Rethinking Residential Real Estate

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**for the Three and Six Months Ended June 30, 2018**

TRICON

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# NON-IFRS MEASURES AND FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

# 1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of August 7, 2018, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon," "us," "we" or the "Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2018.

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

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

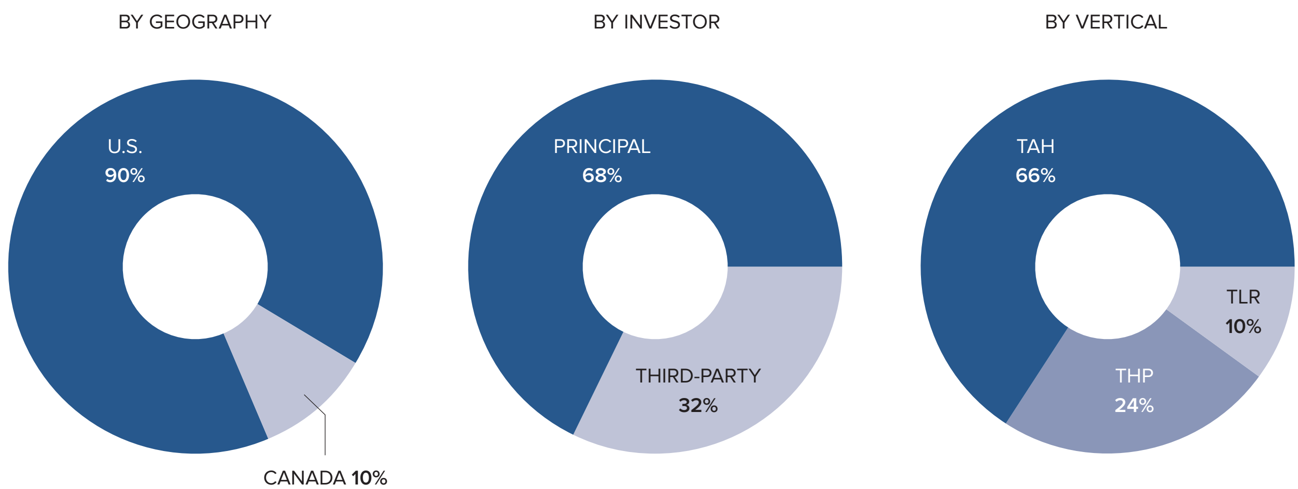
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

### 1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a principal investor and asset manager focused on the residential real estate industry in North America with approximately $5.6 billion (C$7.4 billion) of assets under management as of June 30, 2018. Tricon owns, or manages on behalf of and in partnership with third-party investors, a portfolio of investments in single-family rental homes, for-sale housing assets and purpose-built rental apartments. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $20 billion.

## $5.6 BILLION

**Assets Under Management (AUM)**




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

**1. Principal Investments**

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

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

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

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

The Company also invested in Tricon Lifestyle Communities ("TLC") – Investment in manufactured housing communities ("MHC"), where land parcels were leased to owners of prefabricated homes. Investments in TLC were classified as held for sale at the beginning of the year and disposed of on June 29, 2018. See discussion in Section 3.1.

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

**2. Private Funds and Advisory**

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

(i) Asset management of third-party capital invested through private investment vehicles, including private commingled funds, separate accounts, side-cars and syndicated investments ("Investment Vehicles"). The Company's asset management business includes investments in each of its three investment verticals.

The following is a list of the active Investment Vehicles managed managed by the Company:

- Tricon Housing Partners US LP ("THP1 US")
- Tricon Housing Partners US II LP ("THP2 US")
- Tricon Housing Partners Canada LP ("THP1 Canada")
- Tricon Housing Partners Canada II LP ("THP2 Canada")
- Tricon Housing Partners Canada III LP ("THP3 Canada")
- Separate accounts include:
  - THP – Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2
  - TLR Canada – The Selby, 57 Spadina, Scrivener Square/Shops of Summerhill, West Don Lands and 6 Gloucester
  - TAH – Tricon American Homes joint venture ("TAH JV-1")
- U.S. side-cars include Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills
- Canadian syndicated investments include 5 St. Joseph, Heritage Valley and Mahogany

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

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

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

### 1.2 How we invest and create value

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

**Tricon American Homes**

Our single-family rental home investment vertical, Tricon American Homes, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 430 employees that oversee all aspects of TAH's day-to-day business activities.

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

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

On June 27, 2018, the Company entered into a joint venture arrangement ("TAH JV-1") with two leading institutional investors to assemble a portfolio of single-family rental homes which will be acquired and managed by TAH. The joint venture is funded by a total equity commitment of $750 million and is projected to acquire 10,000–12,000 homes over its three-year investment period. See Section 4.1 for further details.

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

**Tricon Housing Partners**

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

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

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

**Tricon Lifestyle Rentals**

Tricon Lifestyle Rentals, our multi-family "build to core" investment vertical, is focused on developing and managing a portfolio of Class A purpose-built rental apartments 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 rental apartment buildings. Tricon intends to leverage its expertise in multi-family development in assembling a high-yielding, institutional-quality portfolio of Class A rental apartments over time.

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

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

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

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

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

On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. The net proceeds to Tricon were $85.2 million (refer to Section 3.2), which represents a realized return on investment (ROI) of 1.7x and a realized internal rate of return (IRR) of 25% on peak equity of $49.3 million over a four-year investment period. Management believes that the transaction's success exemplifies Tricon's ability to create shareholder value by identifying housing verticals with strong fundamental trends, delivering on value-added business plans, and opportunistically timing the entry and exit of an investment.

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

# 2. HIGHLIGHTS

## Financial highlights

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

| | Three months | | Six months | |
|---|---|---|---|---|
| For the periods ended June 30 | 2018 | 2017 | 2018 | 2017 |
| **Total revenue and investment income from continuing operations** | $ 54,014 | $ 13,820 | $ 149,925 | $ 39,432 |
| **Total investment income from discontinued operations** | 19,602 | 1,613 | 21,170 | 3,932 |
| **Net income (loss)** | 39,763 | (21,643) | 139,232 | (13,888) |
| **Basic earnings (loss) per share from:** | | | | |
| Continuing operations | 0.15 | (0.18) | 0.87 | (0.14) |
| Discontinued operations | 0.14 | 0.01 | 0.17 | 0.02 |
| **Basic earnings (loss) per share** | 0.29 | (0.17) | 1.04 | (0.12) |
| **Diluted earnings (loss) per share from:** | | | | |
| Continuing operations | 0.15 | (0.18) | 0.65 | (0.14) |
| Discontinued operations | 0.14 | 0.01 | 0.14 | 0.03 |
| **Diluted earnings (loss) per share** | 0.29 | (0.17) | 0.79 | (0.11) |
| **Dividends per share** | C$ 0.07 | C$ 0.065 | C$ 0.14 | C$ 0.13 |
| **Non-IFRS measures**[1] | | | | |
| Adjusted EBITDA | $ 92,927 | $ 47,583 | $ 208,236 | $ 76,959 |
| Adjusted net income | 60,134 | 21,830 | 136,510 | 37,230 |
| Adjusted basic EPS attributable to shareholders of Tricon | 0.45 | 0.17 | 1.02 | 0.31 |
| Adjusted diluted EPS attributable to shareholders of Tricon | 0.39 | 0.17 | 0.88 | 0.30 |
| As at June 30 | | | 2018 | 2017 |
| Total assets | | | $ 1,597,820 | $ 1,276,485 |
| Total liabilities | | | 542,520 | 414,168 |
| Investments (including investments held for sale) | | | 1,483,941 | 1,203,921 |
| Debt | | | 417,659 | 301,680 |
| Assets under management (AUM)[2] | | | $ 5,637,580 | $ 4,556,263 |

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

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

### Investment highlights by vertical

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

| For the periods ended June 30 (in thousands of U.S. dollars, except for percentages and units) | Three months | | Six months | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **TRICON AMERICAN HOMES** | | | | |
| *(Refer to Sections 3.1, 3.2 and 4.1)* | | | | |
| **Investments – TAH** | | | **$ 1,064,140** | **$ 766,364** |
| **Investment income (loss) – TAH** | **$ 40,681** | **$ (1,954)** | **127,123** | **10,315** |
| Net operating income (NOI) | 36,521 | 27,595 | 72,101 | 43,957 |
| Net operating income (NOI) margin | 62.0% | 60.8% | 62.4% | 61.1% |
| Core funds from operations | 11,349 | 7,272 | 24,055 | 12,942 |
| Total homes owned | | | 15,995 | 16,660 |
| Occupancy | | | 95.2% | 96.9% |
| Stabilized occupancy | | | 97.1% | 97.2% |
| Total number of homes in same home portfolio | | | 6,628 | 6,628 |
| Same home net operating income (NOI) | 15,569 | 14,809 | 31,196 | 29,549 |
| Same home net operating income (NOI) growth | 5.1% | N/A | 5.6% | N/A |
| Same home net operating income (NOI) margin | 61.1% | 60.5% | 61.7% | 60.7% |
| **TRICON HOUSING PARTNERS** | | | | |
| *(Refer to Sections 3.1 and 3.2)* | | | | |
| **Investments – THP** | | | **$ 312,727** | **$ 301,378** |
| **Investment income – THP** | **$ 3,312** | **$ 6,568** | **6,197** | **12,236** |
| **TRICON LIFESTYLE RENTALS** | | | | |
| *(Refer to Sections 3.1, 3.2 and 4.3)* | | | | |
| **Investments – TLR** | | | **$ 107,074** | **$ 79,250** |
| **Investment income – TLR** | **$ 2,547** | **$ 2,847** | **3,564** | **4,778** |
| Units under development | | | ~3,200 | 1,296 |
| **TRICON LIFESTYLE COMMUNITIES** | | | | |
| *(Refer to Section 3.1)* | | | | |
| **Investments held for sale – TLC** | | | **$ –** | **$ 56,929** |
| **Investment income from discontinued operations and gain from disposal of investments held for sale – TLC** | **$ 19,602** | **$ 1,613** | **21,170** | **3,932** |
| **PRIVATE FUNDS AND ADVISORY** | | | | |
| *(Refer to Sections 3.1 and 4.4)* | | | | |
| Third-party assets under management | | | $ 1,777,363 | $ 1,230,980 |
| **Contractual fees and GP distributions** | **$ 6,636** | **$ 6,004** | **12,195** | **11,745** |
| **Performance fees** | **838** | **355** | **846** | **358** |

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

## 3. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2018.

### 3.1 Review of income statements

#### Consolidated statements of 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 | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| **Revenue** | | | | | | |
| Contractual fees | $ 6,283 | $ 5,673 | $ 610 | $ 11,486 | $ 11,081 | $ 405 |
| General partner distributions | 353 | 331 | 22 | 709 | 664 | 45 |
| Performance fees | 838 | 355 | 483 | 846 | 358 | 488 |
| | 7,474 | 6,359 | 1,115 | 13,041 | 12,103 | 938 |
| **Investment income** | | | | | | |
| Investment income (loss) – Tricon American Homes | 40,681 | (1,954) | 42,635 | 127,123 | 10,315 | 116,808 |
| Investment income – Tricon Housing Partners | 3,312 | 6,568 | (3,256) | 6,197 | 12,236 | (6,039) |
| Investment income – Tricon Lifestyle Rentals | 2,547 | 2,847 | (300) | 3,564 | 4,778 | (1,214) |
| | 46,540 | 7,461 | 39,079 | 136,884 | 27,329 | 109,555 |
| **Total revenue and investment income** | **$ 54,014** | **$ 13,820** | **$ 40,194** | **$ 149,925** | **$ 39,432** | **$ 110,493** |
| **Expenses** | | | | | | |
| Compensation expense | 9,955 | 9,773 | (182) | 19,678 | 14,985 | (4,693) |
| General and administration expense | 2,671 | 2,053 | (618) | 4,995 | 3,913 | (1,082) |
| Interest expense | 8,603 | 6,478 | (2,125) | 16,567 | 9,794 | (6,773) |
| Other expenses (income) | 10,858 | 21,509 | 10,651 | (17,064) | 28,013 | 45,077 |
| Realized and unrealized foreign exchange gain | (1,289) | (1,822) | (533) | (2,977) | (1,118) | 1,859 |
| | 30,798 | 37,991 | 7,193 | 21,199 | 55,587 | 34,388 |
| **Income (loss) before income taxes** | **23,216** | **(24,171)** | **47,387** | **128,726** | **(16,155)** | **144,881** |
| Income tax recovery (expense) – current | 298 | (1,573) | 1,871 | (683) | (2,691) | 2,008 |
| Income tax recovery (expense) – deferred | (3,353) | (2,708) | (6,061) | (11,938) | 1,564 | (13,502) |
| **Net income (loss) from continuing operations** | **20,161** | **(23,036)** | **43,197** | **116,105** | **(17,282)** | **133,387** |
| **Net income from discontinued operations** | **19,602** | **1,393** | **18,209** | **23,127** | **3,394** | **19,733** |
| **Net income (loss)** | **$ 39,763** | **$ (21,643)** | **$ 61,406** | **$ 139,232** | **$ (13,888)** | **$ 153,120** |
| **Attributable to:** | | | | | | |
| Shareholders of Tricon | $ 39,527 | $ (21,663) | $ 61,190 | $ 139,254 | $ (13,792) | $ 153,046 |
| Non-controlling interest | 236 | 20 | 216 | (22) | (96) | 74 |
| **Net income (loss)** | **$ 39,763** | **$ (21,643)** | **$ 61,406** | **$ 139,232** | **$ (13,888)** | **$ 153,120** |
| **Basic EPS attributable to shareholders of Tricon** | | | | | | |
| Continuing operations | $ 0.15 | $ (0.18) | $ 0.33 | $ 0.87 | $ (0.14) | $ 1.01 |
| Discontinued operations | 0.14 | 0.01 | 0.13 | 0.17 | 0.02 | 0.15 |
| **Basic EPS attributable to shareholders of Tricon** | **$ 0.29** | **$ (0.17)** | **$ 0.46** | **$ 1.04** | **$ (0.12)** | **$ 1.16** |
| **Diluted EPS attributable to shareholders of Tricon** | | | | | | |
| Continuing operations | $ 0.15 | $ (0.18) | $ 0.33 | $ 0.65 | $ (0.14) | $ 0.79 |
| Discontinued operations | 0.14 | 0.01 | 0.13 | 0.14 | 0.03 | 0.11 |
| **Diluted EPS attributable to shareholders of Tricon** | **$ 0.29** | **$ (0.17)** | **$ 0.46** | **$ 0.79** | **$ (0.11)** | **$ 0.90** |
| **Weighted average shares outstanding – basic** | **134,528,070** | **125,490,567** | **9,037,503** | **134,389,889** | **119,454,548** | **14,935,341** |
| **Weighted average shares outstanding – diluted[1]** | **136,394,075** | **128,153,242** | **8,240,833** | **161,492,736** | **121,991,068** | **39,501,668** |

(1) For the three months ended June 30, 2018, both of the Company's convertible debentures are anti-dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the three months ended June 30, 2018, the impact of the 2020 and 2022 convertible debentures was excluded (2017 – excluded).

For the six months ended June 30, 2018, both of the Company's convertible debentures are dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in decreased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the six months ended June 30, 2018, the impact of the 2020 and 2022 convertible debentures was included (2017 – excluded).

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

**Contractual fees**

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

| For the periods ended June 30 | Three months | | | Six months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Management fees – private Investment Vehicles | $ 3,017 | $ 2,815 | $ 202 | $ 5,928 | $ 5,603 | $ 325 |
| Development fees – TDG | 533 | 383 | 150 | 1,067 | 772 | 295 |
| Development fees – Johnson | 2,733 | 2,475 | 258 | 4,491 | 4,706 | (215) |
| **Contractual fees** | **$ 6,283** | **$ 5,673** | **$ 610** | **$ 11,486** | **$ 11,081** | **$ 405** |

Contractual fees for the three months ended June 30, 2018 totaled $6.3 million, an increase of $0.6 million from the same period in the prior year. The variance is attributable to:

- An increase of $0.2 million in management fees as a result of an increase in the investment balance as advances were made to separate accounts and side-cars.
- A combined increase of $0.4 million in development fees due to: (i) advancement of the TLR purpose-built rental development project at 57 Spadina; and (ii) higher land sales at Johnson communities this quarter compared to the same period in the prior year (see Section 4.4).

Contractual fees for the six months ended June 30, 2018 totaled $11.5 million, an increase of $0.4 million from the same period in the prior year. The increase is attributable to:

- An increase of $0.3 million in management fees for the same reasons noted above.
- A combined net increase of $0.1 million in development fees attributable to an increase of $0.3 million in relation to the advancement of the TLR development project as discussed above, offset by a decrease of $0.2 million in development fees from Johnson. Johnson recorded a large land bulk sale in the first quarter of 2017 which was not repeated in the current year (see Section 4.4).

**Investment income (loss) – Tricon American Homes**

The following table provides details regarding the components of investment income from TAH for the three and six months ended June 30, 2018.

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| Total revenue | $ 58,896 | $ 45,369 | $ 13,527 | $ 115,581 | $ 71,925 | $ 43,656 |
| Total operating expenses | (22,375) | (17,774) | (4,601) | (43,480) | (27,968) | (15,512) |
| **Net operating income (NOI)[1]** | **$ 36,521** | **$ 27,595** | **$ 8,926** | **$ 72,101** | **$ 43,957** | **$ 28,144** |
| Fair value gain[2] | 37,265 | 19,766 | 17,499 | 113,361 | 29,701 | 83,660 |
| Other expenses[3] | (14,018) | (34,220) | 20,202 | (20,783) | (41,481) | 20,698 |
| Interest expense | (19,087) | (15,095) | (3,992) | (37,556) | (21,862) | (15,694) |
| **Investment income (loss) – TAH** | **$ 40,681** | **$ (1,954)** | **$ 42,635** | **$ 127,123** | **$ 10,315** | **$ 116,808** |

(1) KPI measure; see Section 8.1.

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

(3) Other expenses are comprised of:

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| Corporate overhead | $ (6,136) | $ (5,332) | $ (804) | $ (10,827) | $ (10,040) | $ (787) |
| Transaction costs and non-recurring costs[4] | (7,422) | (28,404) | 20,982 | (8,371) | (31,727) | 23,356 |
| Depreciation and non-cash items[4] | (460) | (600) | 140 | (1,587) | (785) | (802) |
| Deferred tax recovery | – | 116 | (116) | 2 | 1,071 | (1,069) |
| **Other expenses** | **$ (14,018)** | **$ (34,220)** | **$ 20,202** | **$ (20,783)** | **$ (41,481)** | **$ 20,698** |

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

TAH's investment income was $40.7 million for the three months ended June 30, 2018, an increase of $42.6 million compared to a $2.0 million investment loss for the same period in 2017, primarily due to $28.4 million of transaction costs related to the acquisition of Silver Bay Realty Trust Corp. ("Silver Bay") incurred in the second quarter of 2017. Excluding the impact of transaction costs and non-recurring costs, investment income for the quarter would have been $48.1 million compared to $26.5 million for the same period in the prior year, an increase of $21.6 million.

The variance in investment income is attributable to:

- An increase of $8.9 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description), as a result of a full quarter of NOI from Silver Bay homes (acquired on May 9, 2017 and therefore only partially reflected in the 2017 second quarter results), incremental organic acquisitions, strong rent growth achieved across the portfolio and an improvement in NOI margin (see Section 4.1).
- An increase of $17.5 million in fair value gain as a result of home price appreciation determined by using Broker Price Opinions ("BPOs") on 519 homes and the Home Price Index ("HPI") methodology on the remaining homes (see Section 9.1), net of capital expenditures. The HPI increase this quarter was 1.7% (6.8% annualized) compared to a 1.2% (4.8% annualized) increase in the second quarter of 2017, and was applicable to a larger portfolio. Silver Bay homes were held at cost in the second quarter of 2017 given the close proximity of the transaction date and the valuation date.
- A decrease of $20.2 million in other expenses primarily as a result of lower transaction costs of $7.4 million attributable to the TAH 2018-1 securitization facility, compared to $28.4 million of Silver Bay transaction costs incurred in the same period in 2017 (Q1 2018 included primarily Silver Bay integration-related expenses). The decrease in transaction costs was partially offset by an increase of $0.8 million in corporate overhead attributable to staffing increases to accommodate the ongoing growth plan for TAH JV-1.
- An offsetting increase of $4.0 million in interest expense as a result of a higher outstanding debt balance throughout the quarter (reflecting the mid-quarter closing date for the Silver Bay acquisition in Q2 2017). In addition, TAH has taken active steps to increase its proportion of fixed-rate debt to 76% of its total debt outstanding, largely mitigating the impact of recently rising LIBOR rates. While one-month LIBOR has risen by 94 basis points over the last twelve months, TAH experienced only a marginal increase in the weighted average interest rate for the portfolio (3.7% for Q2 2018 versus 3.5% for Q2 2017).

TAH's investment income for the six months ended June 30, 2018 was $127.1 million compared to $10.3 million for the same period in 2017, an increase of $116.8 million. Excluding non-recurring transaction costs, investment income for the six months ended June 30, 2018 would have been $135.5 million, an increase of $93.5 million compared to $42.0 million for the same period in the prior year. The variance is attributed to the same reasons described above, including an increase in fair value gain, additional NOI contribution from Silver Bay homes, and NOI growth across the entire portfolio, partially offset by higher interest expense on incremental debt (see Section 4.1).

### Investment income – Tricon Housing Partners

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

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| THP1 US | $ (1,830) | $ 2,435 | $ (4,265) | $ (1,572) | $ 5,395 | $ (6,967) |
| THP2 US | 348 | 563 | (215) | 388 | 994 | (606) |
| THP3 Canada[1] | (16) | 430 | (446) | (196) | 125 | (321) |
| Trinity Falls | 3,663 | 1,821 | 1,842 | 6,043 | 3,643 | 2,400 |
| Separate accounts[2] | 1,184 | 720 | 464 | 1,629 | 1,308 | 321 |
| Side-cars[3] | (37) | 599 | (636) | (95) | 771 | (866) |
| **Investment income – THP** | **$ 3,312** | **$ 6,568** | **$ (3,256)** | **$ 6,197** | **$ 12,236** | **$ (6,039)** |

(1) Includes a foreign exchange loss of $0.2 million and $0.5 million for the three and six months ended June 30, 2018, respectively, compared to a gain of $0.4 million and $0.5 million for the same periods in 2017.

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

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

Investment income for the three months ended June 30, 2018 was $3.3 million, a decrease of $3.3 million compared to $6.6 million for the same period in 2017. The variance is mainly attributable to:

- A decrease of $4.3 million in investment income from THP1 US as a result of continued unfavourable budget revisions within the fund, resulting from higher construction costs, extended development timelines and demand for smaller, lower-margin homes (see Section 4.2). Additionally, distributions of $26.6 million throughout 2017 reduced the fund's outstanding investment balance.
- A decrease of $0.6 million in investment income from side-cars as budgets continue to be revised for the higher cost environment.
- An offsetting increase of $1.8 million from Trinity Falls as a result of an additional 300 acres of adjacent land acquired in the fourth quarter of 2017 which increased expected future cash flow from the project. Ongoing development progress further contributed to the higher investment income this quarter.

Investment income for the six months ended June 30, 2018 was $6.2 million, a decrease of $6.0 million compared to $12.2 million for the same period in 2017. The variance is mainly attributed to the same reasons described above.

### Investment income – Tricon Lifestyle Rentals

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

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| Total revenue | $ 303 | $ 359 | $ (56) | $ 621 | $ 697 | $ (76) |
| Total operating expenses | (115) | (67) | (48) | (189) | (136) | (53) |
| **Net operating income (NOI)** | **$ 188** | **$ 292** | **$ (104)** | **$ 432** | **$ 561** | **$ (129)** |
| Other (expenses) recovery[1] | (1,385) | 300 | (1,685) | (2,743) | 204 | (2,947) |
| Fair value gain | 3,744 | 2,255 | 1,489 | 5,875 | 4,013 | 1,862 |
| **Investment income – TLR** | **$ 2,547** | **$ 2,847** | **$ (300)** | **$ 3,564** | **$ 4,778** | **$ (1,214)** |

(1) Other expenses are comprised of:

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| Translation adjustment | $ (681) | $ 692 | $ (1,373) | $ (1,652) | $ 950 | $ (2,602) |
| Non-controlling interests | (509) | (239) | (270) | (804) | (451) | (353) |
| Corporate overhead | (160) | (122) | (38) | (174) | (233) | 59 |
| Interest expense | (45) | (31) | (14) | (75) | (62) | (13) |
| Deferred tax recovery (expense) | 11 | – | 11 | (32) | – | (32) |
| Transaction costs and non-recurring costs | (1) | – | (1) | (6) | – | (6) |
| **Other expenses** | **$ (1,385)** | **$ 300** | **$ (1,685)** | **$ (2,743)** | **$ 204** | **$ (2,947)** |

For the three months ended June 30, 2018, investment income from TLR was $2.5 million, a decrease of $0.3 million from $2.8 million for the same period in 2017. The main reasons for this variance include:

- An increase of $1.7 million in other expenses, primarily attributable to an unfavourable currency translation adjustment of $0.7 million in the second quarter compared to a favourable adjustment of $0.7 million in the comparative period in 2017 due to the weakening Canadian dollar.
- An offsetting increase of $1.5 million attributable to a fair value gain of $3.7 million in the second quarter compared to $2.3 million in the comparative period in 2017 as a result of construction and leasing progress on TLR U.S. projects.

For the six months ended June 30, 2018, investment income from TLR was $3.6 million, a decrease of $1.2 million from $4.8 million of investment income for the same period in 2017. The main drivers of this variance include a $2.9 million increase in other expenses and a $0.1 million decrease in NOI, partially offset by an increase of $1.9 million attributable to a fair value gain, for the same reasons noted above.

### 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 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| Salaries and benefits | $ 3,637 | $ 3,787 | $ 150 | $ 7,245 | $ 7,168 | $ (77) |
| Annual incentive plan ("AIP") | 4,920 | 4,795 | (125) | 8,969 | 7,233 | (1,736) |
| Long-term incentive plan ("LTIP") | 1,398 | 1,191 | (207) | 3,464 | 584 | (2,880) |
| **Total compensation expense** | **$ 9,955** | **$ 9,773** | **$ (182)** | **$19,678** | **$14,985** | **$ (4,693)** |

Compensation expense for the three and six months ended June 30, 2018 increased by $0.2 million and $4.7 million, respectively, compared to the same periods in the prior year. For the six months ended June 30, 2018, the variance is primarily due to a $2.9 million increase in long-term incentive plan ("LTIP") expense as a result of an increase in expected future performance fees from commingled funds and separate accounts/side-car investments that will be paid to management when cash is received from each Investment Vehicle over time. Additionally, annual incentive plan ("AIP") expense increased by $1.7 million, which was accrued in accordance with the amended AIP framework described in the condensed interim consolidated financial statements and in Section 9.6 of this MD&A, and also reflects the addition of personnel to Tricon's senior management team.

### General and administration expense

General and administration expense for the three and six months ended June 30, 2018 increased by $0.6 million and $1.1 million, respectively, compared to the same period in the prior year, in line with expectations given the growth of the Company.

### Interest expense

The table below provides a summary of interest expense.

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months | | | Six months | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Credit facility interest | $ 3,361 | $ 1,359 | $ (2,002) | $ 6,183 | $ 2,829 | $ (3,354) |
| Debentures interest | 3,902 | 3,917 | 15 | 7,785 | 5,312 | (2,473) |
| Debentures discount amortization | 1,245 | 1,202 | (43) | 2,420 | 1,653 | (767) |
| Mortgage interest | 78 | – | (78) | 162 | – | (162) |
| Interest on lease obligation | 17 | – | (17) | 17 | – | (17) |
| **Total interest expense** | **$ 8,603** | **$ 6,478** | **$ (2,125)** | **$ 16,567** | **$ 9,794** | **$ (6,773)** |

Interest expense was $8.6 million for the three months ended June 30, 2018 compared to $6.5 million for the same period last year, an increase of $2.1 million. The increase was primarily driven by a higher outstanding credit facility balance throughout the quarter and higher effective interest rate (see Section 3.2, Debt).

Similarly, interest expense for the six months ended June 30, 2018 increased by $6.8 million, primarily as a result of a $3.4 million increase in credit facility interest as described above, as well as $2.5 million of incremental debentures interest expense and $0.8 million of debentures discount amortization associated with the 2022 convertible debentures issued on March 17, 2017 (see Section 3.2, Debt).

### Other expenses (income)

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

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months | | | Six months | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Net change in fair value of derivative financial instruments | $ 9,527 | $ 19,151 | $ 9,624 | $ (19,726) | $ 23,318 | $ 43,044 |
| Transaction costs | 82 | 980 | 898 | 180 | 1,916 | 1,736 |
| Amortization expense | 1,249 | 1,378 | 129 | 2,482 | 2,779 | 297 |
| **Total other expenses (income)** | **$ 10,858** | **$ 21,509** | **$ 10,651** | **$ (17,064)** | **$ 28,013** | **$ 45,077** |

There was a net increase in the fair value of the conversion feature of the Company's outstanding convertible debentures for the three months ended June 30, 2018 (2017 – net increase), which is reflected as an expense (2017 – expense) of the Company. The value of the conversion feature increased largely because of an increase in Tricon's share price on the Toronto Stock Exchange ("TSX") between March 31, 2018 and the valuation date of June 30, 2018. The share price of the Company is one of the key drivers affecting the value of the derivative.

In comparison, there was a net decrease in the fair value of the conversion feature of the Company's outstanding convertible debentures for the six months ended June 30, 2018 (2017 – net increase), which is reflected as income (2017 – expense) of the Company. The value of the conversion feature decreased (hence reducing the conversion liability of the Company) because of a decrease in Tricon's share price on the TSX compared to December 31, 2017.

### Income tax expense

Income tax expense for the three and six months ended June 30, 2018 was higher than the same periods in the prior year as a result of an increase in the deferred tax expense of $6.1 million and $13.5 million, respectively, which was offset by a decrease in the current tax expense of $1.9 million and $2.0 million, respectively. The increase in deferred tax expense compared to the same periods in the prior year was primarily the result of the significant increase in investment income from TAH.

**Disposition of Tricon Lifestyle Communities**

On June 29, 2018, TLC completed the previously-announced sale of its portfolio of 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. At the time of sale, the carrying value of investment properties on TLC's balance sheet was $146.3 million, resulting in a gain from disposal of investment properties of $26.2 million in the three months ended June 30, 2018. For the three and six months ended June 30, 2018, investment income from the discontinued operations of TLC was $19.6 million and $21.2 million, respectively, after deducting transaction costs and proceeds to TLC's operating partner.

The following table provides details regarding net income from discontinued operations – TLC for the three and six months ended June 30, 2018.

| For the periods ended June 30, 2018<br>(in thousands of U.S. dollars) | Three months | Six months |
|---|---|---|
| Fair value gain on investments held for sale | $ 26,233 | $ 33,597 |
| Transaction costs on disposal[1] | (2,787) | (4,882) |
| Non-controlling interest, including incentive fees | (4,411) | (5,562) |
| Other income (expenses)[2] | 567 | (1,983) |
| **Investment income from discontinued operations – TLC** | **$ 19,602** | **$ 21,170** |
| Income tax recovery from discontinued operations – deferred | – | 1,957 |
| **Net income from discontinued operations** | **$ 19,602** | **$ 23,127** |

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

(2) Other income (expenses) includes net operating income less corporate overhead and interest expense (along with vertical-level tax expense in the first quarter of 2018).

### 3.2 Review of selected balance sheet items

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

### Investments – Tricon American Homes

Investments in TAH increased by $180.0 million to $1.1 billion as at June 30, 2018, from $884.1 million as at December 31, 2017. The increase was driven by advances of $93.2 million, primarily for the acquisition and renovation of rental homes, and investment income of $127.1 million (consisting of $113.4 million of fair value gains and $72.1 million of NOI, offset by $37.6 million of interest expense, $8.4 million of non-recurring transaction costs and $12.4 million of other expenses). This increase was partly offset by cash distributions of $40.3 million.

| (in thousands of U.S. dollars) | As at December 31, 2017 | Advances | Investment income | Distributions | As at June 30, 2018 |
|---|---|---|---|---|---|
| **Investments – TAH** | **$ 884,115** | **$ 93,202** | **$ 127,123** | **$ (40,300)** | **$ 1,064,140** |

### Investments – Tricon Housing Partners

Investments in THP increased by $6.1 million to $312.7 million as at June 30, 2018, from $306.6 million as at December 31, 2017. The increase is a result of investment income of $6.2 million combined with aggregate advances to Investment Vehicles of $3.4 million across the portfolio. This increase was offset by distributions of $3.5 million, of which $2.5 million was distributed from separate accounts and side-car investments and $0.9 million was distributed from THP1 US.

| (in thousands of U.S. dollars) | As at December 31, 2017 | Advances | Investment income (loss) | Distributions | As at June 30, 2018 |
|---|---|---|---|---|---|
| THP1 US | $ 92,731 | $ 179 | $ (1,572) | $ (862) | $ 90,476 |
| THP2 US | 26,983 | 743 | 388 | – | 28,114 |
| THP3 Canada | 9,651 | 71 | (196) | (201) | 9,325 |
| Trinity Falls | 95,301 | – | 6,043 | – | 101,344 |
| Separate accounts[1] | 69,135 | 26 | 1,629 | (1,736) | 69,054 |
| Side-cars[2] | 12,836 | 2,399 | (95) | (726) | 14,414 |
| **Investments – THP** | **$ 306,637** | **$ 3,418** | **$ 6,197** | **$ (3,525)** | **$ 312,727** |

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

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

### Investments – Tricon Lifestyle Rentals

Investments in TLR increased by $17.8 million to $107.1 million as at June 30, 2018, from $89.2 million as at December 31, 2017. The investment balance is comprised of $47.0 million invested in TLR Canada and $60.1 million invested in TLR U.S. The overall increase during the six months ended June 30, 2018 was mainly driven by advances of $14.3 million relating to the acquisition of new TLR Canada projects and construction progress on existing projects, along with investment income of $3.6 million (consisting of $5.9 million of fair value gains offset by $2.3 million of other net expenses – see Section 3.1).

| (in thousands of U.S. dollars) | As at December 31, 2017 | Advances | Investment income | Distributions | As at June 30, 2018 |
|---|---|---|---|---|---|
| **Investments – TLR** | **$ 89,225** | **$ 14,285** | **$ 3,564** | **$ –** | **$ 107,074** |

### Investments held for sale – Tricon Lifestyle Communities

On June 29, 2018, TLC completed the previously-announced sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. The net proceeds to Tricon were $85.2 million, which included $83.5 million in proceeds from the disposal and $1.6 million in reimbursed expenses. The net proceeds represent a realized ROI of 1.7x and a realized IRR of 25% on peak equity of $49.3 million over a four-year investment period. Tricon received distributions of $78.0 million upon closing; the remaining proceeds of $7.2 million are included in amounts receivable as at June 30, 2018.

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

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

### Debt

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

| | Terms | | | | Debt balance (in thousands of U.S. dollars)[1] | |
|---|---|---|---|---|---|---|
| (in thousands of dollars) | Currency | Total principal amount | Maturity date | Interest rate terms | June 30, 2018 | December 31, 2017 |
| Revolving term credit facility | USD | $ 365,000 | June 2020 | LIBOR+3.75% | $ 194,550 | $ 161,500 |
| 2020 convertible debentures | CAD | $ 85,685 | March 2020 | 5.60% | 59,219 | 60,951 |
| 2022 convertible debentures | USD | $ 172,500 | March 2022 | 5.75% | 155,152 | 153,196 |
| Mortgage | CAD | $ 9,887 | November 2024 | 4.38% | 7,508 | 7,957 |
| Lease obligation | USD | $ 1,230 | March 2026 | 5.60% | 1,230 | – |
| | | | | | **$ 417,659** | **$ 383,604** |

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other expenses (income)). The 2020 convertible unsecured subordinated debentures are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at June 30, 2018: 1.3168 and at December 31, 2017: 1.2545.

The Company has access to a $365.0 million corporate revolving credit facility provided by a syndicate of lenders. As of June 30, 2018, $194.6 million was drawn from the facility, and the Company had a cash balance of $21.8 million.

As of June 30, 2018, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "2020 convertible debentures") which, in the aggregate, are convertible into 8,743,368 common shares of the Company at a conversion price of C$9.80 per common share, or a conversion rate of approximately 102.0408 common shares per C$1,000 principal amount. The 2020 convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met. In the first six months of 2018, $6,000 (C$8,000) principal amount was converted into 816 common shares.

As of June 30, 2018, there was $172.5 million in outstanding aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Company (the "2022 convertible debentures"). The 2022 convertible debentures bear interest at 5.75% per annum and are convertible into 16,491,397 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$13.77 as of June 30, 2018). In the first six months of 2018, there were no conversions of the 2022 convertible debentures.

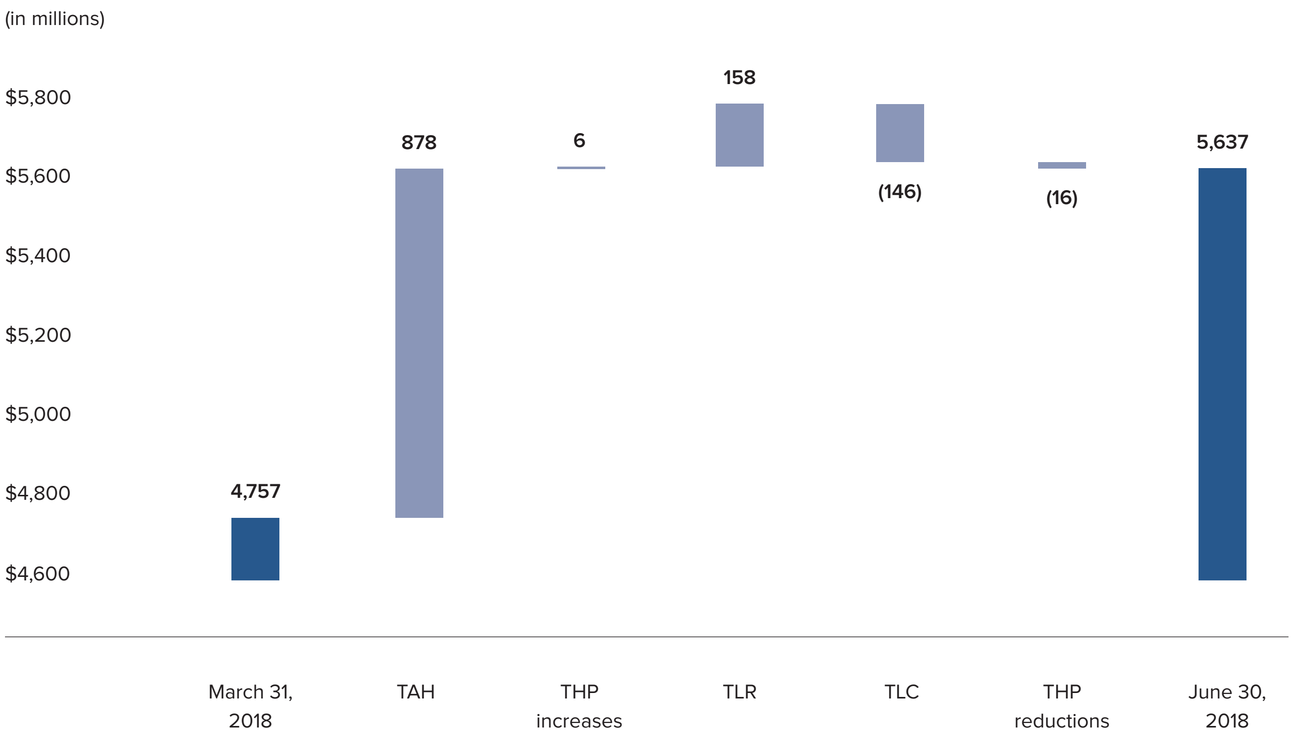
As of June 30, 2018, the Company had an outstanding mortgage loan of C$9.9 million, which was used to finance the acquisition of the Company's new head office in Toronto. The mortgage carries a fixed interest rate of 4.38% per annum compounded semi-annually and matures on November 22, 2024.

On April 1, 2018, the Company entered into an agreement to lease office space at 260 California Street, San Francisco, with an expiration date of March 2026. The initial lease obligation recognized was $1.2 million, and the carrying value was $1.2 million as at June 30, 2018.

### 3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $5.6 billion as at June 30, 2018, representing an increase of $880.1 million since March 31, 2018. Refer to Section 8.2 for a detailed description of AUM.

CHANGES IN ASSETS UNDER MANAGEMENT




As shown in the chart above, which summarizes the changes in AUM over the period on a vertical-by-vertical basis, the changes in AUM since March 31, 2018 were:

- An increase of $878.2 million in TAH AUM driven by $750.0 million of committed capital for TAH JV-1, $85.5 million of new investments as a result of ongoing acquisitions and renovations of single-family rental homes during the quarter, and $42.7 million of fair value adjustments related to home price appreciation in the portfolio (which excludes projected future disposition fees).
- An increase of $157.9 million in TLR AUM resulting from the acquisition of two new projects as well as additional construction expenditures and fair value gains recognized.
- A $6.4 million increase in THP AUM primarily as a result of positive investment income of $3.7 million from Trinity Falls.
- A decrease of $146.0 million in TLC AUM from the portfolio sale of all 14 manufactured housing communities.
- A decrease of $16.3 million in THP AUM, predominantly as a result of $7.9 million of capital distributions from THP2 US. The remaining decrease is attributable to additional distributions, foreign exchange and fair value adjustments on THP principal investments.

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

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

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

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

### 3.4 Subsequent events

On August 7, 2018, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after October 15, 2018 to shareholders of record on September 30, 2018.

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

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

### 4.1 Tricon American Homes

TAH continued to deliver strong operating performance during the quarter including 5.1% year-over-year same home NOI growth, 6.4% blended rent growth (6.3% for the same home portfolio) and a 62.0% NOI margin (61.1% for the same home NOI margin).

TAH purchased 505 homes during the quarter (411 homes net of dispositions) through its organic acquisition program and anticipates exceeding this acquisition volume for the joint venture that was recently announced (see discussion below) without compromising asset quality or returns. TAH ended the quarter with a portfolio of 15,948 rental homes (15,995 total homes, including 47 homes held for sale) and maintained strong leased occupancy and stabilized occupancy rates at 95.2% and 97.1%, respectively. TAH's stabilized occupancy rate has remained within 96.5% to 97.2% throughout 2017 and 2018, a testament to continued strong demand for single-family rental homes. The annualized turnover rate in the second quarter of 2018 was 30.9%, an increase from 24.9% recorded in the first quarter of 2018, attributable to seasonally higher move-outs in the late spring and early summer months.

TAH continued to realize high rent appreciation during the quarter, with average growth of 6.4% overall, comprised of 9.4% on new leases and 4.8% on renewals. This rent growth is attributable to robust demand for its single-family rental homes and an enhanced revenue management program launched in early 2018. This program is designed to drive higher revenues by optimizing the combination of rent growth, occupancy and turnover.

On April 18, 2018, TAH closed a new securitization loan, TAH 2018-1, which involved the issuance and sale of six classes of fixed-rate pass-through certificates with a weighted average coupon of 3.86% and a term to maturity of seven years. The gross transaction proceeds represented approximately 61% of the value of the securitized portfolio and approximately 81% of its all-in cost. The certificates have an aggregate face amount of $313.9 million and approximately $280 million of the gross transaction proceeds were used to repay existing TAH debt. TAH has now refinanced substantially all of the $1.2 billion floating rate loan facility used to finance the Silver Bay acquisition with three securitization transactions and a term loan, fixed the interest rate on 76% of its debt, and laddered out and extended its debt maturity schedule to an average of 4.9 years.

On June 27, 2018, the Company launched a joint venture arrangement with two leading institutional investors to assemble a portfolio of single-family rental homes that will be acquired and managed by TAH. The investors include one of the world's largest sovereign wealth funds and one of the largest state pension plans in the U.S. (collectively, the "Investors"). Under the terms of the joint venture, Tricon and the two Investors have each committed to invest approximately $250 million for a one-third interest each in the joint venture. The total committed equity capital of $750 million is expected to be deployed over a three-year investment period followed by a five-year holding period in which TAH will assemble and manage a portfolio of approximately 10,000 to 12,000 homes; this portfolio of single-family rental homes is projected to be valued at approximately $2 billion when including associated leverage. TAH and TAH JV-1 are in the process of finalizing a purchase and sale agreement pursuant to which TAH will sell approximately 500 homes that it acquired in the second quarter of 2018 to TAH JV-1 at cost (including renovation and closing costs), resulting in proceeds of approximately $35 million to the Company net of debt.

The Company views the successful launch of this joint venture as a significant endorsement of the single-family rental asset class and TAH's property and asset management platform. For clarity, the Investors will have no interest in the TAH property and asset management platform nor homes acquired by TAH prior to the second quarter of 2018.

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

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

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

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance | Six months 2018 | Six months 2017 | Six months Variance |
|---|---|---|---|---|---|---|
| Total revenue[1] | $ 58,896 | $ 45,369 | $ 13,527 | $ 115,581 | $ 71,925 | $ 43,656 |
| Property taxes | 8,798 | 6,796 | (2,002) | 17,894 | 10,802 | (7,092) |
| Repairs, maintenance and turnover | 6,746 | 5,372 | (1,374) | 12,141 | 8,166 | (3,975) |
| Property management fees | 4,125 | 3,216 | (909) | 8,152 | 5,102 | (3,050) |
| Property insurance | 972 | 937 | (35) | 1,939 | 1,607 | (332) |
| Homeowners' association (HOA) costs | 721 | 590 | (131) | 1,462 | 947 | (515) |
| Other direct expenses | 1,013 | 863 | (150) | 1,892 | 1,344 | (548) |
| Total operating expenses | 22,375 | 17,774 | (4,601) | 43,480 | 27,968 | (15,512) |
| **Net operating income (NOI)** | **$ 36,521** | **$ 27,595** | **$ 8,926** | **$ 72,101** | **$ 43,957** | **$ 28,144** |
| **Net operating income (NOI) margin** | **62.0%** | **60.8%** | | **62.4%** | **61.1%** | |
| Fair value gain | 37,265 | 19,766 | 17,499 | 113,361 | 29,701 | 83,660 |
| Other expenses[2] | (14,018) | (34,220) | 20,202 | (20,783) | (41,481) | 20,698 |
| Interest expense[2] | (19,087) | (15,095) | (3,992) | (37,556) | (21,862) | (15,694) |
| **Investment income (loss) – TAH (per Tricon income statement)** | **$ 40,681** | **$ (1,954)** | **$ 42,635** | **$ 127,123** | **$ 10,315** | **$ 116,808** |
| Warehouse credit facility interest | $ 1,494 | $ 947 | $ (547) | $ 3,867 | $ 1,832 | $ (2,035) |
| Securitization debt 2015-1 interest | – | 2,875 | 2,875 | – | 5,400 | 5,400 |
| Securitization debt 2016-1 interest | 3,373 | 3,357 | (16) | 6,747 | 6,714 | (33) |
| Securitization debt 2017-1 interest | 4,168 | – | (4,168) | 8,337 | – | (8,337) |
| Securitization debt 2017-2 interest | 3,435 | – | (3,435) | 6,859 | – | (6,859) |
| Securitization debt 2018-1 interest | 2,553 | – | (2,553) | 2,553 | – | (2,553) |
| Silver Bay acquisition warehouse facility interest | 578 | 7,916 | 7,338 | 2,485 | 7,916 | 5,431 |
| Term loan interest | 3,486 | – | (3,486) | 6,708 | – | (6,708) |
| Interest expense | $ 19,087 | $ 15,095 | $ (3,992) | $ 37,556 | $ 21,862 | $ (15,694) |
| Weighted average interest rate | 3.7% | 3.5% | | 3.7% | 3.4% | |

(1) Includes bad debt expense of $460 (2017 – $603) and $899 (2017 – $1,025) for the three and six months ended June 30, 2018, respectively.

(2) Refer to Section 3.1 for a discussion of other expenses and interest expense.

**Total portfolio**

During the second quarter of 2018, TAH's total revenue increased by $13.5 million or 30% to $58.9 million compared to $45.4 million in the same period in 2017. This increase is attributable to a higher home count, largely as a result of the Silver Bay acquisition that closed in May 2017 (with revenue included for a full quarter in 2018 versus two months in 2017), as well as the high rent growth achieved across the entire portfolio. The combination of a larger portfolio throughout the entire quarter and a 1.2% NOI margin increase (as discussed below) contributed to a 32% increase in NOI in the second quarter of 2018 to $36.5 million compared to $27.6 million in the same period in 2017.

TAH's NOI margin increased to 62.0% (62.4% for the six months ended June 30, 2018) compared to 60.8% for the same period in the prior year (61.1% for the six months ended June 30, 2017). The increase is attributable to strong rent growth, lower bad debt expense, scale-related savings on insurance and disciplined expense management related to repairs, maintenance and turnover.

TAH's fair value gain in the three months ended June 30, 2018 was $37.3 million compared to $19.8 million in the three months ended June 30, 2017. The gain was a result of BPO valuation on 519 homes as well as HPI valuations (see Section 9.1) on the remaining homes, reflecting ongoing home price appreciation supported by strong demand fundamentals in TAH's target markets. The HPI increase this quarter was 1.7% (6.8% annualized) compared to a 1.2% HPI increase in the second quarter of 2017 (4.8% annualized), applied to a larger portfolio of homes. Silver Bay homes were held at cost in the second quarter of 2017 given the close proximity of the transaction date and the valuation date.

### 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 (loss) – 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) | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Investment income (loss) – TAH | $ 40,681 | $ (1,954) | $ 42,635 | $ 127,123 | $ 10,315 | $116,808 |
| Fair value gain[1] | (37,265) | (19,766) | (17,499) | (113,361) | (29,701) | (83,660) |
| Non-controlling interests | – | – | – | – | 422 | (422) |
| Depreciation and non-cash items[2] | 460 | 600 | (140) | 1,587 | 785 | 802 |
| Deferred tax recovery | – | (116) | 116 | (2) | (1,071) | 1,069 |
| Deferred financing costs | 51 | 104 | (53) | 337 | 465 | (128) |
| **Funds from operations (FFO)** | **$ 3,927** | **$ (21,132)** | **$ 25,059** | **$ 15,684** | **$ (18,785)** | **$ 34,469** |
| Transaction costs and non-recurring costs[2,3] | 7,422 | 28,404 | (20,982) | 8,371 | 31,727 | (23,356) |
| **Core funds from operations (Core FFO)** | **$ 11,349** | **$ 7,272** | **$ 4,077** | **$ 24,055** | **$ 12,942** | **$ 11,113** |

(1) Fair value gain is presented net of change in projected future disposition fees.

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

(3) Results for the six months ended June 30, 2018 include loan facility issuance costs of $7,570, Silver Bay integration-related expenses of $778; and other non-recurring costs of $23. Results for the six months ended June 30, 2017 include transaction costs of $11,925 related to the Silver Bay acquisition, Silver Bay integration-related expenses of $3,493, loan facility issuance costs of $14,939 and write-off of deferred formation costs of $1,370 resulting from the buyout of minority interests.

For the second quarter of 2018, Core FFO increased by $4.1 million or 56% to $11.3 million compared to $7.3 million in the same period in the prior year. This variance was driven by strong growth in NOI, partly offset by higher interest expense associated with financing the Silver Bay acquisition in the second quarter of 2017 (see Section 3.1).

### Same home portfolio

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

| For the periods ended June 30 | Three months | | | Six months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars, except per home data) | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| **Operating metrics – same home** | | | | | | |
| Rental homes | 6,628 | 6,628 | – | 6,628 | 6,628 | – |
| Occupancy | 96.1% | 97.0% | (0.9%) | 96.1% | 97.0% | (0.9%) |
| Annualized turnover rate | 32.5% | 34.1% | 1.6% | 28.0% | 30.3% | 2.3% |
| Average monthly rent | $ 1,326 | $ 1,281 | $ 45 | $ 1,326 | $ 1,281 | $ 45 |
| Average quarterly rent growth – renewal | 5.0% | 4.5% | 0.5% | 4.6% | 4.5% | 0.1% |
| Average quarterly rent growth – new move-in | 8.9% | 4.3% | 4.6% | 7.1% | 5.0% | 2.1% |
| Average quarterly rent growth – blended | 6.3% | 4.5% | 1.8% | 5.5% | 4.7% | 0.8% |

For the 6,628 homes comprising the same home portfolio, occupancy decreased to 96.1% in the second quarter of 2018, compared to 97.0% recorded in the same period in 2017. The portfolio's annualized turnover in the three months ended June 30, 2018 was 32.5%, a decrease of 1.6% from annualized turnover of 34.1% in the same period in 2017.

| For the periods ended June 30 (in thousands of U.S. dollars) | Three months 2018 | Three months 2017 | Three months Variance ($) | Three months Variance (%) | Six months 2018 | Six months 2017 | Six months Variance ($) | Six months Variance (%) |
|---|---|---|---|---|---|---|---|---|
| **Income statement – same home** | | | | | | | | |
| Rental revenue | $ 24,940 | $ 24,073 | $ 867 | 4 | $ 49,505 | $ 47,705 | $ 1,800 | 4 |
| Fees and other revenue | 765 | 798 | (33) | (4) | 1,579 | 1,704 | (125) | (7) |
| Bad debt | (243) | (382) | 139 | 36 | (485) | (758) | 273 | 36 |
| Total revenue | 25,462 | 24,489 | 973 | 4 | 50,599 | 48,651 | 1,948 | 4 |
| Property taxes | 3,681 | 3,687 | 6 | – | 7,712 | 7,380 | (332) | (4) |
| Repairs, maintenance and turnover | 3,162 | 2,843 | (319) | (11) | 5,599 | 5,503 | (96) | (2) |
| Property management fees | 1,784 | 1,736 | (48) | (3) | 3,579 | 3,453 | (126) | (4) |
| Property insurance | 483 | 586 | 103 | 18 | 959 | 1,189 | 230 | 19 |
| Homeowners' association (HOA) costs | 317 | 334 | 17 | 5 | 646 | 670 | 24 | 4 |
| Other direct expenses | 466 | 494 | 28 | 6 | 908 | 907 | (1) | – |
| Total operating expenses | 9,893 | 9,680 | (213) | (2) | 19,403 | 19,102 | (301) | (2) |
| **Net operating income (NOI)** | **$ 15,569** | **$ 14,809** | **$ 760** | **5.1%** | **$ 31,196** | **$ 29,549** | **$ 1,647** | **5.6%** |
| **Net operating income (NOI) margin** | **61.1%** | **60.5%** | | | **61.7%** | **60.7%** | | |

Total revenue for the same home portfolio increased by $1.0 million or 4% to $25.5 million in the second quarter of 2018 compared to $24.5 million for the same period in the prior year. The increase in revenue is primarily as a result of strong rent growth over the past twelve months, as well as lower bad debt expense due to TAH's diligent tenant screening process which selects higher quality tenants, and is offset by slightly lower occupancy.

Same home operating expenses increased nominally by $0.2 million or 2% to $9.9 million in the second quarter of 2018 from $9.7 million in the same period in 2017 largely as a result of the following:

- **Property taxes** – TAH reduced its quarterly property tax accrual in the second quarter of 2018 as a result of favourable preliminary results on home assessments in Houston, Texas. This quarter's results may not be indicative of the property tax expense in future quarters.
- **Repairs, maintenance and turnover** – Higher costs were associated with incremental wear and tear on homes turned over this quarter compared to the prior year period.
- **Property management fees** – These fees are consistent with the comparative period and remain at approximately 7% of revenue.
- **Property insurance** – The 2018 insurance premiums are lower than the 2017 premiums as a result of scale-related savings.

With revenue growth exceeding expense growth, same home NOI margin increased to 61.1% in the second quarter of 2018 (61.7% for the six months ended June 30, 2018) from 60.5% in the prior year period (60.7% for the six months ended June 30, 2017). Likewise, same home NOI increased by 5.1% year-over-year to $15.6 million compared to $14.8 million in the second quarter of 2017.

**Assets under management and investment balance**

TAH's principal investment AUM (KPI measure; refer to Section 8.2) is based on TAH's share of the fair value of the homes in the portfolio, which is determined via the HPI or BPO methodologies discussed in Section 9.1, plus its own unfunded equity commitment.

| (in thousands of U.S. dollars) | TAH's share of investment vehicle | TAH principal investments: Fair value of homes A | Unfunded equity commitment B | Principal investment AUM A + B |
|---|---|---|---|---|
| TAH wholly-owned | 100.0% | $ 2,995,012 | $ – | $ 2,995,012 |
| TAH JV-1 | 33.7% | – | 252,500 | 252,500 |
| **Total** | | **$ 2,995,012** | **$ 252,500** | **$ 3,247,512** |

The table below represents the balance sheet of the entire rental portfolio owned by TAH, and illustrates the fair value of all homes in the portfolio. The residual equity value (after deducting debt) determines the value of Tricon's investment in TAH on its balance sheet, as summarized below.

| (in thousands of U.S. dollars) | | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
|---|---|---|---|---|---|---|---|
| Purchase price of homes | | $ 2,259,951 | $ 2,180,878 | $ 2,122,574 | $ 2,095,693 | $ 2,237,442 | $ 830,501 |
| Cumulative capital expenditures[1] | | 234,301 | 220,058 | 208,764 | 222,347 | 207,927 | 199,282 |
| Total cost basis of rental homes | | $ 2,494,252 | $ 2,400,936 | $ 2,331,338 | $ 2,318,040 | $ 2,445,369 | $ 1,029,783 |
| Cost of homes held for sale | | 4,078 | 11,904 | 10,779 | 166,973 | 15,901 | 31,920 |
| Cumulative fair value adjustment[2] | | 496,682 | 453,998 | 375,870 | 293,044 | 230,059 | 210,293 |
| Portfolio home price appreciation during the quarter | | 1.7% | 1.5% | 1.4% | 1.2% | 1.2% | 1.3% |
| **Fair value of homes** | | **$ 2,995,012** | **$ 2,866,838** | **$ 2,717,987** | **$ 2,778,057** | **$ 2,691,329** | **$ 1,271,996** |
| Less projected future disposition fees | | 30,713 | 29,303 | 27,793 | 28,160 | 14,205 | 14,221 |
| Fair value of homes, net | A | 2,964,299 | 2,837,535 | 2,690,194 | 2,749,897 | 2,677,124 | 1,257,775 |
| **Add:** | | | | | | | |
| Other net assets[3] | B | 76,729 | 83,689 | 71,693 | 52,216 | 62,962 | 45,633 |
| **Less:** | | | | | | | |
| Warehouse credit facility (LIBOR+3.00%) | | 99,687 | 216,251 | 184,167 | 42,376 | 73,608 | 68,626 |
| Securitization debt 2015-1 (LIBOR+1.96%) | | – | – | – | 337,220 | 339,611 | 347,091 |
| Securitization debt 2016-1 (3.59% fixed) | | 362,234 | 362,470 | 362,601 | 362,601 | 362,601 | 362,601 |
| Securitization debt 2017-1 (3.50% fixed) | | 462,594 | 462,594 | 462,594 | 462,594 | – | – |
| Securitization debt 2017-2 (3.58% fixed) | | 365,000 | 365,000 | 365,000 | – | – | – |
| Securitization debt 2018-1 (3.86% fixed) | | 313,865 | – | – | – | – | – |
| Silver Bay acquisition warehouse facility (LIBOR+3.26% blended) | | 25,926 | 154,570 | 155,828 | 778,915 | 1,197,902 | – |
| Term loan (LIBOR+2.00%) | | 347,582 | 347,582 | 347,582 | – | – | – |
| Total debt | C | 1,976,888 | 1,908,467 | 1,877,772 | 1,983,706 | 1,973,722 | 778,318 |
| **Investments – TAH (per Tricon balance sheet)** | A + B – C | **$ 1,064,140** | **$ 1,012,757** | **$ 884,115** | **$ 818,407** | **$ 766,364** | **$ 525,090** |
| Cash | | 84,142 | 84,499 | 88,704 | 87,797 | 91,709 | 41,559 |
| Debt-to-cost (net of cash) | | 75.8% | 75.6% | 76.4% | 76.3% | 76.5% | 69.4% |
| Debt-to-value (net of cash) | | 63.2% | 63.6% | 65.8% | 68.2% | 69.9% | 57.9% |

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.
(2) Cumulative fair value adjustment is net of capital expenditures and third-party operator performance fees.
(3) Other net assets include working capital.

As at June 30, 2018, TAH's rental portfolio is diversified across 16 target markets. Market-level details are presented below.

| Geography | Total homes managed[1] | Rental homes | Homes leased | Vacant homes under marketing | Vacant homes under turn or renovation | Occupancy | Stabilized occupancy |
|---|---|---|---|---|---|---|---|
| Atlanta | 3,947 | 3,938 | 3,706 | 55 | 177 | 94.1% | 96.6% |
| Phoenix | 1,791 | 1,790 | 1,761 | 12 | 17 | 98.4% | 98.4% |
| Charlotte | 1,574 | 1,569 | 1,458 | 41 | 70 | 92.9% | 96.8% |
| Tampa | 1,501 | 1,499 | 1,441 | 24 | 34 | 96.1% | 97.0% |
| Dallas | 1,219 | 1,216 | 1,140 | 24 | 52 | 93.8% | 96.3% |
| Northern California | 1,008 | 1,008 | 996 | 5 | 7 | 98.8% | 98.8% |
| Houston | 916 | 916 | 854 | 18 | 44 | 93.2% | 96.7% |
| Southeast Florida | 737 | 735 | 693 | 15 | 27 | 94.3% | 94.3% |
| Las Vegas | 585 | 585 | 577 | 2 | 6 | 98.6% | 98.6% |
| Columbia | 532 | 519 | 472 | 17 | 30 | 90.9% | 95.1% |
| Indianapolis | 478 | 478 | 439 | 22 | 17 | 91.8% | 95.8% |
| Jacksonville | 459 | 459 | 446 | 2 | 11 | 97.2% | 98.2% |
| Orlando | 437 | 436 | 429 | – | 7 | 98.4% | 98.6% |
| Southern California | 279 | 276 | 271 | 1 | 4 | 98.2% | 98.2% |
| San Antonio | 276 | 273 | 246 | 2 | 25 | 90.1% | 96.7% |
| Reno | 251 | 251 | 247 | 1 | 3 | 98.4% | 98.4% |
| Tucson[2] | 4 | – | – | – | – | N/A | N/A |
| Columbus[2] | 1 | – | – | – | – | N/A | N/A |
| **Total/Weighted average** | **15,995** | **15,948** | **15,176** | **241** | **531** | **95.2%** | **97.1%** |

| Geography | Average purchase price per home | Average capital expenditures per home[3] | Average total cost per home | Average size (sq. feet) | Average monthly rent | Average monthly rent per sq. foot |
|---|---|---|---|---|---|---|
| Atlanta | $ 124,000 | $ 11,000 | $ 135,000 | 1,774 | $ 1,206 | $ 0.68 |
| Phoenix | 166,000 | 5,000 | 171,000 | 1,700 | 1,198 | 0.70 |
| Charlotte | 118,000 | 19,000 | 137,000 | 1,601 | 1,192 | 0.74 |
| Tampa | 151,000 | 20,000 | 171,000 | 1,533 | 1,452 | 0.95 |
| Dallas | 135,000 | 13,000 | 148,000 | 1,560 | 1,377 | 0.88 |
| Northern California | 197,000 | 19,000 | 216,000 | 1,306 | 1,673 | 1.28 |
| Houston | 120,000 | 22,000 | 142,000 | 1,605 | 1,309 | 0.82 |
| Southeast Florida | 121,000 | 37,000 | 158,000 | 1,406 | 1,627 | 1.16 |
| Las Vegas | 164,000 | 11,000 | 175,000 | 1,652 | 1,284 | 0.78 |
| Columbia | 94,000 | 23,000 | 117,000 | 1,436 | 1,107 | 0.77 |
| Indianapolis | 115,000 | 18,000 | 133,000 | 1,561 | 1,187 | 0.76 |
| Jacksonville | 141,000 | 3,000 | 144,000 | 1,517 | 1,255 | 0.83 |
| Orlando | 171,000 | 3,000 | 174,000 | 1,504 | 1,358 | 0.90 |
| Southern California | 150,000 | 29,000 | 179,000 | 1,298 | 1,634 | 1.26 |
| San Antonio | 107,000 | 27,000 | 134,000 | 1,614 | 1,290 | 0.80 |
| Reno | 150,000 | 23,000 | 173,000 | 1,548 | 1,489 | 0.96 |
| Tucson[2] | N/A | – | N/A | N/A | N/A | N/A |
| Columbus[2] | N/A | – | N/A | N/A | N/A | N/A |
| **Total/Weighted average** | **$ 138,000** | **$ 15,000** | **$ 153,000** | **1,602** | **$ 1,315** | **$ 0.82** |

(1) Includes 47 homes held for sale.
(2) The homes in the Tucson and Columbus markets are classified as for sale and are not part of the rental portfolio in the occupancy and cost per home calculations.
(3) Average capital expenditures per home only reflects capital expenditures incurred by TAH and not by prior institutional owners, where applicable.

### 4.2 Tricon Housing Partners

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

| | THP principal investments | | | | | Tricon's cash flows | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | THP's share of Investment Vehicle | Outstanding invested capital (at cost) | Investment at fair value A | Unfunded commitment B | Principal investment AUM A + B | Advances to date | Distributions to date[1] | Projected distributions net of advances remaining |
| THP1 US | 68.4% | $ 56,443 | $ 90,476 | $ 10,796 | $ 101,272 | $ 269,855 | $ 276,336 | $ 119,543 |
| THP2 US | 7.5% | 21,810 | 28,114 | 3,132 | 31,246 | 21,868 | 28 | 26,301 |
| THP3 Canada | 10.2% | 9,464 | 9,325 | 5,724 | 15,049 | 9,464 | 3,563 | 10,951 |
| Trinity Falls | 100.0% | 81,219 | 101,344 | 10,201 | 111,545 | 81,549 | — | 286,991 |
| Separate accounts[2] | 12.9% | 58,387 | 69,054 | 8,338 | 77,392 | 72,004 | 25,413 | 131,915 |
| Side-cars[3] | 7.5% | 20,823 | 14,414 | 2,735 | 17,149 | 20,878 | 1,155 | 26,802 |
| **Total** | | **$ 248,146** | **$ 312,727** | **$ 40,926** | **$ 353,653** | **$ 475,618** | **$ 306,495** | **$ 602,503** |

| | |
|---|---|
| Adjusted EBITDA[4] – Q2 2018 (3 months) | $ 3,561 |
| Annualized as a % of invested capital at June 30, 2018 | 6% |

(1) Distributions include repayments of preferred return and capital.
(2) Separate accounts include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2.
(3) Side-cars include Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.
(4) Adjusted EBITDA is a non-IFRS measure. Refer to page 1, Non-IFRS measures and forward-looking statements.

For the three months ended June 30, 2018, THP Adjusted EBITDA of $3.6 million represented an annualized 6% net return on outstanding invested capital at cost. As discussed in the previous quarter, THP continues to experience higher construction costs in underlying developments, labour constraints, lengthened project timelines and changes in preferences for active-adult housing, which continued to negatively impact investment income. While it is expected that Adjusted EBITDA as a percentage of invested capital at cost will return to the target range of 9%–11% in 2019, THP continues to expect that these budget pressures will persist over the coming quarters as cash flows and budgets continue to be extended and revised.

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

#### THP1 US

THP1 US investment income declined year-over-year as a result of ongoing budget revisions applied to projects within the fund. As discussed in prior quarters, the budget revisions are being driven by rising construction costs as a result of intensified labour constraints and longer development timelines, as well as shifting preferences within THP's active-adult projects towards smaller, lower-margin homes. Despite these challenges, management continues to anticipate future cash distributions of approximately $120 million from THP1 US to Tricon through 2020.

#### THP2 US

THP2 US distributed $7.9 million to its investors during the second quarter from seven different investments, all of which are selling or leasing units and are in the positive cash flow phase of their life cycles. Of note, the 1101 El Camino condominium development in Mountain View, California is now completely sold and closed out, with no future distributions anticipated. In spite of these positive activities, investment income in THP2 US declined year-over-year as a result of revisions in the timing of expected cash flows at the Wigwam at Litchfield Park, a land and home development in Phoenix, Arizona.

#### THP3 Canada

THP3 Canada distributed $2.2 million (C$2.9 million) to its investors in the second quarter of 2018 from the Mahogany master-planned community development in Calgary, Alberta, which continues to meet budget expectations. The remaining projects in THP3 Canada also continued to perform in accordance with their business plans this quarter.

### Trinity Falls

At the Trinity Falls master-planned community in Dallas-Fort Worth, Texas, a total of 16 lots were sold to homebuilders and 55 homes were sold by homebuilders to end consumers in the second quarter of 2018 compared to 38 lots and 56 homes sold in the second quarter of 2017. It is expected that home and lot sales will remain tempered in 2018 as the project continues to change the product mix to deliver smaller and more affordable lots to homebuilders in late 2018 and early 2019. During the quarter, development progressed and improvements to the community's park amenities were substantially completed, both of which are expected to drive future home sales.

### Separate accounts

The Viridian master-planned community in Dallas-Fort Worth, Texas continued to perform as expected, with a total of 69 lots sold to homebuilders and 122 homes sold by homebuilders to end consumers in the second quarter of 2018 compared to 110 lot closings and 93 home sales in the same period in 2017. Viridian was ranked 26th in the Robert Charles Lesser & Co. Real Estate Advisors Top-Selling Master Planned Communities mid-year update for 2018. This community was not previously included in the top 50, highlighting Viridian's significant improvement in home sales performance thus far in 2018.

Cross Creek Ranch continued to achieve favourable results with 131 homes sold in the second quarter of 2018 compared to 94 in the same period in the prior year. In response to strong home sales, homebuilders continued to acquire lots with 101 lots closed in the second quarter of 2018 compared to 94 lot closings in the second quarter of 2017. The increase in home sales is largely the result of an improvement in the project's active-adult product, Bonterra, as well as improved demand for larger homes.

Grand Central Park in Houston, Texas continued to perform in line with expectations with 25 lots sold to homebuilders in the second quarter of 2018 compared to 46 lots sold in the second quarter of 2017. The decrease in lot sales was a result of differences in timing on the finalization of lot sale contracts. Home sales improved significantly, as 41 homes were sold to home buyers during the quarter compared to 24 homes in the same period in 2017. The improvement in home sales has been largely driven by strong sales from new product offerings, including smaller entry-level townhomes. A number of new retailers, including Ross and Home Goods, opened stores within the project's retail centre during the quarter, which is expected to improve traffic and future home sales at the project.

### Side-cars

Trilogy at Vistancia West, an active-adult community in Phoenix, Arizona, distributed $7.2 million including $0.5 million to Tricon in the second quarter of 2018. The project had 38 home sales this quarter, in line with the project plan and consistent with the previous period, and prices were increased during the first half of 2018 in response to continued strong demand.

Trilogy Lake Norman, an active-adult community in Charlotte, North Carolina, achieved 31 home sales during the second quarter of 2018 compared to 27 home sales for the same period in 2017. Given the relatively strong sales registered in the first quarter of 2018 following the completion of the clubhouse and amenities, the project has increased pricing to capture higher margin on future home sales.

At Arantine Hills ("Bedford Ranch"), a master-planned community in Corona, California, the first lot closings occurred as scheduled. Construction continued to progress as expected on infrastructure, amenities and model homes, with a grand opening slated for the third quarter of 2018 and first home closings in early 2019.

### Total project inventory and sales summary

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

| | Total units[2] | | | | | Total units sold | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| As of June 30, 2018[1] | Land (acres) | Single-family lots | Homes (units) | Multi-family units | Retail (sq. ft.) | Land (acres) | Single-family lots[3] | Homes (units) | Multi-family units | Retail (sq. ft.) |
| U.S. | 1,104 | 26,623 | 6,203 | 1,556 | 46,053 | 326 | 6,759 | 3,860 | 1,410 | 32,373 |
| Canada | 268 | 3,699 | 1,035 | 5,384 | 195,060 | 202 | 2,740 | 767 | 5,071 | 181,860 |
| **Total units** | **1,372** | **30,322** | **7,238** | **6,940** | **241,113** | **528** | **9,499** | **4,627** | **6,481** | **214,233** |
| As of December 31, 2017[1] | | | | | | | | | | |
| U.S. | 1,097 | 26,477 | 6,138 | 1,556 | 46,053 | 309 | 6,358 | 3,447 | 1,260 | 32,373 |
| Canada | 267 | 3,691 | 1,045 | 5,384 | 195,060 | 197 | 2,656 | 718 | 5,066 | 181,860 |
| **Total units** | **1,364** | **30,168** | **7,183** | **6,940** | **241,113** | **506** | **9,014** | **4,165** | **6,326** | **214,233** |

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

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

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

### 4.3 Tricon Lifestyle Rentals

TLR Canada closed on two new projects during the quarter: West Don Lands and 6 Gloucester. Additionally, TLR's active projects under development continued to advance well in accordance with their underlying business plans during the second quarter of 2018. A summary of TLR's principal investments is presented below with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2).

| | TLR principal investments | | | | |
|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | Outstanding invested capital (at cost) | Investment at fair value[1] A | Share of outstanding project debt B | Unfunded equity commitment C | Principal investment AUM A + B + C |
| TLR Canada | $ 39,263 | $ 47,522 | $ 26,708 | $ 45,084 | $ 119,314 |
| TLR U.S. | 57,774 | 79,668 | 58,010 | 2,060 | 139,738 |
| **Total** | **$ 97,037** | **$ 127,190** | **$ 84,718** | **$ 47,144** | **$ 259,052** |

(1) Investments – TLR per Tricon balance sheet of $107,074 includes the principal investments above of $127,190 as well as net liabilities and non-controlling interest of $20,116.

Operational highlights include the following:

**Tricon Lifestyle Rentals – Canada**

TLR Canada had an active quarter, acquiring two prime development sites in downtown Toronto:

(i) West Don Lands: In partnership with Dream Unlimited Corp. and Kilmer Group, TLR Canada entered into 99-year land leases with Infrastructure Ontario to develop and manage two large parcels totaling nine acres located between Toronto's Distillery District and Corktown Common Park. These sites will be developed into approximately 1,500 rental units (70% market rate and 30% affordable) as well as ancillary retail and potential office space.

(ii) 6 Gloucester: TLR Canada acquired a 47% interest in 6–8 Gloucester Street, a fully entitled development site located at the intersection of Yonge and Gloucester Streets, and steps from the Yonge Street and Bloor Street TTC subway lines.

These transactions demonstrate TLR Canada's ability to secure attractive development sites and to generate a growth pipeline in a competitive land market through its focus on strategic partnerships. The two sites add immediate scale to TLR Canada's multi-family development and rental business in Canada, which now has approximately 2,700 units under active development at an aggregate expected cost of approximately C$1.3 billion. TLR Canada currently holds a 30% equity interest in this portfolio, with the balance held by institutional and strategic partners in its various projects.

TLR Canada's first project in Toronto, The Selby, is nearing completion with the building fully enclosed and suites complete up to the 8th floor. TLR Canada's operations and marketing team are scheduled to start building tours in the third quarter of 2018 with leasing for the first 15 floors expected to begin in the fourth quarter of 2018. The Selby is well-positioned to capitalize on its central transit-oriented location while providing the market with high-quality and highly amenitized rental living accommodation.

At 57 Spadina, working drawings are well under development and shoring and excavation are underway on site. Approximately 30% of all trade contracts have been secured on budget, and the project construction loan is expected to be finalized by the third quarter of 2018. The Entertainment District submarket continues to be one of the most sought-after neighbourhoods in Toronto, and rental growth in the area continues to trend strongly upward.

Scrivener Square remains in the pre-development stage, having submitted for an official plan and zoning by-law amendment to the City of Toronto in 2017. TLR Canada and its partner, DiamondCorp, are working with COBE, award-winning architects from Copenhagen, Denmark, on a proposed 21-storey design, which subsequent to quarter-end was approved by Toronto City Council but is still subject to an appeal process. The project is scheduled to begin detailed design drawings in the third quarter of 2018.

**Tricon Lifestyle Rentals – U.S.**

At The McKenzie, adjacent to Dallas' affluent Highland Park neighbourhood, construction of the 183-unit rental building progressed as planned with substantial completion of construction expected in late 2018. Pre-leasing continued during the quarter at rates above budget and the first occupancy is expected in the third quarter of 2018 with stabilization projected in mid-2019.

At The Maxwell in Frisco, Texas, construction of the 325-unit rental building continued as planned with substantial completion of construction expected in late 2018. Pre-leasing commenced during the quarter and the first occupancy is expected in the third quarter of 2018 with stabilization projected in mid-2019.

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

| | Location | TLR's share of Investment Vehicle | Projected construction Start | Projected construction End | Projected total cost ($000) | Projected rental units | Projected retail/office (sq. feet) | Projected development yield[1] |
|---|---|---|---|---|---|---|---|---|
| The Selby (592 Sherbourne) | Toronto, ON | 15% | Q1 2015 | Q4 2018 | $ 137,900 | 502 | – | 5.25–5.75% |
| 57 Spadina | Toronto, ON | 20% | Q1 2018 | Q1 2021 | 114,400 | 286 | 44,762 | 5.25–5.75% |
| Scrivener Square | Toronto, ON | 50% | TBD | TBD | TBD | TBD | TBD | TBD |
| Shops of Summerhill | Toronto, ON | 25% | N/A | N/A | N/A | N/A | 30,820 | N/A |
| West Don Lands | Toronto, ON | 33% | Q2 2019 | ~2023 | TBD | ~1,500 | TBD | TBD |
| 6 Gloucester | Toronto, ON | 47% | Q2 2019 | Q1 2022 | 102,500 | ~200 | TBD | TBD |
| **TLR CA** | | **~30%** | | | **~$ 1,000,000** | **~2,700** | | |
| The McKenzie | Dallas, TX | 90% | Q4 2015 | Q3 2018 | 92,700 | 183 | – | 5.50–6.00% |
| The Maxwell | Frisco, TX | 90% | Q2 2016 | Q4 2018 | 58,600 | 325 | – | 6.00–6.50% |
| **TLR US** | | **90%** | | | **~$ 200,000** | **~500** | | |
| **Total** | | | | | **~$ 1,200,000** | **~3,200** | | |

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

### 4.4 Private Funds and Advisory

Tricon manages $1.8 billion of third-party capital in connection with investments made alongside institutional investors including sovereign wealth funds, pension plans, endowments, strategic partners and high-net-worth investors. The Company's strategy is to continue raising and managing third-party capital in each of its investment verticals to scale its business faster, generate additional fee income and drive shareholder value.

As discussed in Section 4.1, the Company launched a joint venture arrangement in its single-family rental business, Tricon American Homes, with two leading institutional investors on June 27, 2018. Under the terms of the joint venture, the third-party investors committed to invest approximately $500 million for a two-thirds interest in TAH JV-1, and the capital is expected to be deployed over a three-year investment period, followed by a five-year holding period. With the addition of TAH JV-1, Tricon now has third-party capital under management in all three of its investment verticals. This is a significant milestone which adds immediate scale to Tricon's Private Funds and Advisory business and is expected to augment returns by generating future management fees and performance fees.

The table below provides a summary of Investment Vehicles in which Tricon manages third-party capital, along with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2).

| | Third-party investments | | | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | Outstanding invested capital (at cost) A | Share of outstanding project debt B | Unfunded equity commitment[1] C | Third-party AUM A + B + C |
| THP1 US | $ 21,988 | $ – | $ 4,699 | $ 26,687 |
| THP2 US | 158,401 | – | 34,202 | 192,603 |
| Separate accounts[2] | 368,792 | – | 62,668 | 431,460 |
| Side-cars[3] | 187,406 | – | 25,111 | 212,517 |
| THP1 Canada | 106 | – | – | 106 |
| THP2 Canada | 22,039 | – | 1,071 | 23,110 |
| THP3 Canada | 81,305 | – | 22,741 | 104,046 |
| Canadian syndicated investments[4] | 15,802 | – | 5,168 | 20,970 |
| **Subtotal – THP** | **$ 855,839** | **$ –** | **$ 155,660** | **$ 1,011,499** |
| TLR Canada[5] | 81,042 | 90,585 | 96,737 | 268,364 |
| TAH[6] | – | – | 497,500 | 497,500 |
| **Total** | **$ 936,881** | **$ 90,585** | **$ 749,897** | **$ 1,777,363** |

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

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

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

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

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

(6) TAH includes TAH JV-1.

Third-party AUM increased by nearly 50% quarter-over-quarter to $1.8 billion compared to $1.2 million as at March 31, 2018. The $576.1 million increase was driven by committed capital raised for three Investment Vehicles closed during the second quarter of 2018, including approximately $500 million for the newly-established single-family rental joint venture, TAH JV-1, and $83.1 million for TLR Canada's development projects, West Don Lands and 6 Gloucester. The increases were partially offset by distributions of equity from various THP investments, including $7.8 million from THP2 US, which reduced outstanding third-party invested capital.

During the second quarter of 2018, the Private Funds and Advisory business continued to generate contractual fees in its various investment verticals. Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, development fees earned from Johnson, and performance fees.

| For the periods ended June 30 | Three months | | | Six months | | |
|---|---|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| **Tricon American Homes** | | | | | | |
| Management fees | $ 44 | $ – | $ 44 | $ 44 | $ – | $ 44 |
| **Subtotal – TAH** | **$ 44** | **$ –** | **$ 44** | **$ 44** | **$ –** | **$ 44** |
| **Tricon Housing Partners** | | | | | | |
| THP1 US | 204 | 242 | (38) | 406 | 515 | (109) |
| THP2 US | 759 | 720 | 39 | 1,505 | 1,415 | 90 |
| Separate accounts | 1,002 | 937 | 65 | 2,052 | 1,845 | 207 |
| Side-cars | 448 | 381 | 67 | 799 | 773 | 26 |
| U.S. syndicated investments | – | 4 | (4) | 4 | 2 | 2 |
| Trinity Falls | 204 | 185 | 19 | 408 | 370 | 38 |
| THP1 Canada | 3 | 3 | – | 6 | 7 | (1) |
| THP2 Canada | 86 | 81 | 5 | 172 | 163 | 9 |
| THP3 Canada | 353 | 331 | 22 | 709 | 664 | 45 |
| Canadian syndicated investments | 55 | 66 | (11) | 109 | 132 | (23) |
| Management fees and general partner distributions | 3,114 | 2,950 | 164 | 6,170 | 5,886 | 284 |
| Development fees – Johnson | 2,733 | 2,475 | 258 | 4,491 | 4,706 | (215) |
| Performance fees | 838 | 355 | 483 | 846 | 358 | 488 |
| **Subtotal – THP** | **$ 6,685** | **$ 5,780** | **$ 905** | **$ 11,507** | **$ 10,950** | **$ 557** |
| **Tricon Lifestyle Rentals** | | | | | | |
| Management fees | 212 | 196 | 16 | 423 | 381 | 42 |
| Development fees – TDG | 533 | 383 | 150 | 1,067 | 772 | 295 |
| **Subtotal – TLR** | **$ 745** | **$ 579** | **$ 166** | **$ 1,490** | **$ 1,153** | **$ 337** |
| **Total revenue** | **$ 7,474** | **$ 6,359** | **$ 1,115** | **$ 13,041** | **$ 12,103** | **$ 938** |

Private Funds and Advisory revenue for the three months ended June 30, 2018 increased by $1.1 million or 18% to $7.5 million from $6.4 million in the same period in the prior year. The increase is attributable to:

- An increase in THP fees of $0.9 million owing to a $0.5 million increase in performance fees from THP1 Canada, a $0.3 million increase in development fees from Johnson (see Section 3.1) and a $0.2 million net increase in management fees and general partner distributions. Management fees increased across various Investment Vehicles as capital continued to be advanced to fund developments, offset by decreases notably at THP1 US and Canadian syndicated investments where distributions were made during the quarter thereby reducing outstanding invested capital.
- An increase in TDG development fees of $0.2 million primarily as a result of construction progress at the 57 Spadina development site. Development fees will be generated by the two new projects, 6 Gloucester and West Don Lands, starting in the third quarter.
- While the addition of TAH JV-1 also increased management fees, the fees were only earned for the period from June 27, 2018. Consequently, management fees from TAH JV-1 are expected to be higher in subsequent quarters.

The table below provides a summary of projected returns for each Investment Vehicle along with projected performance fees that Tricon could earn over time based on current business plans.

| (in thousands of U.S. dollars) | Projected returns[1] Gross ROI | Gross IRR | Net ROI | Net IRR | Estimated performance fees to Tricon remaining[2] |
|---|---|---|---|---|---|
| THP1 US | 2.2x | 14% | 1.7x | 11% | $ 12,940 |
| THP2 US | 1.7x | 13% | 1.5x | 10% | 6,117 |
| Separate accounts[2] | 2.2x | 15% | 2.2x | 14% | 28,384 |
| Side-cars[3] | 1.4x | 5% | 1.4x | 5% | – |
| THP1 Canada | 2.0x | 16% | 1.6x | 12% | 6,890 |
| THP2 Canada | 1.6x | 13% | 1.4x | 9% | – |
| THP3 Canada | 1.8x | 12% | 1.5x | 8% | – |
| Canadian syndicated investments and other[4] | 2.0x | 11% | 1.9x | 10% | 1,563 |
| **Subtotal – THP** | | | | | **$ 55,894** |
| TLR Canada[5] | 2.5x | 12% | 2.4x | 12% | 10,213 |
| **Total** | | | | | **$ 66,107** |

(1) ROI, IRR and estimated performance fees are based on Tricon's analysis of projected cash flows for incomplete projects in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and annual budgets and cash flow projections prepared by developers for all incomplete projects. Refer to page 1. Projected returns are updated in the fourth quarter for projects that undergo third-party appraisals. Net ROI and IRR are based on cash flow estimates after all Investment Vehicle expenses (including contractual and performance fees). Net returns presented reflect all fees paid by all investors. The net return to any given investor will vary depending on the individual investor's management fee and carried interest rate.

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

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

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

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

### The Johnson Companies LP ("Johnson")

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

| For the periods ended June 30 (in thousands of U.S. dollars, except for land, lot and home sales) | Three months 2018 | 2017 | Variance | Six months 2018 | 2017 | Variance |
|---|---|---|---|---|---|---|
| Development fees – Johnson | $ 2,733 | $ 2,475 | $ 258 | $ 4,491 | $ 4,706 | $ (215) |
| Land sales (acres) | 24 | 17 | 7 | 40 | 145 | (105) |
| Lot sales | 574 | 616 | (42) | 1,029 | 1,144 | (115) |
| Third-party home sales | 1,140 | 884 | 256 | 2,171 | 1,848 | 323 |

Development fees for the three months ended June 30, 2018 increased during the quarter compared to the same period in the prior year as a result of higher land sales as well as an increase in other income. For the six months ended June 30, 2018, development fees decreased largely owing to one sizeable land parcel sold in the first quarter of 2017.

Lot sales for the three and six months ended June 30, 2018 experienced a decline from the same periods in the prior year, largely driven by more mature communities which are currently winding down. Lot sales at newer communities continue to increase, and the overall outlook for lot sales remains strong across Johnson's portfolio.

Third-party home sales for the second quarter of 2018 within Johnson communities were 1,140 compared to 884 during the same period in 2017, an increase of 29% as a result of continued strong demand for housing in Texas. Johnson's reputation for developing high-quality master-planned communities is further evidenced by Johnson being the only master-planned community developer in the United States to have six (previously five in 2017) MPCs ranked in the top 50 in 2018 according to Robert Charles Lesser & Co. Real Estate Advisors. The increased demand for third-party homes at Johnson communities is expected to drive strong future lot sales as builders replenish their land inventory.

# 5. LIQUIDITY AND CAPITAL RESOURCES

## 5.1 Financing strategy

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

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

## 5.2 Liquidity

Tricon generates substantial liquidity through:

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

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

### Working capital

As at June 30, 2018, Tricon had a net working capital surplus of $13.2 million, reflecting current assets of $39.9 million, offset by payables and accrued liabilities of $26.7 million.

## 5.3 Capital resources

### Debt structure

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

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

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

### Equity issuance and cancellations

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

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

As of June 30, 2018, there were 133,849,419 common shares of the Company issued and outstanding.

## 6. NON-IFRS MEASURES

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

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

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

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

| For the periods ended June 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | | Three months | | | Six months | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| TAH Adjusted EBITDA | A | $ 67,650 | $ 42,029 | $ 25,621 | $ 174,635 | $ 63,618 | $ 111,017 |
| THP Adjusted EBITDA | B | 3,561 | 6,236 | (2,675) | 6,733 | 11,660 | (4,927) |
| TLR Adjusted EBITDA | C | 3,263 | 2,186 | 1,077 | 5,329 | 3,890 | 1,439 |
| TLC Adjusted EBITDA | D | 23,212 | 2,312 | 20,900 | 31,394 | 5,363 | 26,031 |
| Fee income net of adjusted non-controlling interest | E | 6,807 | 5,780 | 1,027 | 12,113 | 11,031 | 1,082 |
| Adjusted EBITDA before corporate overhead | | 104,493 | 58,543 | 45,950 | 230,204 | 95,562 | 134,642 |
| Adjusted compensation expense | F | (8,895) | (8,907) | 12 | (16,973) | (14,690) | (2,283) |
| General and administration expense | | (2,671) | (2,053) | (618) | (4,995) | (3,913) | (1,082) |
| **Adjusted EBITDA** | | **92,927** | **47,583** | **45,344** | **208,236** | **76,959** | **131,277** |
| Stock option expense | | (300) | (302) | 2 | (616) | (702) | 86 |
| Adjusted interest expense | G | (27,316) | (21,262) | (6,054) | (53,401) | (31,746) | (21,655) |
| Adjusted amortization expense | H | (818) | (819) | 1 | (1,532) | (1,611) | 79 |
| **Adjusted net income before taxes** | | **64,493** | **25,200** | **39,293** | **152,687** | **42,900** | **109,787** |
| Adjusted income tax expense | I | (4,359) | (3,370) | (989) | (16,177) | (5,670) | (10,507) |
| **Adjusted net income** | | **$ 60,134** | **$ 21,830** | **$ 38,304** | **$ 136,510** | **$ 37,230** | **$ 99,280** |
| **Adjusted basic EPS attributable to shareholders of Tricon** | | **$ 0.45** | **$ 0.17** | **$ 0.28** | **$ 1.02** | **$ 0.31** | **$ 0.71** |
| **Adjusted diluted EPS attributable to shareholders of Tricon** | | **$ 0.39** | **$ 0.17** | **$ 0.22** | **$ 0.88** | **$ 0.30** | **$ 0.58** |
| **Weighted average shares outstanding – basic** | | **134,528,070** | **125,490,567** | **9,037,503** | **134,389,889** | **119,454,548** | **14,935,341** |
| **Weighted average shares outstanding – diluted** | | **161,629,476** | **146,505,117** | **15,124,359** | **161,492,736** | **135,567,566** | **25,925,170** |

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

- For the three months ended June 30, 2018, Adjusted EBITDA increased by $45.3 million or 95% to $92.9 million compared to $47.6 million in the same period in the prior year. This increase was mainly attributable to significant growth in TAH and TLC Adjusted EBITDA. TAH Adjusted EBITDA included a $17.5 million increase in fair value gain and an $8.9 million increase in NOI driven by the acquisition of Silver Bay (full quarter of NOI from Silver Bay homes in Q2 2018 versus a partial quarter in Q2 2017) as well as NOI growth achieved across the TAH portfolio. The increase in TLC Adjusted EBITDA was a result of the gain on disposal of its portfolio of 14 manufactured housing communities, which totaled $26.2 million before transaction costs.
- For the six months ended June 30, 2018, Adjusted EBITDA increased by $131.3 million or 171% to $208.2 million compared to $77.0 million in the same period in the prior year. This increase was mainly attributable to significant growth in TAH and TLC Adjusted EBITDA as described above. TAH Adjusted EBITDA growth was driven by an $83.7 million increase in fair value gain and a $28.1 million increase in NOI for the reasons explained above. The increase in TLC Adjusted EBITDA was a result of the gain on disposal and a fair value gain booked in the first quarter for a total gain of $33.6 million before transaction costs.
- Adjusted net income, which excludes non-recurring items, increased by $38.3 million or 175% to $60.1 million for the three months ended June 30, 2018 compared to $21.8 million for the same period in the prior year. The increase is attributable to higher Adjusted EBITDA, as discussed above, partially offset by higher adjusted interest expense as a result of: (i) a higher outstanding debt balance at TAH driven by the Silver Bay acquisition financing; and (ii) a higher outstanding balance and higher effective interest rate on the corporate credit facility throughout the quarter.
- Adjusted net income increased by $99.3 million or 267% to $136.5 million for the six months ended June 30, 2018 compared to $37.2 million for the same period in the prior year. The increase is attributable to higher Adjusted EBITDA, partially offset by higher adjusted interest expense for the reasons described above and higher adjusted income tax expense which corresponds with higher earnings.
- Adjusted basic EPS increased by $0.28 or 165% to $0.45 and by $0.71 or 229% to $1.02 for the three and six months ended June 30, 2018, respectively, compared to $0.17 and $0.31 in the same periods in the prior year. Adjusted diluted EPS increased by $0.22 or 129% to $0.39 and by $0.58 or 193% to $0.88 for the three and six months ended June 30, 2018, respectively, compared to $0.17 and $0.30 in the same periods in the prior year. The increase in Adjusted basic and diluted EPS is attributable to significantly higher Adjusted net income for the reasons noted above, offset by a higher weighted average share count primarily as a result of the common shares issued in May 2017, along with the inclusion of the dilutive impact of all outstanding convertible debentures (in 2017, the 2022 convertible debentures were included on a weighted average basis for the two months they were outstanding during the period).

## 7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

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

| For the periods ended June 30 | Three months | | Six months | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | 2018 | 2017 | 2018 | 2017 |
| **Net income (loss)** | **$ 39,763** | **$ (21,643)** | **$ 139,232** | **$ (13,888)** |
| **Non-recurring adjustments:** | | | | |
| Transaction costs at investment level | 10,667 | 29,007 | 15,030 | 32,516 |
| Transaction costs and formation costs | 82 | 980 | 180 | 1,916 |
| **Non-cash adjustments:** | | | | |
| Non-controlling interest | (236) | (20) | 22 | 96 |
| Unrealized foreign exchange loss (gain) at investment level | 875 | (1,085) | 2,104 | (1,439) |
| Accrued LTIP expense (recovery)[1] | 760 | 564 | 2,089 | (407) |
| Debentures discount amortization | 1,245 | 1,202 | 2,420 | 1,653 |
| Net change in fair value of derivative financial instrument | 9,527 | 19,151 | (19,726) | 23,318 |
| Realized and unrealized foreign exchange gain | (1,289) | (1,822) | (2,977) | (1,118) |
| Tax effect of above adjustments (expense) | (1,260) | (4,504) | (1,864) | (5,417) |
| **Adjusted net income[2]** | **$ 60,134** | **$ 21,830** | **$ 136,510** | **$ 37,230** |
| **Add:** | | | | |
| Stock option expense | $ 300 | $ 302 | $ 616 | $ 702 |
| Adjusted interest expense[2] | 27,316 | 21,262 | 53,401 | 31,746 |
| Adjusted amortization expense[2] | 818 | 819 | 1,532 | 1,611 |
| Adjusted income tax expense[2] | 4,359 | 3,370 | 16,177 | 5,670 |
| **Adjusted EBITDA[2]** | **$ 92,927** | **$ 47,583** | **$ 208,236** | **$ 76,959** |

(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 June 30 (in thousands of U.S. dollars) | | Three months 2018 | Three months 2017 | Six months 2018 | Six months 2017 |
|---|---|---|---|---|---|
| **Investment income (loss) – TAH per financial statements** | | **$ 40,681** | **$ (1,954)** | **$ 127,123** | **$ 10,315** |
| Interest expense | | 19,087 | 15,095 | 37,556 | 21,862 |
| Transaction costs, non-recurring and non-cash expenses | | 7,882 | 29,004 | 9,958 | 32,512 |
| Tax recovery | | – | (116) | (2) | (1,071) |
| **TAH Adjusted EBITDA[1]** | A | **$ 67,650** | **$ 42,029** | **$ 174,635** | **$ 63,618** |
| **Investment income – THP per financial statements** | | **$ 3,312** | **$ 6,568** | **$ 6,197** | **$ 12,236** |
| Tax expense (recovery) | | 55 | 61 | 84 | (87) |
| Unrealized foreign exchange loss (gain) | | 194 | (393) | 452 | (489) |
| **THP Adjusted EBITDA[1]** | B | **$ 3,561** | **$ 6,236** | **$ 6,733** | **$ 11,660** |
| **Investment income – TLR per financial statements** | | **$ 2,547** | **$ 2,847** | **$ 3,564** | **$ 4,778** |
| Interest expense | | 45 | 31 | 75 | 62 |
| Translation adjustment | | 681 | (692) | 1,652 | (950) |
| Transaction costs, non-recurring and non-cash expenses | | 1 | – | 6 | – |
| Tax (recovery) expense | | (11) | – | 32 | – |
| **TLR Adjusted EBITDA[1]** | C | **$ 3,263** | **$ 2,186** | **$ 5,329** | **$ 3,890** |
| **Net income from discontinued operations – TLC per financial statements** | | **$ 19,602** | **$ 1,393** | **$ 23,127** | **$ 3,394** |
| Interest expense | | 826 | 860 | 1,623 | 1,681 |
| Transaction costs and non-cash expenses | | 2,784 | 3 | 5,066 | 4 |
| Tax expense | | – | 56 | 1,578 | 284 |
| **TLC Adjusted EBITDA[1]** | D | **$ 23,212** | **$ 2,312** | **$ 31,394** | **$ 5,363** |
| **Contractual fees, GP distributions and performance fees per financial statements** | | **$ 7,474** | **$ 6,359** | **$ 13,041** | **$ 12,103** |
| **NCI change per financial statements** | | **(236)** | **(20)** | **22** | **96** |
| NCI portion of amortization | | (431) | (559) | (950) | (1,168) |
| **Fee income net of adjusted non-controlling interest** | E | **$ 6,807** | **$ 5,780** | **$ 12,113** | **$ 11,031** |
| **Compensation expense per financial statements** | | **$ (9,955)** | **$ (9,773)** | **$ (19,678)** | **$ (14,985)** |
| Accrued LTIP expense (recovery) | | 760 | 564 | 2,089 | (407) |
| Stock option expense | | 300 | 302 | 616 | 702 |
| **Adjusted compensation expense[1]** | F | **$ (8,895)** | **$ (8,907)** | **$ (16,973)** | **$ (14,690)** |
| **Interest expense per financial statements** | | **$ (8,603)** | **$ (6,478)** | **$ (16,567)** | **$ (9,794)** |
| TAH interest expense | | (19,087) | (15,095) | (37,556) | (21,862) |
| TLR interest expense | | (45) | (31) | (75) | (62) |
| TLC interest expense | | (826) | (860) | (1,623) | (1,681) |
| Debentures discount amortization | | 1,245 | 1,202 | 2,420 | 1,653 |
| **Adjusted interest expense[1]** | G | **$ (27,316)** | **$ (21,262)** | **$ (53,401)** | **$ (31,746)** |
| **Amortization expense per financial statements** | | **$ (1,249)** | **$ (1,378)** | **$ (2,482)** | **$ (2,779)** |
| NCI portion of Johnson's amortization expense | | 431 | 559 | 950 | 1,168 |
| **Adjusted amortization expense[1]** | H | **$ (818)** | **$ (819)** | **$ (1,532)** | **$ (1,611)** |
| **Tax (expense) recovery per financial statements** | | **$ (3,055)** | **$ 1,135** | **$ (12,621)** | **$ (1,127)** |
| TAH tax recovery | | – | 116 | 2 | 1,071 |
| THP tax (expense) recovery | | (55) | (61) | (84) | 87 |
| TLR tax recovery (expense) | | 11 | – | (32) | – |
| TLC tax expense | | – | (56) | (1,578) | (284) |
| Tax expense on non-recurring and non-cash expenses | | (1,260) | (4,504) | (1,864) | (5,417) |
| **Adjusted income tax expense[1]** | I | **$ (4,359)** | **$ (3,370)** | **$ (16,177)** | **$ (5,670)** |

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

# 8. OPERATIONAL KEY PERFORMANCE INDICATORS

### 8.1 Key performance indicators

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

**Tricon American Homes**

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

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

**Tricon Housing Partners**

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

### 8.2 Assets under management

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

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

| ASSETS UNDER MANAGEMENT | |
|---|---|
| **Principal Investments** | |
| Tricon American Homes | • Fair value of investment properties and investment properties held for sale before projected future disposition fees plus unfunded commitment |
| Tricon Housing Partners | • Fair value of invested capital plus unfunded commitment |
| Tricon Lifestyle Rentals | • Fair value of development/investment properties plus unfunded commitment |
| Tricon Lifestyle Communities (disposed of on June 29, 2018) | • Fair value of assets including in-place leases and park assets |
| **Private Funds and Advisory** | |
| Commingled funds | • During the investment period, AUM = capital commitment<br>• After the investment period, AUM = outstanding invested capital |
| Separate accounts/side-cars/ syndicated investments/ joint ventures | • Outstanding invested capital plus unfunded commitment less return of capital |

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

### 9.1 Revenue, investments and fair value determination

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

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

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

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

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

### Tricon American Homes ("TAH")

Investment income is comprised of: (i) realized rental income net of expenses from leasing single-family rental homes; (ii) property management fees, acquisition fees and construction management fees from assets managed on behalf of third-party investors; and (iii) investment income from changes in the fair value of single-family rental homes. The fair value of TAH homes is based on the Broker Price Opinion ("BPO") methodology and supplemented by the Home Price Index ("HPI") methodology. TAH typically obtains a BPO for a home once every three years. Once a BPO is obtained, the fair value of the home is adjusted using the HPI on a quarterly basis until it is replaced by a more recent BPO. Refer to Note 4 in the financial statements for specific details of these valuation methodologies.

### Tricon Housing Partners ("THP")

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

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

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

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

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

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

### Tricon Lifestyle Rentals ("TLR")

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

### 9.2 Accounting estimates and policies

**Accounting estimates**

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

**Accounting standards adopted in the current year**

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

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

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

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

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

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

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

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

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

**Accounting standards and interpretations issued but not yet adopted**

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

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

### 9.3 Controls and procedures

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

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

### 9.4 Transactions with related parties

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

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

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

### 9.5 Dividends

On August 7, 2018, the Board of Directors declared a dividend of seven cents per share in Canadian dollars payable on or after October 15, 2018 to shareholders of record on September 30, 2018.

### 9.6 Compensation incentive plan

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

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

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

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

### 9.7 Risk definition and management

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

## 10. HISTORICAL FINANCIAL INFORMATION

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

| For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | June 30, 2018 | March 31, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|---|
| **Financial statement results** | | | | |
| Total revenue and investment income from continuing operations | $ 54,014 | $ 95,911 | $ 60,226 | $ 69,408 |
| Investment income from discontinued operations and gain from disposal of investments held for sale | 19,602 | 1,568 | 1,187 | 2,262 |
| Net income | 39,763 | 99,469 | 25,724 | 57,512 |
| Basic earnings per share | 0.29 | 0.74 | 0.19 | 0.43 |
| Diluted earnings per share | 0.29 | 0.46 | 0.19 | 0.29 |

| For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars) | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 |
|---|---|---|---|---|
| **Financial statement results** | | | | |
| Total revenue and investment income from continuing operations | $ 13,820 | $ 25,612 | $ 20,114 | $ 34,364 |
| Total investment income from discontinued operations | 1,613 | 2,319 | 1,731 | 1,496 |
| Net income (loss) | (21,643) | 7,755 | 8,964 | 23,617 |
| Basic earnings (loss) per share | (0.17) | 0.07 | 0.21 | 0.21 |
| Diluted earnings (loss) per share | (0.17) | 0.07 | 0.17 | 0.17 |

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