088
Transaction costs and non-cash expenses		2,651	1,336	5,944	20,517
Tax recovery		(1,691)	(1,107)	(3,068)	(9,239)
TAH Adjusted EBITDA[1]	B	$ 26,724	$ 19,621	$ 63,915	$ 67,366
Investment income – TLC per financial statements		$ 1,496	$ 69	$ 3,377	$ (612)
Interest expense		659	178	1,818	422
Transaction costs and non-cash expenses		5	(9)	28	413
Tax expense (recovery)		(283)	71	(276)	531
TLC Adjusted EBITDA[1]	C	$ 1,877	$ 309	$ 4,947	$ 754
Investment income – TLR per financial statements		$ 605	$ 1	$ 3,312	$ 3
Interest expense		32	–	36	–
Unrealized foreign exchange loss (gain)		377	–	(413)	–
TLR Adjusted EBITDA[1]	D	$ 1,014	$ 1	$ 2,935	$ 3
NCI change per financial statements		$ (75)	$ (554)	$ 305	$ (211)
NCI portion of amortization and tax		(527)	(626)	(1,859)	(2,074)
Adjusted non-controlling interest[1]	E	$ (602)	$ (1,180)	$ (1,554)	$ (2,285)
Compensation expense per financial statements		$ 6,779	$ 5,017	$ 16,942	$ 14,577
Accrued LTIP recovery		52	921	1,826	1,155
Stock option expense		(264)	(516)	(766)	(863)
Adjusted compensation expense[1]	F	$ 6,567	$ 5,422	$ 18,002	$ 14,869
Interest expense per financial statements		$ 3,039	$ 3,616	$ 8,693	$ 10,981
TAH interest expense		5,111	4,370	14,397	11,088
TLC interest expense		659	178	1,818	422
TLR interest expense		32	–	36	–
Debenture discount amortization		(444)	(1,046)	(1,319)	(3,110)
Adjusted interest expense[1]	G	$ 8,397	$ 7,118	$ 23,625	$ 19,381
Amortization expense per financial statements		$ 1,415	$ 1,498	$ 4,414	$ 4,877
NCI portion of Johnson's amortization expense		(527)	(626)	(1,859)	(2,074)
Adjusted amortization expense[1]	H	$ 888	$ 872	$ 2,555	$ 2,803
Tax expense per financial statements		$ 4,480	$ 5,187	$ 8,648	$ 9,741
THP tax expense		–	176	79	333
TAH tax recovery		(1,691)	(1,107)	(3,068)	(9,239)
TLC tax expense (recovery)		(283)	71	(276)	531
Tax expense on non-cash and non-recurring Items		1,014	365	2,250	9,953
Adjusted income tax expense[1]	I	$ 3,520	$ 4,692	$ 7,633	$ 11,319

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

8. OPERATIONAL KEY PERFORMANCE INDICATORS

8.1 KEY PERFORMANCE INDICATORS

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

Tricon Housing Partners

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

Tricon American Homes

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

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

Tricon Lifestyle Communities

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

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

8.2 ASSETS UNDER MANAGEMENT

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

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

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

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

9.1 REVENUE, INVESTMENTS AND FAIR VALUE DETERMINATION

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

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

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

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

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

Tricon Housing Partners ("THP")

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

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

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

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

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

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

Tricon American Homes ("TAH")

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

Tricon Lifestyle Communities ("TLC")

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

Tricon Luxury Residences ("TLR")

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

9.2 ACCOUNTING ESTIMATES AND POLICIES

Accounting estimates

The Company makes estimates and assumptions concerning the future that may not equal actual results. These estimates and assumptions are outlined in Section 7.2 of Tricon's annual MD&A. These estimates and assumptions have not changed materially since December 31, 2015.

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 subtotals, 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 statement 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 statement 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 their impact on Tricon's statements of cash flows.

9.3 CONTROLS AND PROCEDURES

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the period ended September 30, 2016. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the three and nine months ended September 30, 2016, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 TRANSACTIONS WITH RELATED PARTIES

Tricon has a ten-year sub-lease commitment on the Company's head office premises with Mandukwe Company Inc., a company owned and controlled by a director of the Company. The annual rental amount is $34,000 (C$43,000) plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

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

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

9.5 DIVIDENDS

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

9.6 COMPENSATION INCENTIVE PLAN

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

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

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from private funds and separate accounts, paid in cash when received, and (ii) a percentage equal to the AIP percentage (currently 15%) of THP1 US investment income, payable in DSUs which vest over a five-year period.

Complete details concerning the Company's compensation plans and the DSUs are set out in the Company's most recent Management Information Circular dated April 6, 2016 and available on SEDAR at www.sedar.com and on the Company's website at www.triconcapital.com.

9.7 RISK DEFINITION AND MANAGEMENT

There are certain risks inherent in the Company's activities and those of its investees which may impact the Company's performance, the value of its investments and the value of its securities. The Company's Annual Information Form dated March 8, 2016 and its MD&A for the year ended December 31, 2015, which are available on SEDAR or may be accessed on the Company's website, contain detailed discussions of these risks.

10. HISTORICAL FINANCIAL INFORMATION

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

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015[1]
Financial statement results				
Total revenue and investment income	$ 35,860	$ 26,210	$ 27,485	$ 26,046
Net income (loss)	23,542	14,325	13,234	28,741
Basic earnings per share	0.21	0.13	0.12	0.27
Diluted earnings per share	0.17	0.11	0.11	0.16

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	September 30, 2015[1]	June 30, 2015[1]	March 31, 2015[1]	December 31, 2014[2]
Financial statement results				
Total revenue and investment income	$ 27,863	$ 13,029	$ 35,124	$ 76,380
Net income (loss)	33,121	7,234	(10,916)	43,810
Basic earnings per share	0.34	0.08	(0.12)	0.48
Diluted earnings per share	0.20	0.04	(0.12)	0.45

(1) Effective January 1, 2015, financial statements were prepared using the U.S. dollar as the functional currency.

(2) Financial results for 2014 were prepared using the Canadian dollar as the functional currency but are presented in U.S. dollars using quarterly average rates.

APPENDIX – REVISED MD&A INFORMATION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

As disclosed in our press release dated August 10, 2016, the Company has revised its MD&A presentation to give greater prominence to International Financial Reporting Standards ("IFRS") measures, consistent with CSA Staff Notice 52-306 (Revised) – *Non-GAAP Financial Measures*, and to simplify the overall presentation of financial results. In order to provide comparability and continuity of the information presented, this Appendix presents the information included in Sections 2, 3, and 4 of the Company's MD&A for the three and six months ended June 30, 2016, in the revised format.

2. HIGHLIGHTS

FINANCIAL HIGHLIGHTS

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

	Three months		Six months	
For the periods ended June 30	2016	2015	2016	2015
Total revenue and investment income	$ 26,210	$ 13,029	$ 53,695	$ 48,153
Net income (loss)	14,325	7,284	27,559	(3,682)
Basic earnings (loss) per share	0.13	0.08	0.25	(0.04)
Diluted earnings (loss) per share	0.11	0.04	0.22	(0.04)
Dividends per share	C$ 0.065	C$ 0.060	C$ 0.130	C$ 0.120
Non-IFRS measures[1]				
Adjusted EBITDA	$ 24,294	$ 23,357	$ 51,094	$ 59,298
Adjusted net income	13,771	15,082	29,584	38,130
Adjusted basic earnings per share	0.12	0.17	0.26	0.42
Adjusted diluted earnings per share	0.11	0.14	0.24	0.35
As at June 30			2016	2015
Total assets			$ 943,259	$ 728,528
Total liabilities			228,378	248,320
Total investments			869,058	658,879
Debt			167,886	133,520
Assets under management ("AUM")[2]			$ 2,966,856	$ 2,342,593

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

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

INVESTMENT HIGHLIGHTS BY VERTICAL

The information below includes key performance metrics for each investment vertical. See Section 8.1 for a description of these metrics.

For the periods ended June 30 (in thousands of U.S. dollars, except for percentages and units)	Three months		Six months	
	2016	2015	2016	2015
TRICON HOUSING PARTNERS				
Investment – THP			$ 270,716	$ 284,845
Investment Income – THP	$ 4,928	$ 767	11,329	7,565
TRICON AMERICAN HOMES				
Investments – TAH			$ 512,024	$ 363,867
Investment income – TAH	$ 13,079	$ 7,360	25,989	29,978
Net operating income	13,902	11,325	26,578	20,082
Operating margin[1]			60%	60%
Core funds from operations	7,789	6,789	12,042	9,135
Total homes owned			8,018	6,513
Occupancy			88.9%	93.6%
Stabilized occupancy			95.9%	95.8%
TRICON LIFESTYLE COMMUNITIES				
Investments – TLC			$ 33,106	$ 8,145
Investment income – TLC	$ 1,399	$ (642)	1,881	(681)
Net operating income	1,166	305	2,644	541
Operating margin[1]			58%	60%
Core funds from operations	406	9	1,144	215
Total number of rental sites			2,467	506
Occupancy			69.8%	87.6%
Long-term occupancy			67.7%	87.6%
TRICON LUXURY RESIDENCES				
Investments – TLR			$ 53,212	$ 2,022
Investment income – TLR	$ 788	$ 2	2,707	2
Units under construction			1,339	502
PRIVATE FUNDS AND ADVISORY				
Third-party assets under management			$ 1,245,336	$ 1,070,886
Contractual fees and GP distributions	$ 5,915	$ 5,542	11,688	11,279
Performance fees	101	–	101	10

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

(1) Reflects TAH and TLC operating margins for the full year of 2015.

3. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2016.

3.1 REVIEW OF INCOME STATEMENTS

Condensed interim consolidated statements of comprehensive income

For the periods ended June 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Revenue						
Contractual fees	$ 5,588	$ 5,211	$ 377	$ 11,056	$ 10,624	$ 432
General partner distributions	327	331	(4)	632	655	(23)
Performance fees	101	–	101	101	10	91
	6,016	5,542	474	11,789	11,289	500
Investment income						
Investment income – Tricon Housing Partners	4,928	767	4,161	11,329	7,565	3,764
Investment income – Tricon American Homes	13,079	7,360	5,719	25,989	29,978	(3,989)
Investment income – Tricon Lifestyle Communities	1,399	(642)	2,041	1,881	(681)	2,562
Investment income – Tricon Luxury Residences	788	2	786	2,707	2	2,705
	20,194	7,487	12,707	41,906	36,864	5,042
Total revenue and investment income	**$ 26,210**	**$ 13,029**	**$ 13,181**	**$ 53,695**	**$ 48,153**	**$ 5,542**
Expenses						
Compensation expense	5,424	3,945	1,479	10,163	9,560	603
General and administration expense	1,801	1,396	405	3,208	2,727	481
Interest expense	3,094	3,821	(727)	5,654	7,365	(1,711)
Other expenses	48	(2,208)	2,256	3,323	27,972	(24,649)
	10,367	6,954	3,413	22,348	47,624	(25,276)
Income before non-controlling interest and income taxes	15,843	6,075	9,768	31,347	529	30,818
Non-controlling interest change	3	303	(300)	380	343	37
Income before income taxes	15,846	6,378	9,468	31,727	872	30,855
Income tax expense (recovery) – current	(714)	(481)	(233)	854	1,135	(281)
Income tax expense (recovery) – deferred	2,235	(425)	2,660	3,314	3,419	(105)
Net income (loss)	**$ 14,325**	**$ 7,284**	**$ 7,041**	**$ 27,559**	**$ (3,682)**	**$ 31,241**
Basic earnings (loss) per share	**$ 0.13**	**$ 0.08**	**$ 0.05**	**$ $0.25**	**$ (0.04)**	**$ 0.29**
Diluted earnings (loss) per share	**$ 0.11**	**$ 0.04**	**$ 0.07**	**$ $0.22**	**$ (0.04)**	**$ 0.26**
Weighted average shares outstanding – basic	**112,491,380**	**90,789,370**	**21,702,010**	**112,436,772**	**90,708,723**	**21,728,049**
Weighted average shares outstanding – diluted	**123,124,591**	**109,644,821**	**13,479,770**	**123,045,132**	**92,121,070**	**30,924,062**

The following discussion is based on selected line items of the condensed interim consolidated statements of comprehensive income for the three and six months ended June 30, 2016.

Contractual fees

Contractual fees for the three months ended June 30, 2016 were $5.6 million, representing an increase of $0.4 million or 7% from the same period in the prior year. Year to date, contractual fees were $11.1 million, representing an increase of $0.4 million or 4% from the same period in 2015.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Management fees – private Investment Vehicles	$ 2,521	$ 2,998	$ (477)	$ 5,993	$ 6,143	$ (150)
Development fees – TDG	380	70	310	709	70	639
Development fees – Johnson	2,687	2,143	544	4,354	4,411	(57)
Contractual fees	**$ 5,588**	**$ 5,211**	**$ 377**	**$ 11,056**	**$ 10,624**	**$ 432**

The overall increase in contractual fees of $0.4 million for the three months ended June 30, 2016 is attributable to:

- A net decrease in management fee revenue of $0.5 million mainly as a result of lower invested capital in THP1 US, offset by new investments in U.S. Investment Vehicles (Viridian and THP US SP1) and TLR U.S. The decrease in THP1 US invested capital was due to distributions of capital from project conclusions.
- An increase in development fees driven by new projects in TLR Canada.
- An increase in advisory fee revenue from Johnson of $0.5 million as a result of increased lot closings in the period.

The overall increase in contractual fees of $0.4 million for the six months ended June 30, 2016 is associated with:

- A decrease in management fee revenue of $0.2 million mainly as a result of lower invested capital in THP1 Canada and THP2 Canada, offset by an increase in fee revenue from new investments in U.S. Investment Vehicles.
- An increase in development fees driven by new projects in TLR Canada.
- A decrease in fee revenue from Johnson of $0.1 million due to fewer lot closings as a result of unfavourable weather conditions in Texas in the first quarter of 2016 which caused project delays.

Investment income – Tricon Housing Partners

The following table provides details regarding the investment income from THP for the three and six months ended June 30, 2016.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
THP1 US	$ 4,090	$ (430)	$ 4,520	$ 8,789	$ 5,324	$ 3,465
THP2 US	177	190	(13)	663	471	192
THP3 Canada	258	369	(111)	1,041	319	722
Separate accounts[1]	530	237	293	1,034	467	567
Side-cars[2]	(127)	401	(528)	(198)	984	(1,182)
Investment income – THP	**$ 4,928**	**$ 767**	**$ 4,161**	**$ 11,329**	**$ 7,565**	**$ 3,764**

(1) Includes Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian and THP US SP1.
(2) Includes Trilogy at Vistancia West, Arantine Hills and Trilogy Lake Norman.

Investment income from THP for the three months ended June 30, 2016 was $4.9 million, an increase of $4.2 million or 543% from $0.8 million for the same period in the prior year. This was primarily due to:

- An increase in investment income from the THP1 US co-investment of $4.5 million in the three months ended June 30, 2016 compared to the same period in 2015, largely due to a fair value increase from the San Francisco portfolio due to stronger than expected market prices for units at The Rockwell.
- The remaining change is due to a decrease in fair value gains in Vistancia West and THP3 Canada in the quarter, primarily due to higher fair value adjustments in the prior year as project milestones were met.

THP investment income for the year to date was $11.3 million, an increase of $3.8 million or 46% from $7.6 million for the same period in the prior year. The increase is mainly attributable to:

- An increase in investment income of $3.5 million from the THP1 US co-investment as a result of changes in expected cash flows from the Greater Bay portfolio related to Faria Preserve; the prior year's figure included an adjustment in the timing of projected cash flow from the Faria Preserve land asset sale, which resulted in a decrease in the asset's fair value based on a discounted cash flow valuation.
- The remaining change is due to a lower fair value gain in the current period, primarily due to project milestones that were achieved in the prior year period in Vistancia West. The decrease was offset by an increase in fair value gains in Grand Central Park and Trilogy at Verde River compared to the same period in 2015.

Investment income – Tricon American Homes

The following table provides details regarding the investment income from TAH for the three and six months ended June 30, 2016.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Rental revenue	$ 23,114	$ 18,472	$ 4,642	$ 44,237	$ 32,483	$ 11,754
Rental expenses	(9,212)	(7,147)	(2,065)	(17,659)	(12,401)	(5,258)
Net operating income	**13,902**	**11,325**	**2,577**	**26,578**	**20,082**	**6,496**
Overhead expenses	(3,783)	(13,753)	9,970	(8,458)	(16,093)	7,635
Fair value gain	7,716	13,242	(5,526)	17,155	32,707	(15,552)
Interest expense	(4,756)	(3,454)	(1,302)	(9,286)	(6,718)	(2,568)
Investment income – TAH	**$ 13,079**	**$ 7,360**	**$ 5,719**	**$ 25,989**	**$ 29,978**	**$ (3,989)**

Investment income for the three months ended June 30, 2016 was $13.1 million, an increase of $5.7 million or 78% from $7.4 million for the same period in 2015. The increase is due to:

- An increase in net operating income ("NOI") (KPI measure; refer to Section 8.1 for a description of NOI) mainly as a result of an increase in the number of properties owned by TAH.
- A decrease in fair value gain of $5.5 million due to lower Home Price Index ("HPI") growth of 1.4% experienced in the quarter, compared to 4.1% in the same period in 2015.
- An increase in interest expense due to a higher outstanding loan balance to support rental portfolio growth.

Investment income for the six months ended June 30, 2016 was $26.0 million, a decrease of $4.0 million or 13%, compared to $30.0 million for the same period in 2015. The decrease is due to:

- An increase in NOI as a result of an increase in the number of properties owned by TAH.
- A decrease in fair value gain of $15.6 million as a result of lower HPI growth compared to the same period in 2015, and more homes having been valued utilizing a Broker Price Opinion methodology in 2015, which resulted in greater fair value gains in the prior year period.

Investment income – Tricon Lifestyle Communities

The following table provides details regarding the investment income from TLC for the three and six months ended June 30, 2016.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Rental revenue	$ 2,061	$ 495	$ 1,566	$ 4,521	$ 899	$ 3,622
Rental expenses	(895)	(190)	(705)	(1,877)	(358)	(1,519)
Net operating income[1]	**1,166**	**305**	**861**	**2,644**	**541**	**2,103**
Overhead expenses	(29)	(813)	784	(451)	(978)	527
Fair value gain	847	–	847	847	–	847
Interest expense	(585)	(134)	(451)	(1,159)	(244)	(915)
Investment income – TLC	**$ 1,399**	**$ (642)**	**$ 2,041**	**$ 1,881**	**$ (681)**	**$ 2,562**

(1) KPI measure; see Section 8.1.

For the three months ended June 30, 2016, investment income in TLC was $1.4 million compared to a $0.6 million loss for the same period in the prior year. Year-to-date investment income was $1.9 million compared to a $0.7 million loss in the same period in the prior year. The quarter and year-to-date variances are mainly attributable to NOI growth as a result of eight parks having been acquired in late 2015 and early 2016, offset by higher interest expense. The fair value gain is associated with the substantial completion of the capital enhancement program at Longhaven and Skyhaven.

Investment income – Tricon Luxury Residences

The following table provides details regarding the investment income from TLR for the three and six months ended June 30, 2016.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Rental revenue	$ 130	$ 2	$ 128	$ 178	$ 2	$ 176
Overhead and other expenses	(391)	–	(391)	(1,345)	–	(1,345)
Fair value gain	1,049	–	1,049	3,874	–	3,874
Investment income – TLR	**$ 788**	**$ 2**	**$ 786**	**$ 2,707**	**$ 2**	**$ 2,705**

Investment income increase for the three and six months ended June 30, 2016 is attributable to rental income growth as a result of new properties acquired in 2016, offset by an unfavourable foreign currency adjustment and non-controlling interests. The fair value gains recognized for the quarter and year to date are a result of reaching development milestones for The Maxwell and The McKenzie projects in Dallas-Fort Worth (both TLR U.S. projects).

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Salaries expense	$ 3,122	$ 2,734	$ 388	$ 5,866	$ 5,450	$ 416
Annual Incentive Plan	1,897	1,625	272	4,232	2,888	1,344
Long-Term Incentive Plan	405	(414)	819	65	1,222	(1,157)
Total compensation expense	**$ 5,424**	**$ 3,945**	**$ 1,479**	**$ 10,163**	**$ 9,560**	**$ 603**

Compensation expense for the three and six months ended June 30, 2016 increased by $1.5 million and $0.6 million, respectively, compared to the same periods in the prior year, primarily due to an increase in the incentive arrangements (AIP and LTIP; refer to Section 9.6) and an increase in payroll costs, both owing to staffing increases made to accommodate the Company's ongoing growth plans.

General and administration expense

General and administration expense for the three and six months ended June 30, 2016 increased by $0.4 million and $0.5 million, respectively, compared to the same periods in the prior year, primarily due to professional fees related to increased levels of investment activity.

Interest expense

The table below provides a breakdown of interest expense.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Credit facility interest	$ 1,609	$ 931	$ 678	$ 2,708	$ 1,612	$ 1,096
Debentures interest	1,036	1,840	(804)	2,071	3,689	(1,618)
Debentures discount amortization	449	1,050	(601)	875	2,064	(1,189)
Total interest expense	**$ 3,094**	**$ 3,821**	**$ (727)**	**$ 5,654**	**$ 7,365**	**$ (1,711)**

Interest expense was $3.1 million for the three months ended June 30, 2016 compared to $3.8 million for the same period in the prior year, a decrease of $0.7 million (19%). For the year-to-date period, interest expense was $5.7 million compared to $7.4 million for the same period in the prior year, representing a decrease of $1.7 million (23%). The decrease was primarily driven by lower interest expense incurred on convertible debentures, offset by higher interest expense incurred on the corporate revolving credit facility due to increased usage. The lower convertible debenture interest expense was due to the redemption of all of the previously outstanding 6.375% convertible unsecured subordinated debentures of the Company in November 2015.

Other expenses

The table below provides a breakdown of other expenses.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2016	2015	Variance	2016	2015	Variance
Net change in fair value of derivative	$ (2,403)	$ (5,884)	$ 3,481	$ (3,328)	$ 32,007	$ (35,335)
Transaction costs	571	1,054	(483)	1,696	2,071	(375)
Amortization expense	1,429	1,449	(20)	2,999	3,379	(380)
Realized and unrealized foreign exchange (gain) loss	451	1,173	(722)	1,956	(9,485)	11,441
Total other expenses	**$ 48**	**$ (2,208)**	**$ 2,256**	**$ 3,323**	**$ 27,972**	**$ (24,649)**

The net change in fair value of derivative is driven by a net decrease (net increase for the six months ended June 30, 2016) in the fair value of the Company's outstanding convertible debentures due to any increase or decrease in the trading price of the Company's common shares relative to the conversion price.

Income tax expense

The primary driver of lower tax expense is the increased amount of permanent differences (i.e., gains that are not taxable) that were deducted in arriving at the taxable income. They include differences related to the non-taxable portion of unrealized foreign exchange gains, unrealized fair value gain on the investment in TAH, and fair value change on the outstanding convertible debentures.

3.2 REVIEW OF SELECTED BALANCE SHEET ITEMS

As at (in thousands of U.S. dollars)	June 30, 2016	March 31, 2016	December 31, 2015
Assets			
Cash	$ 8,695	$ 29,456	$ 4,493
Amounts receivable	14,912	9,773	8,088
Prepaid expenses and deposits	8,298	3,020	2,542
Investments – Tricon Housing Partners	270,716	270,241	303,782
Investments – Tricon American Homes	512,024	472,995	426,030
Investments – Tricon Lifestyle Communities	33,106	31,636	19,153
Investments – Tricon Luxury Residences	53,212	32,284	19,582
Intangible assets	27,672	29,027	30,527
Deferred income tax assets	13,359	13,526	11,282
Other assets	1,265	1,155	1,047
Total assets	**$ 943,259**	**$ 893,113**	**$ 826,526**
Liabilities			
Amounts payable and accrued liabilities	$ 9,711	$ 4,764	$ 7,621
Dividends payable	5,648	5,609	4,857
Long-term incentive plan	15,281	15,494	15,717
Debt	167,886	132,016	71,353
Deferred income tax liabilities	24,204	22,149	20,600
Derivative financial instruments	5,648	8,003	8,376
Total liabilities	**228,378**	**188,035**	**128,524**
Equity			
Share capital	564,348	563,245	561,347
Contributed surplus	10,762	9,570	9,812
Cumulative translation adjustment	18,436	18,609	20,098
Retained earnings	106,811	98,099	90,813
Total shareholders' equity	700,357	689,523	682,070
Non-controlling interest	14,524	15,555	15,932
Total equity	**714,881**	**705,078**	**698,002**
Total liabilities and equity	**$ 943,259**	**$ 893,113**	**$ 826,526**

Investments – Tricon Housing Partners

As shown in the table below, investments in THP increased by $0.5 million or 0.2% to $270.7 million as at June 30, 2016, from $270.2 million as at March 31, 2016, resulting from $4.9 million of investment income and $4.4 million of cash contributions by the Company to THP2 US, separate accounts and side-cars, and offset by $8.6 million of capital repatriated from the syndication of the Queen Creek, Arizona land development asset to a third-party investor in the THP US SP1 separate account.

(in thousands of U.S. dollars)	As at March 31, 2016	Advances	Investment income	Distributions	As at June 30, 2016
THP1 US	$ 163,710	$ –	$ 4,090	$ –	$ 167,800
THP2 US	22,174	623	177	–	22,974
THP3 CA	9,123	551	258	–	9,932
Separate accounts[1]	60,847	(6,721)	530	–	54,656
Side-cars[2]	14,387	1,094	(127)	–	15,354
Investments – THP	**$ 270,241**	**$ (4,453)**	**$ 4,928**	**$ –**	**$ 270,716**

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

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

Investments – Tricon American Homes

Investments in TAH increased by $39.0 million or 8.3% to $512.0 million as at June 30, 2016, from $473.0 million as at March 31, 2016. The increase was primarily driven by cash advances of $26.0 million to fund growth in the rental portfolio by 415 homes, along with investment income of $13.1 million, which included a $7.7 million fair value gain.

(in thousands of U.S. dollars)	As at March 31, 2016	Advances	Investment income	Distributions	As at June 30, 2016
Investments – TAH	**$ 472,995**	**$ 25,950**	**$ 13,079**	**$ –**	**$ 512,024**

Investments – Tricon Lifestyle Communities

Investments in TLC increased by $1.5 million or 5% to $33.1 million as at June 30, 2016, from $31.6 million as at March 31, 2016, primarily as a result of investment income from operations and fair value adjustments, as shown below.

(in thousands of U.S. dollars)	As at March 31, 2016	Advances	Investment income	Distributions	As at June 30, 2016
Investments – TLC	**$ 31,636**	**$ 71**	**$ 1,399**	**$ –**	**$ 33,106**

Investments – Tricon Luxury Residences

Investments in TLR increased by $20.9 million or 65% to $53.2 million as at June 30, 2016, from $32.3 million as at March 31, 2016. The investment balance is comprised of $28.2 million in TLR U.S. and $25.0 million in TLR Canada. The main increase is driven by investments in two new properties in Canada during the quarter.

(in thousands of U.S. dollars)	As at March 31, 2016	Advances	Investment income	Distributions	As at June 30, 2016
Investments – TLR	**$ 32,284**	**$ 20,140**	**$ 788**	**$ –**	**$ 53,212**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total amount	Maturity date	Interest rate terms	June 30, 2016	December 31, 2015
Revolving term credit facility	USD	$ 235,000	June 2019	LIBOR+350 bps	$ 111,750	$ 20,000
5.6% convertible debenture	CAD	85,731	March 2020	5.60%	56,136	51,353
					$ 167,886	**$ 71,353**

(1) The 5.60% convertible unsecured subordinated debentures are denominated in Canadian dollars. Balances shown are presented in U.S. dollars and exclude the value of a derivative instrument embedded in the debentures (see Section 3.1 under the heading "Other expenses"). CAD:USD exchange rates used to present debt balances in U.S. dollars are at June 30, 2016: US $0.7225 and at December 31, 2015: US $0.7742.

The Company has access to a $235 million corporate revolving credit facility provided by a syndicate of lenders. As of June 30, 2016, $111.8 million was drawn on the facility. In the second quarter of 2016, the Company extended the maturity date of the corporate revolving credit facility to June 30, 2019.

As of June 30, 2016, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "5.60% convertible debentures") which, in the aggregate, are convertible into 8,748,061 common shares of the Company at a conversion price of C$9.80 per common share. The 5.60% convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met (including that the market price of the common shares is not less than 125% of the conversion price).

3.3 ASSETS UNDER MANAGEMENT

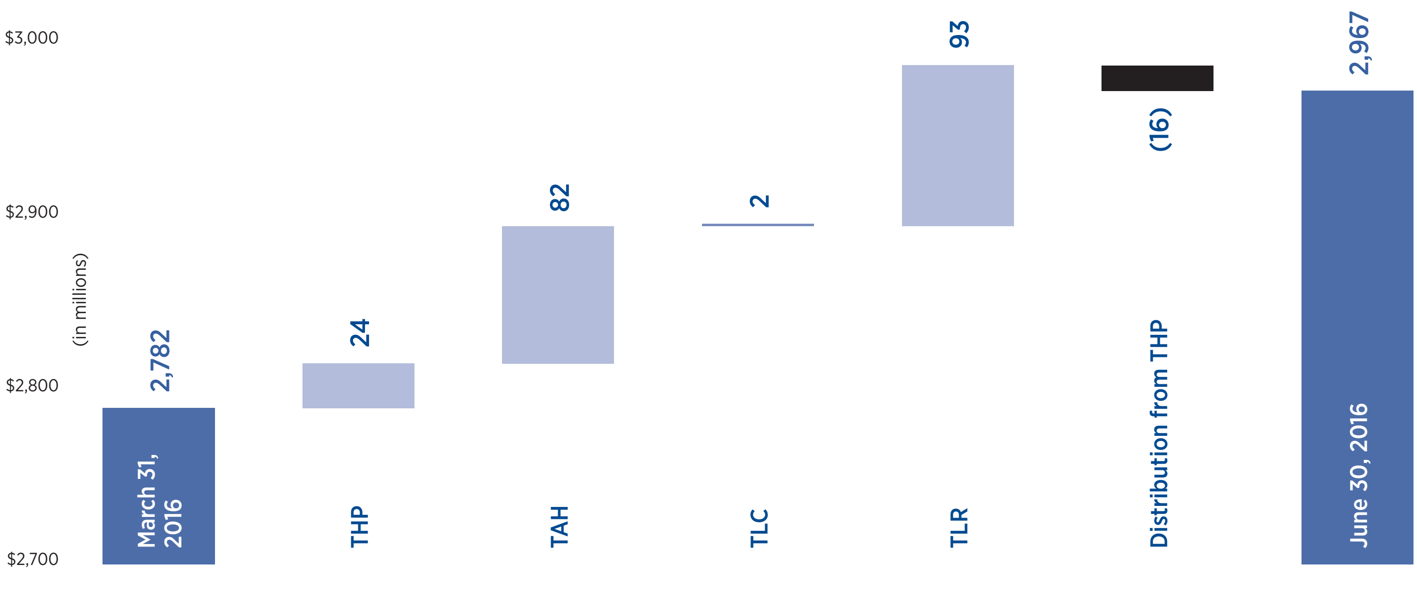
Assets under management ("AUM") (KPI measure; refer to Section 8.1) were $3.0 billion as at June 30, 2016, an increase of 7% since March 31, 2016. Refer to Section 8.2 for a detailed description of AUM.

As shown in the chart below, which summarizes the changes in AUM over the second quarter on a vertical-by-vertical basis, the AUM increase since March 31, 2016 was primarily attributable to:

- A net increase of $8 million in THP AUM, reflecting a $19 million investment in the 490 El Camino condominium development asset in the Silicon Valley town of Belmont, California (see Section 4.1, below) as well as $5 million of fair value gains in THP co-investments, offset by distributions of $16 million from Five Condos, a THP2 Canada project, as a result of condominium unit closings.
- An increase of $82 million in TAH AUM, driven by $74 million of new investments in single-family rental homes and $8 million of fair value adjustments on existing homes.
- An increase of $93 million in TLR AUM as a result of a new investment in The Shops of Summerhill and Scrivener Square (see Section 4.4, below), including $35 million of equity funded by TLR Canada and partner investors, $34 million of debt financing and $24 million of unfunded equity commitment.

Subsequent to June 30, 2016, the Company completed an investment in the Trinity Falls master planned community in McKinney, Texas, with an initial investment of $74 million and total commitment of $96 million including in-place development financing, increasing AUM to $3.1 billion (C$4.0 billion at an exchange rate of USD:CAD 0.7742).

Changes in assets under management



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

(in thousands of U.S. dollars)	June 30, 2016[1]	March 31, 2016[1]	December 31, 2015[1]	June 30, 2015[1]
PRINCIPAL INVESTMENTS				
Tricon Housing Partners				
THP1 US	$ 179,660	$ 175,572	$ 225,029	$ 233,074
THP2 US	31,942	31,765	28,611	28,204
THP3 Canada	16,554	16,058	14,618	16,240
Separate accounts	64,306	70,526	56,990	35,108
Side-cars	18,998	19,013	19,306	18,845
Tricon Housing Partners	**311,460**	**312,934**	**344,554**	**331,471**
Tricon American Homes[2]	**1,194,530**	**1,112,966**	**1,034,346**	**912,177**
Tricon Lifestyle Communities[2]	**87,633**	**85,964**	**50,356**	**23,697**
Tricon Luxury Residences				
U.S.	60,094	59,058	55,555	–
Canada	67,803	30,421	8,215	4,362
Tricon Luxury Residences	**127,897**	**89,479**	**63,770**	**4,362**
Principal Investments	**$ 1,721,520**	**$ 1,601,343**	**$ 1,493,026**	**$ 1,271,707**
PRIVATE FUNDS AND ADVISORY				
Tricon Housing Partners				
THP1 US	$ 61,193	$ 61,010	$ 84,476	$ 88,690
THP2 US	308,740	308,740	308,740	308,740
THP1 Canada	471	471	442	5,387
THP2 Canada	38,720	45,987	43,153	47,698
THP3 Canada	101,998	102,052	96,304	105,901
Separate accounts	412,640	387,320	401,734	291,668
Side-cars	161,916	161,916	161,916	161,916
Syndicated investments	26,528	34,786	32,642	36,170
Tricon Housing Partners	**1,112,206**	**1,102,282**	**1,129,407**	**1,046,170**
Tricon Luxury Residences	**133,130**	**78,121**	**45,431**	**24,716**
Private Funds and Advisory	**$ 1,245,336**	**$ 1,180,403**	**$ 1,174,838**	**$ 1,070,886**
Total Assets Under Management	**$ 2,966,856**	**$ 2,781,746**	**$ 2,667,864**	**$ 2,342,593**

(1) USD:CAD exchange rates used at each balance sheet date are: at Jun 30, 2016: 0.7742; Mar 31, 2016: 0.7700; Dec 31, 2015: 0.7225; and Jun 30, 2015: 0.8006.

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

4. OPERATIONAL REVIEW OF INVESTMENT VERTICALS

4.1 TRICON HOUSING PARTNERS

During the second quarter of 2016, THP continued to advance on existing development projects while adding new investments as described below. A summary of THP's principal investments is presented below along with a reconciliation of these investment balances to AUM (KPI measure; refer to Section 8.1). The table also summarizes historical and projected cash flows to Tricon arising from the sale of finished lots, homes and condominium units from THP's projects (forward-looking information; refer to page 1).

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded equity commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 121,893	$ 167,799	$ 11,861	$ 179,660	$ 272,970	$ 185,859	$ 202,978
THP2 US	7.5%	18,254	22,974	8,968	31,942	16,032	–	27,813
THP3 Canada	10.2%	11,565	9,932	6,622	16,554	8,862	1,833	13,350
Separate accounts[2]	12.5%	51,289	54,657	9,649	64,306	59,906	14,972	125,554
Side-cars[3]	7.4%	14,132	15,354	3,644	18,998	14,236	–	25,406
Total		**$ 217,133**	**$ 270,716**	**$ 40,744**	**$ 311,460**	**$ 372,006**	**$ 202,664**	**$ 395,101**

Investment income – Q2 2016	$ 4,928
as a % of invested capital (Q2 annualized)	9.1%

(1) Distributions include repayments of preferred return and capital.
(2) Separate accounts include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian and THP US SP1.
(3) Side-cars include Arantine Hills, Trilogy Lake Norman and Trilogy at Vistancia West.

For the quarter ended June 30, 2016, investment income of $4.9 million represented a 9.1% annualized net return on outstanding invested capital. This metric may fluctuate quarter to quarter, based on timing of development milestones and project budget revisions. On a full-year basis, management expects the net return on invested capital to be in the range of 9% - 11%. From an operational perspective, highlights for THP's principal investments include:

THP1 US

Progress continued towards closing of condominium units at The Rockwell within the San Francisco Portfolio. Construction of the building remains on schedule and occupancy is expected to commence in the west tower in the third quarter of 2016 and in the east tower in the fourth quarter of 2016, with meaningful cash distributions to investors projected for late 2016 and early 2017.

Separate accounts and side-cars

At Viridian, homebuilders sold 49 homes in the second quarter of 2016 compared to 87 homes in the same period of 2015. Home sales continue to lag 2015 figures as a result of the previously reported weather delays that hindered early 2016 development efforts at the project and limited the number of lots available to builders. However, improved weather during recent months allowed the project to sell 96 lots in the quarter and these new lot deliveries will allow builders to increase on-site activity throughout the remainder of the year. While home sales are still expected to trail 2015 figures as production ramps up, the introduction of a new model home park and the completion of phase two of the Lake Club amenity are projected to result in a sales rebound starting in late 2016. In the meantime, the community continues to benefit from the overall strength of the Dallas-Fort Worth housing market, with home and lot pricing well above previous sales levels, which should bode well for project cash flows in 2017.

At Cross Creek Ranch, 50 lot sales were closed in the quarter compared to two lot sales closed in the same period in 2015, as builders replenished their inventory after churning through the lots acquired in late 2014. Home sales remain strong, with 106 homes sold in the second quarter of 2016, up 5% from 101 sold in the same period in 2015. The project continues to benefit from a strong builder program and increasing product diversity as new sections of entry-level homes in the west side of the project were opened in the quarter. With significant amenities in place and a proven sales track record, Cross Creek Ranch has become the leading community for new home sales in the Katy-South submarket of Houston and management expects it to continue to outperform smaller and newer subdivisions in the area.

At Grand Central Park, the project achieved a substantial milestone in the quarter, with the first 37 lot closings taking place. Lot closings have continued into the third quarter and the project is expected to achieve over 100 lot sales in 2016. Despite the market slowdown in Houston, management believes the project is benefiting from the strength of the Johnson brand, with seven builders signing lot contracts and expected to have model homes open before the end of the year. The grand opening of the community to the public, with model homes available for homebuyers, is anticipated in the fourth quarter of 2016.

New investments in THP

On June 7, 2016, THP completed an investment in 490 El Camino, a fully-entitled 1.84-acre site in the town of Belmont, California, located at the northern end of Silicon Valley. The business plan entails the development and sale of 73 condominium units and approximately 4,900 square feet of ground floor retail space within a four-storey wood-framed structure. The total project commitment is $21.0 million, with Tricon and its investment partner contributing $18.9 million (90%) and Tricon's local development partner contributing $2.1 million (10%).

Concurrently, THP completed the syndication of this investment and Queen Creek (a land investment in Phoenix, Arizona that closed in the first quarter of 2016) to a third-party investor. The total portfolio commitment is $31.7 million, with the investor committing $25.3 million (80%) and Tricon retaining a commitment of $6.4 million (20%) as a principal co-investment. This new Investment Vehicle is referred to as Tricon Housing Partners US Syndicated Pool 1 (THP US SP1). Similar to its existing managed Investment Vehicles, Tricon will earn asset management fees and potentially performance fees from THP US SP1, as well as investment income from its co-investment in the vehicle.

On July 20, 2016, THP completed an investment in a fully-entitled 1,700-acre existing master planned community located in the fast-growing North Dallas submarket of McKinney, Texas, referred to as Trinity Falls. The project was initially capitalized with a $74 million contribution from Tricon and in-place development financing. Trinity Falls will be developed by Johnson and is the fifth investment made by Tricon alongside Johnson. The business plan entails the continued development and sale of approximately 3,200 residential lots to homebuilders over the next ten years with the Company benefiting from in-place contractual lot sales revenues, development management fees through Johnson and asset management fees from the project.

4.2 TRICON AMERICAN HOMES

In the second quarter of 2016, TAH acquired 415 net new homes (452 homes acquired and 37 homes sold), growing the portfolio by 5.5% since March 31, 2016 and 11.5% since December 31, 2015. The homes acquired during the quarter are primarily located in Atlanta, Charlotte, Columbia, Dallas, Indianapolis and Tampa. Home dispositions occurred across a range of markets and included homes that were identified as non-core to the portfolio.

As of the end of the second quarter, the portfolio consisted of 7,904 rental homes (8,018 total homes less 114 held for sale). The tables in this section provide a summary of some of the operating metrics for the portfolio that management uses to evaluate the performance of TAH over time and relative to industry peers. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total homes owned	8,018	7,603	7,193	6,827	6,513	5,163
Less homes held for sale	114	65	93	68	55	63
Rental homes	7,904	7,538	7,100	6,759	6,458	5,100
Homes acquired	452	482	400	345	1,385	149
Less homes disposed	37	72	34	31	35	16
Net homes acquired during the quarter	415	410	366	314	1,350	133
Occupancy	88.9%	88.4%	87.8%	91.0%	93.6%	89.1%
Stabilized occupancy	95.9%	95.4%	95.3%	95.7%	95.8%	95.0%
Annualized turnover rate	30.1%	26.7%	30.8%	32.9%	27.8%	27.9%
Average monthly rent	$ 1,191	$ 1,175	$ 1,148	$ 1,141	$ 1,137	$ 1,143
Average quarterly rent growth – renewal	4.2%	3.6%	2.8%	2.0%	1.8%	2.9%
Average quarterly rent growth – new move-in	6.4%	4.5%	1.5%	5.4%	5.0%	5.3%
Average quarterly rent growth – blended	5.0%	4.1%	2.2%	3.3%	3.3%	4.0%

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

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Six months 2016	Six months 2015	Six months Variance	Full year 2015
Rental revenue[1]	$ 23,114	$ 18,472	$ 4,642	$ 44,237	$ 32,483	$ 11,754	$ 71,876
Property taxes	3,054	2,293	761	6,160	3,909	2,251	9,909
Repair and maintenance	2,805	2,128	677	5,413	3,596	1,817	8,568
Property management fees	1,658	1,387	271	3,127	2,457	670	5,291
Property insurance	702	733	(31)	1,380	1,280	100	2,859
HOA/Utilities	570	490	80	1,101	977	124	1,943
Other direct expenses	423	116	307	478	182	296	427
Total rental expenses	9,212	7,147	2,065	17,659	12,401	5,258	28,997
Net operating income	**$ 13,902**	**$ 11,325**	**$ 2,577**	**$ 26,578**	**$ 20,082**	**$ 6,496**	**$ 42,879**
Operating margin	**60%**	**61%**		**60%**	**62%**		**60%**
Overhead expenses	(3,783)	(13,753)	9,970	(8,458)	(16,093)	7,635	(24,781)
Fair value gain (A)	7,716	13,242	(5,526)	17,155	32,707	(15,552)	53,933
Interest expense (B)	(4,756)	(3,454)	(1,302)	(9,286)	(6,718)	(2,568)	(14,285)
Investment income – TAH (per Tricon income statement)	**$ 13,079**	**$ 7,360**	**$ 5,719**	**$ 25,989**	**$ 29,978**	**$ (3,989)**	**$ 57,746**
Fair value adjustment on homes	$ 11,604	$ 15,392	$ (3,788)	$ 21,034	$ 38,858	$ (17,824)	$ 61,089
Less non-controlling interest and performance fees[2]	(3,888)	(2,150)	(1,738)	(3,879)	(6,151)	2,272	(7,156)
Fair value gain (A)	$ 7,716	$ 13,242	$ (5,526)	$ 17,155	$ 32,707	$ (15,552)	$ 53,933
Warehouse credit facility interest	$ 2,530	$ 2,598	$ (68)	$ 4,525	$ 5,659	$ (1,134)	$ 9,052
Securitization debt interest	2,215	657	1,558	4,737	657	4,080	4,729
Other debt interest	11	199	(188)	24	402	(378)	504
Interest expense (B)	$ 4,756	$ 3,454	$ 1,302	$ 9,286	$ 6,718	$ 2,568	$ 14,285
Weighted average interest rate	2.9%	3.1%		2.8%	3.5%		3.0%

(1) Includes bad debt expense of $269 and $494 for the three and six months ended June 30, 2016, respectively.
(2) Reflects deemed performance fees to minority interest holders on assumed liquidation of the rental home portfolio.

During the second quarter of 2016, rental revenue increased by $4.6 million or 25.1% to $23.1 million, compared to $18.5 million in the same period in 2015. This primarily stems from a 22.4% increase in the number of rental homes in the quarter (7,904 in Q2 2016 versus 6,458 in Q2 2015) due to strong acquisition volumes in the past four quarters, as well as improving occupancy and rising rents. As at June 30, 2016, both occupancy and stabilized occupancy had increased by approximately 1% to 88.9% and 95.9%, respectively, compared to 87.8% and 95.3% at year-end 2015. In addition, TAH achieved average rent growth of 5.0% in the second quarter of 2016, and 4.1% in the first quarter, reflecting strong demand for TAH's homes.

The growth in revenues contributed to a rise in net operating income for the second quarter of 2016 of $2.6 million or 22.8% to $13.9 million, compared to $11.3 million for the same period in 2015. For the three and six months ended June 30, 2016, operating margin remained consistent at 60%, similar to the operating margin for the twelve months ended December 31, 2015.

Overhead expenses in the second quarter of 2016 decreased by $10.0 million compared to the same period in 2015, mainly as a result of higher transaction costs incurred in 2015 related to the establishment of TAH's securitization loan.

TAH's fair value gain in the second quarter of 2016 was $5.5 million lower than the same period in the prior year. The majority of homes owned by TAH obtained a BPO valuation in the fourth quarter of 2014 and the first quarter of 2015, and were revalued using HPI for the second quarter of 2016. Investment properties valued using HPI as at June 30, 2016 increased in value by 1.4% over their fair value as at March 31, 2016 (Q2 2015: 4.1%).

Funds from operations and core funds from operations

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

For the periods ended June 30	Three months		Six months	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Investment income – TAH	$ 13,079	$ 7,360	$ 25,989	$ 29,978
Fair value gain	(7,716)	(13,242)	(17,155)	(32,707)
(Gain) loss on sale of homes	566	62	153	(148)
Non-controlling interest	316	1,374	939	3,339
Amortization of fixed assets	110	–	200	–
Imputed selling costs[1]	836	489	1,657	2,534
Deferred tax recovery	(706)	(2,690)	(1,377)	(8,132)
Funds from operations (FFO)	**$ 6,485**	**$ (6,647)**	**$ 10,406**	**$ (5,136)**
Transaction costs and non-recurring costs[2]	1,304	13,436	1,636	14,271
Core funds from operations (Core FFO)	**$ 7,789**	**$ 6,789**	**$ 12,042**	**$ 9,135**

(1) Imputed selling costs are approximately 1% of the fair value of the investment properties.

(2) YTD 2016 includes non-recurring costs of $1,056 related to office relocation expense and transaction costs of $580 related to credit facility amendments costs; YTD 2015 includes transaction costs related to securitization and portfolio acquisition.

For the second quarter of 2016, Core FFO increased by $1.0 million or 14.7% to $7.8 million, compared to $6.8 million for the same period in 2015, primarily as a result of a larger portfolio and higher net operating income, as discussed above.

Assets under management and investment balance

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

(in thousands of U.S. dollars)		Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Purchase price of homes		$ 829,165	$ 780,719	$ 725,075	$ 691,405	$ 655,452	$ 503,063
Cumulative capital expenditures[1]		186,742	168,370	152,681	138,366	130,774	120,680
Total cost basis of rental homes		$ 1,015,907	$ 949,089	$ 877,756	$ 829,771	$ 786,226	$ 623,743
Cost of homes held for sale		11,013	7,871	9,619	708	1,544	2,302
Cumulative fair value adjustment		167,610	156,006	146,971	137,099	124,407	109,516
Portfolio home price appreciation during the quarter		1.4%	1.0%	1.4%	1.3%	4.1%	1.5%
Fair value of homes (AUM)		**$ 1,194,530**	**$ 1,112,966**	**$ 1,034,346**	**$ 967,578**	**$ 912,177**	**$ 735,561**
Less imputed selling costs[2]		11,945	11,130	8,833	9,706	9,187	7,453
Fair value of homes, net	C	1,182,585	1,101,836	1,025,513	957,872	902,990	728,108
Warehouse credit facility (LIBOR+300 bps)	D	313,486	277,606	240,907	218,374	179,056	335,177
Securitization debt (LIBOR+196 bps)	D	360,647	361,260	361,260	361,260	361,260	–
Other debt	D	1,200	1,200	1,200	1,200	15,684	16,497
Partner equity (minority interest)	D	52,050	48,638	48,514	49,959	48,959	53,932
Other net assets[3]	D	(56,822)	(59,863)	(52,398)	(56,908)	(65,836)	(52,205)
Investments – TAH (per Tricon balance sheet)	**C – D**	**$ 512,024**	**$ 472,995**	**$ 426,030**	**$ 383,987**	**$ 363,867**	**$ 374,708**
Debt-to-cost		65.8%	66.9%	68.0%	69.9%	70.6%	56.2%
Debt-to-value		56.5%	57.5%	58.3%	60.0%	61.0%	47.8%

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.

(2) Imputed selling costs are approximately 1% of the fair value of the investment properties.

(3) Other net assets include working capital at TAH's local operating subsidiaries.

TAH's portfolio is diversified across 14 target markets. Market-level details are presented below.

Geography	Total homes owned[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or rehab	Occupancy	Stabilized occupancy
Atlanta	1,209	1,173	947	39	187	80.7%	95.0%
Charlotte	1,412	1,396	1,265	71	60	90.6%	95.5%
Columbia	426	403	311	46	46	77.2%	94.8%
Dallas	617	599	459	42	98	76.6%	97.9%
Houston	820	818	760	33	25	92.9%	97.1%
Indianapolis	353	352	245	85	22	69.6%	81.7%
Las Vegas	295	295	287	4	4	97.3%	97.6%
Northern California	632	631	629	1	1	99.7%	99.7%
Phoenix	409	409	396	5	8	96.8%	96.8%
Reno	251	251	245	4	2	97.6%	97.6%
San Antonio	205	203	187	4	12	92.1%	93.0%
Southeastern Florida	607	595	579	4	12	97.3%	98.1%
Southern California	282	279	271	3	5	97.1%	97.8%
Tampa	500	500	444	21	35	88.8%	94.1%
Total/Weighted average	**8,018**	**7,904**	**7,025**	**362**	**517**	**88.9%**	**95.9%**

Geography	Average purchase price per home	Average capital expenditures per home	Total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 81,000	$ 30,000	$ 111,000	1,715	$ 1,042	$ 0.61
Charlotte	69,000	27,000	96,000	1,376	961	0.70
Columbia	90,000	13,000	103,000	1,424	1,025	0.72
Dallas	125,000	11,000	136,000	1,516	1,243	0.82
Houston	119,000	17,000	136,000	1,614	1,261	0.78
Indianapolis	112,000	14,000	126,000	1,553	1,200	0.77
Las Vegas	136,000	18,000	154,000	1,589	1,161	0.73
Northern California	124,000	25,000	149,000	1,252	1,339	1.07
Phoenix	115,000	14,000	129,000	1,974	1,042	0.53
Reno	150,000	20,000	170,000	1,537	1,338	0.87
San Antonio	93,000	30,000	123,000	1,633	1,172	0.72
Southeastern Florida	99,000	34,000	133,000	1,415	1,485	1.05
Southern California	148,000	26,000	174,000	1,290	1,504	1.17
Tampa	90,000	33,000	123,000	1,384	1,326	0.96
Total/Weighted average	**$ 102,000**	**$ 24,000**	**$ 126,000**	**1,513**	**$ 1,191**	**$ 0.79**

(1) Includes 114 investment properties held for sale.

4.3 TRICON LIFESTYLE COMMUNITIES

In the second quarter of 2016, TLC continued to generate rental revenue and progress on enhancements at its existing ten parks, while pursuing additional acquisition opportunities. The tables in this section provide a summary of operating metrics for the portfolio that management uses to evaluate the performance of TLC over time and relative to industry peers. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total number of parks	10	10	5	2	2	1
Parks acquired during the period	–	5	3	–	1	–
Total number of rental sites	2,467	2,467	1,119	506	506	314
Rental sites acquired during the period	–	1,348	613	–	192	–
Occupancy	69.8%	75.6%	88.7%	89.8%	87.6%	87.9%
Long-term occupancy	67.7%	66.4%	82.4%	89.8%	87.6%	87.6%
Annualized turnover rate	5.5%	5.8%	2.6%	2.7%	N/A	N/A
Average gross monthly rent per site	$ 376	$ 378	$ 354	$ 462	$ 481	N/A
Average rent increase	3.3%	3.4%	4.3%	0.0%	0.0%	4.0%

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

For the periods ended June 30	Three months			Six months			Full year
(in thousands of U.S. dollars)	2016	2015	Variance	2016	2015	Variance	2015
Rental revenue[1]	$ 2,061	$ 495	$ 1,566	$ 4,521	$ 899	$ 3,622	$ 2,577
Property taxes	105	30	75	217	58	159	149
Repair and maintenance	90	18	72	170	34	136	111
Property insurance	43	8	35	78	15	63	50
Utilities	320	62	258	696	116	580	344
Property management[2]	337	72	265	716	135	581	383
Operating expenses	895	190	705	1,877	358	1,519	1,037
Net operating income	**$ 1,166**	**$ 305**	**$ 861**	**$ 2,644**	**$ 541**	**$ 2,103**	**$ 1,540**
Operating margin	**57%**	**62%**		**58%**	**60%**		**60%**
Overhead expenses	(29)	(813)	784	(451)	(978)	527	(733)
Fair value gain	847	–	847	847	–	847	–
Interest expense	(585)	(134)	(451)	(1,159)	(244)	(915)	(710)
Investment income – TLC (per Tricon income statement)	**$ 1,399**	**$ (642)**	**$ 2,041**	**$ 1,881**	**$ (681)**	$ 2,562	**$ 97**

(1) Rental revenue includes base rent, utilities reimbursements, miscellaneous income and bad debt expense where applicable.
(2) Property management fees includes property-level management and personnel and property-level overhead expenses.

During the second quarter of 2016, rental revenue increased by $1.6 million to $2.1 million, compared to $0.5 million in the same period in 2015. This is primarily due to the acquisition of eight communities comprising 1,961 rental pads over the past four quarters.

Occupancy decreased by 5.8% to 69.8% as at June 30, 2016, compared to 75.6% as at March 31, 2016. The lower rental revenue and occupancy were a direct result of the seasonal nature of tenants at Springhaven, Brookhaven, Sunhaven, Parkhaven and Rosehaven. This trend is expected to continue through the next quarter as seasonal residents typically vacate the communities during the hot summer months and return during the winter months. Conversely, long-term occupancy across the portfolio has continued to improve, to 67.7%, representing a 1.3% increase compared to the first quarter of 2016. The increase in long-term occupancy is due in part to a successful used home sale and leasing program intended to attract permanent residents to TLC's parks.

The year-to-date operating margin for 2016 was 58%, which is lower than the 60% for the full year of 2015. The operating margin decreased as a result of newly acquired properties, which initially have lower margins stemming from operating inefficiencies and sub-optimal occupancy, as well as a higher percentage of seasonal tenants; this was offset by higher margins on the existing portfolio. TLC plans to increase the operating margin and occupancy of the newly acquired properties over time and to improve their star classification by upgrading the infrastructure and amenities, improving the home quality, and rebranding the communities.

The capital expenditure programs for the eight properties acquired between October 2015 and January 2016 are in the initial stages and progressing according to business plans. During the second quarter of 2016, TLC implemented average rent increases of 3.3% at Glenhaven, Parkhaven and Sundowner.

Funds from operations and core funds from operations

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

For the periods ended June 30	Three months		Six months	
(in thousands of U.S. dollars)	2016	2015	2016	2015
Investment income – TLC	$ 1,399	$ (642)	$ 1,881	$ (681)
Fair value gain	(847)	–	(847)	–
Loss on sale of homes	30	5	37	6
Non-controlling interest	24	3	43	8
Deferred tax expense (recovery)	(200)	479	7	460
Funds from operations (FFO)	**$ 406**	**$ (155)**	**$ 1,121**	**$ (207)**
Transaction costs and non-recurring costs	–	164	23	422
Core funds from operations (Core FFO)	**$ 406**	**$ 9**	**$ 1,144**	**$ 215**

Core FFO for the second quarter of 2016 increased to $0.4 million compared to nil for the same period in 2015, mainly as a result of the contribution of newly acquired parks.

Assets under management and investment balance

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

(in thousands of U.S. dollars)		Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Purchase price of parks		$ 82,620	$ 82,619	$ 48,370	$ 23,370	$ 23,370	$ 14,121
Transaction-related costs		1,107	1,024	(49)	2	1	–
Cumulative capital expenditures[1] net of homes sold		2,002	1,264	978	576	326	289
Total cost basis of parks		$ 85,729	$ 84,907	$ 49,299	$ 23,948	$ 23,697	$ 14,410
Cumulative fair value adjustment		1,904	1,057	1,057	–	–	–
Fair value of parks (AUM)	A	**$ 87,633**	**$ 85,964**	**$ 50,356**	**$ 23,948**	**$ 23,697**	**$ 14,410**
Partner equity (minority interest)	B	491	475	334	216	213	121
Debt	B	54,478	54,598	32,497	15,800	15,812	10,575
Other net assets[2]	B	(442)	(745)	(1,628)	(1,949)	(473)	(493)
Investments – TLC (per Tricon Balance Sheet)	A – B	**$ 33,106**	**$ 31,636**	**$ 19,153**	**$ 9,881**	**$ 8,145**	**$ 4,207**
Debt-to-cost		63.5%	64.3%	65.9%	66.0%	66.7%	73.4%
Debt-to-value		62.2%	63.5%	64.5%	66.0%	66.7%	73.4%

(1) Cumulative capital expenditures include costs incurred under the capital enhancement program.

(2) Other net assets include working capital.

Loan maturity	Outstanding debt	Weighted average interest rate
2020	$ 15,920	3.69% fixed
2022	13,475	4.48% fixed
2023	8,870	4.59% fixed
2024	10,575	4.17% fixed
2026	5,638	4.90% fixed
Total/Weighted average	**$ 54,478**	**4.25% fixed**

TLC's portfolio consists of ten parks with the following operating characteristics:

Property	Location	Acres	Residential sites	Acquisition price ($000)	Acquisition price per site	Average gross monthly rent per site[1]	Occupancy	Long-term occupancy
Longhaven	Phoenix, AZ	38.0	314	$ 14,120	$ 44,968	$ 487	92.0%	92.0%
Skyhaven	Phoenix, AZ	17.5	192	9,250	48,177	371	89.0%	89.1%
Springhaven[2]	Phoenix, AZ	15.5	320	14,975	46,797	334	74.0%	73.4%
Brookhaven[2]	Phoenix, AZ	10.0	140	4,375	31,250	206	91.0%	90.7%
Sunhaven[2]	Phoenix, AZ	9.4	153	5,650	36,928	271	71.0%	70.6%
Glenhaven	Phoenix, AZ	11.8	164	4,910	29,939	419	63.0%	54.9%
Newhaven	Phoenix, AZ	11.3	111	2,620	23,604	320	73.0%	52.3%
Parkhaven	Phoenix, AZ	28.3	455	11,309	24,855	400	61.0%	60.2%
Rosehaven	Phoenix, AZ	36.3	411	11,578	28,170	402	56.0%	55.2%
Sundowner	Phoenix, AZ	13.7	207	3,833	18,517	368	48.0%	43.5%
Total/Weighted average		**191.8**	**2,467**	**$ 82,620**	**$ 33,490**	**$ 376**	**68.9%**	**67.6%**

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

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

4.4 TRICON LUXURY RESIDENCES

In the second quarter of 2016, TLR progressed on the development of its existing luxury rental apartment projects and completed two new investments. A summary of TLR's principal investments is presented below with a reconciliation of these investment balances to AUM (KPI measure; refer to Section 8.1).

		TLR principal investments					
(in thousands of U.S. dollars)	Location	TLR's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
The McKenzie	Dallas, TX	90%	$ 17,811	$ 23,482	$ –	$ 12,432	$ 35,914
The Maxwell	Frisco, TX	90%	8,656	10,465	–	13,715	24,180
The Selby	Toronto, ON	15%	4,670	4,670	2,587	1,656	8,913
57 Spadina	Toronto, ON	20%	6,616	6,616	14,589	–	21,205
Scrivener Square	Toronto, ON	50%	7,782	7,782	9,642	11,845	29,269
Shops of Summerhill	Toronto, ON	25%	4,932	4,932	3,484	–	8,416
Total			**$ 50,467**	**$ 57,947**	**$ 30,302**	**$ 39,648**	**$ 127,897**

(1) Investments – TLR per Tricon balance sheet of $53,212 includes the principal investments above of $57,947 as well as net liabilities and non-controlling interest of $4,735.

Operational highlights of these development projects for the second quarter of 2016 include the following:

At The McKenzie, TLR U.S.' first investment adjacent to the affluent Highland Park neighbourhood of Dallas, below-grade construction continued in the quarter. Below-grade construction is expected to be completed in early 2017 with the 183-unit residential tower completed in mid-2018. Construction costs are approximately 50% contracted and the project is progressing as planned.

At The Maxwell (formerly known as "Canals at Grand Park Phase II") in Frisco, Texas, construction started during the quarter. The 325-unit project is located in the fast-growing North Dallas region and is within a five-mile commute of the burgeoning Legacy West job node to the south. Construction of the project is expected to be completed in the second quarter of 2018, with stabilization occurring in 2019. The start of construction represents a major milestone for the project.

Construction continued on The Selby in Toronto, where approximately 70% of hard construction costs have been tendered. The project is scheduled to be completed in 2018 at which point the leasing program will commence for all 516 apartment units.

57 Spadina, TLR Canada's second project, is currently in the design stage and is scheduled to pursue site plan approval in the fourth quarter of 2016. The project is comprised of 293 apartment units and approximately 20,000 square feet of retail space over two levels. Construction is expected to commence in early 2018.

New investments in TLR

On June 16, 2016, TLR Canada partnered with Diamond Corporation ("Diamond") and RioCan REIT ("RioCan") to complete two acquisition transactions in Toronto's Rosedale/Summerhill neighbourhood, one of the most affluent residential areas in Toronto.

In the first transaction, TLR Canada and Diamond formed a 50/50 joint venture and acquired approximately one acre of redevelopment land at the northeast corner of Yonge and Price Streets ("Scrivener Square") for a total purchase price of $33.2 million (C$43.0 million). The project was financed by mortgage debt of $20.0 million (C$26.0 million) and an equity investment of $13.1 million (C$17.0 million) funded on a 50/50 basis. TLR Canada and Diamond intend to undertake a rezoning process to build a mixed-use development project that will include residential units and additional retail space complementary to The Shops of Summerhill.

In the second transaction, TLR Canada partnered with RioCan and purchased the adjacent landmark heritage retail asset known as The Shops of Summerhill for a total purchase price of $32.4 million (C$42.0 million). The project was financed by mortgage debt of $13.9 million (C$18.0 million) and an equity investment of $18.5 million (C$24.0 million) funded on a 75/25 basis (RioCan/Tricon).

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

	Projected construction		Projected total cost ($000)	Projected rental units	Projected retail (sq. feet)	Projected development yield[1]
	Start	End				
The McKenzie	Q4 2015	Q4 2017	$ 85,814	183	–	5.50–6.00%
The Maxwell	Q2 2016	Q2 2018	57,231	325	–	6.50–7.00%
The Selby	Q1 2015	Q4 2018	140,628	516	–	5.25–5.75%
57 Spadina	Q1 2018	Q2 2020	110,006	293	20,000	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	TBD
Total			**$ 393,679**	**1,317**		

(1) Forward-looking information. Refer to page 1.

4.5 PRIVATE FUNDS AND ADVISORY

In the second quarter of 2016, the Private Funds and Advisory business continued to generate contractual fees while maintaining projected return expectations for third-party investors in its various Investment Vehicles.

Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, and advisory fees earned from Johnson.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Six months 2016	Six months 2015	Six months Variance
THP1 US	$ 538	$ 855	$ (317)	$ 1,286	$ 1,773	$ (487)
THP2 US	965	970	(5)	1,931	1,929	2
Separate accounts	415	489	(74)	1,630	1,060	570
Side-cars	341	362	(21)	637	632	5
THP1 Canada	4	44	(40)	7	148	(141)
THP2 Canada	135	187	(52)	279	419	(140)
Canadian syndicated investments	65	91	(26)	125	182	(57)
TLR U.S.	58	–	58	98	–	98
Management fees – private Investment Vehicles	$ 2,521	$ 2,998	$ (477)	$ 5,993	$ 6,143	$ (150)
Development fees – TDG	380	70	310	709	70	639
Development fees – Johnson	2,687	2,143	544	4,354	4,411	(57)
Contractual fees	**$ 5,588**	**$ 5,211**	**$ 377**	**$ 11,056**	**$ 10,624**	**$ 432**

The table below provides a summary of Investment Vehicles in which Tricon manages third-party capital, along with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1). The table also includes projected performance fees that Tricon could earn over time based on current business plans.

	Third-party investments				Projected returns[2]				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 55,853	$ –	$ 5,341	$ 61,194	2.2x	14%	1.8x	11%	$ 11,549
THP2 US	177,072	–	131,668	308,740	1.8x	20%	1.5x	15%	23,886
Separate accounts[3]	341,566	–	71,074	412,640	2.5x	20%	2.4x	20%	35,475
Side-cars[4]	128,178	–	33,738	161,916	1.8x	21%	1.7x	19%	9,037
THP1 Canada	471	–	–	471	2.1x	16%	1.6x	12%	7,492
THP2 Canada	33,072	–	5,648	38,720	1.8x	15%	1.5x	10%	4,518
THP3 Canada	77,409	–	24,588	101,997	2.0x	14%	1.6x	10%	2,170
Canadian syndicated investments[5]	26,528	–	–	26,528	2.0x	11%	1.8x	10%	2,886
Total – THP	**$ 840,149**	**$ –**	**$ 272,057**	**$ 1,112,206**					**97,012**
TLR Canada[6]	50,288	36,750	46,092	133,130	2.6x	13%	2.5x	12%	18,389
Total	**$ 890,437**	**$ 36,750**	**$ 318,149**	**$ 1,245,336**					**$ 115,401**

(1) Commitments to projects include guarantees made under loan agreements plus reserves. Project commitments can exceed total capitalization as a result of reinvestment rights.

(2) Net ROI and IRR are based on cash flow estimates after all Investment Vehicle expenses (including Contractual and Performance Fees). ROI, IRR and estimated performance fees are based on Tricon's analysis of projected cash flows for incomplete projects in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and annual budgets and cash flow projections prepared by developers for all incomplete projects. Refer to page 1.

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

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

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

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

The following table outlines total units and total units sold (since inception) by market and by type.

	Total units[2]					Total units sold				
As of June 30, 2016[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	970	21,739	5,784	1,559	43,142	290	3,637	2,599	560	28,247
Canada	285	3,896	713	5,734	213,016	173	2,016	386	4,710	85,240
Total units as at June 30, 2016	**1,255**	**25,635**	**6,497**	**7,293**	**256,158**	**463**	**5,653**	**2,985**	**5,270**	**113,487**
Total units as at December 31, 2015	1,251	25,427	6,359	7,340	261,458	457	4,897	2,651	5,171	100,087
Adjustments to business plans[2]	–	(124)	(23)	–	–	(13)	204	–	–	–
Adjusted total units as at December 31, 2015	**1,251**	**25,303**	**6,336**	**7,340**	**261,458**	**444**	**5,101**	**2,651**	**5,171**	**100,087**

(1) Units sold and remaining shown above include all projects in private Investment Vehicles under the THP investment vertical (THP1 US, THP2 US, THP3 Canada, separate accounts and side-cars) as well as THP1 Canada and THP2 Canada.

(2) Total units may change as a result of business plan updates.

The Johnson Companies LP ("Johnson")

The following table provides a summary of Johnson's development advisory fees, as well as unit sales of lots and land parcels to homebuilders, which generate fee revenue for Johnson. In addition, the table provides total third-party home sales at Johnson's active communities as an indicator of end-customer demand.

For the periods ended June 30	Three months		Six months	
(in thousands of U.S. dollars, except for land, lot and home sales)	2016	2015	2016	2015
Development fees – Johnson	$ 2,687	$ 2,143	$ 4,354	$ 4,411
Land sales (acres)	29	23	63	40
Lot sales	493	532	781	919
Third-party home sales	731	613	1,304	1,195

During the second quarter of 2016, lot sales accelerated following weather-related delays in the spring; Johnson recorded 493 lot sales, a 71.1% increase from 288 lot sales in the first quarter of 2016. Compared to the prior year, lot sales in the second quarter decreased slightly but revenues increased as a result of stronger commercial acreage sales, which were delayed earlier in the year. These figures include lot sales across all Johnson projects, including those for which THP is not a principal investor. Management expects Johnson's sales to fluctuate quarter-to-quarter because of the timing of large land parcel transactions which are episodic in nature.

From a home sales perspective, Johnson's high-quality portfolio of master planned communities continues to outperform initial 2016 expectations, driven by a combination of desirable community locations, in-place infrastructure, attractive family amenities and stable builder programs. Year-to-date home sales at Johnson communities were up 9% year over year, largely as a result of the Viridian acquisition in the third quarter of 2015. In Houston, home sales are up 3% for the first six months of 2016 as a result of a strong sales launch at Harvest Green and continued high sales volumes at Cross Creek Ranch, Sienna Plantation, Riverstone and Woodforest, which each achieved over 180 home sales in the first half of 2016. Sales at Viridian in the Dallas-Fort Worth market are down in the first half of 2016 compared to the same period in 2015 (when the property was not owned by Johnson) as a result of poor weather, which limited the number of available lots for builders to sell. New lot deliveries in the second quarter of 2016 have replenished builder supplies and Viridian sales are expected to accelerate following the opening of a new model park in late 2016.

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