TRICON

TRICON CAPITAL GROUP INC.

Management's Discussion and Analysis

for the Three Months Ended March 31, 2017

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Management's Discussion and Analysis

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

for the three months ended March 31, 2017

Non-IFRS measures and forward-looking statements

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

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

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

This MD&A includes forward-looking statements pertaining to: anticipated investment performance including, in particular, project timelines and sales expectations, projected Internal Rate of Return ("IRR"), Returns on Investment ("ROI"), expected performance fees and expected future cash flow; anticipated demand for homebuilding, lots, single-family rental homes, manufactured housing communities and luxury apartment suites; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home ("TAH")'s underwriting model; the intentions to build portfolios and attract investment in TAH, Tricon Lifestyle Communities ("TLC") and Tricon Luxury Residences ("TLR") and the Company's investment horizon and exit strategy for each investment vertical, including the anticipated divestiture of TLC and TLR U.S. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's Annual Information Form dated March 29, 2017 (the "AIF") and its 2016 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 May 9, 2017, 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 months ended March 31, 2017.

Additional information about the Company, including our 2016 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 months ended March 31, 2017 were prepared using International Financial Reporting Standards ("IFRS") accounting policies consistent with the Company's audited annual consolidated financial statements for the year ended December 31, 2016.

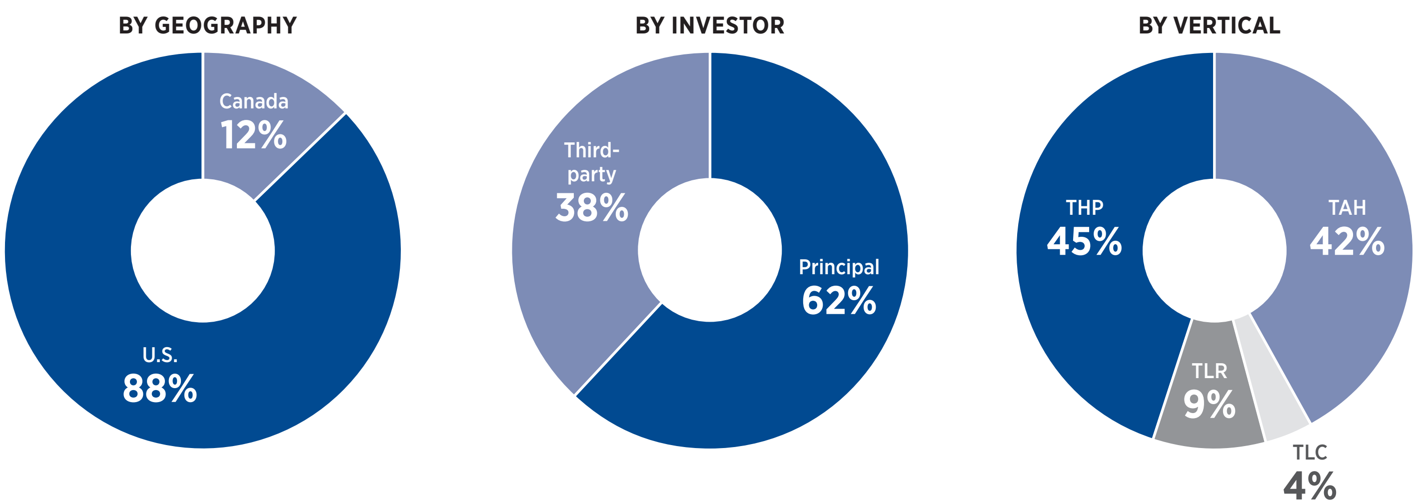
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a principal investor and asset manager focused on the residential real estate industry in North America with approximately $3.0 billion (C$4.0 billion) of assets under management. Tricon owns, or manages on behalf of third-party investors, a portfolio of investments in land and homebuilding assets, single-family rental homes, manufactured housing communities and multi-family development projects. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $18 billion.

$3.0 billion

Assets Under Management (AUM)



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

1. Principal Investments

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

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

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

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

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

A detailed description of our investment verticals is included in our 2016 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.

2. Private Funds and Advisory

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

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

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

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

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

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

A more detailed description of the sources of fee income from Private Funds and Advisory activities is included in Section 9 and in our 2016 Annual Information Form, available on SEDAR at www.sedar.com.

1.2 How we invest and create value

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

Tricon Housing Partners

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

The core investment types described above are structured as self-liquidating transactions generally with cash flow 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 expected to be substantially completed within a three- to six-year time horizon, providing THP with an opportunity to reinvest realized proceeds on an ongoing basis.

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

Tricon American Homes

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

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

On May 9, 2017, Tricon announced that it had completed the previously announced acquisition of Silver Bay Realty Trust Corp. ("Silver Bay"). Silver Bay is a U.S. single-family rental Real Estate Investment Trust ("REIT") which owns 9,044 homes (as of December 31, 2016) and has a similar investment strategy to TAH whereby it targets the Sun Belt and middle market households. With approximately 16,800 homes, the acquisition positions TAH as the fourth largest publicly-owned single-family rental company in the U.S. See Section 4.2 for further details concerning the acquisition.

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.

TAH's growing institutional-quality portfolio may in time garner the interest of third-party investors, which could provide the Company with an opportunity to wholly or partially exit its investment. The Company is targeting an exit from its investment in TAH within seven to ten years, which may take the form of a public offering of TAH or a partial sale to an institutional investor.

Tricon Lifestyle Communities

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

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

Tricon Luxury Residences

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

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

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

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

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

Once Tricon has exited its TLC manufactured housing business and its U.S. multi-family developments in TLR, it will be left with three core investment verticals, namely land and homebuilding (THP), single-family rental (TAH) and Canadian purpose-built multi-family development (TLR Canada). It is management's intention to remain focused on its housing-centric investment strategy, but to simplify the overall business model and only focus 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 (ages 16 to 36) who are in the early stages of forming families, having children and ultimately moving to the suburbs where they can find relatively affordable single-family housing and good schools. The more affluent will continue to buy homes, benefiting Tricon's land and homebuilding business, whereas the workforce may be more likely to rent single-family homes from institutional landlords such as TAH. In Canada, major housing affordability issues in cities such as Toronto and Vancouver will ultimately require more purpose-built rental supply which TLR Canada intends to capitalize on.

2. Highlights

Financial highlights

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

For the three months ended March 31	2017	2016
Total revenue and investment income	$ 27,931	$ 27,485
Net income	7,755	12,857
Basic earnings per share	0.07	0.12
Diluted earnings per share	0.07	0.11
Dividends per share	C$ 0.065	C$ 0.065
Non-IFRS measures[1]		
Adjusted EBITDA	$ 29,376	$ 26,800
Adjusted net income	15,400	15,813
Adjusted basic EPS attributable to shareholders of Tricon	0.14	0.14
Adjusted diluted EPS attributable to shareholders of Tricon	0.13	0.14
As at March 31	**2017**	**2016**
Total assets	$ 1,183,510	$ 893,113
Total liabilities	436,130	188,035
Investments	951,119	807,156
Debt	56,216	132,016
Assets under management ("AUM")[2]	$ 3,034,116	$ 2,781,746

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

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

Investment highlights by vertical

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

For the three months ended March 31 (in thousands of U.S. dollars, except for percentages and units)	2017	2016
TRICON HOUSING PARTNERS *(Refer to Sections 3.3 and 4.1)*		
Investments – THP	**$ 297,512**	**$ 270,241**
Investment income – THP	**5,668**	**6,401**
TRICON AMERICAN HOMES *(Refer to Sections 3.3 and 4.2)*		
Investments – TAH	**$ 525,090**	**$ 472,995**
Investment income – TAH	**12,269**	**12,910**
Net operating income (NOI)	16,362	12,676
Net operating income (NOI) margin	61.6%	60.0%
Core funds from operations	5,670	4,253
Total homes owned	7,821	7,603
Occupancy	95.6%	88.4%
Stabilized occupancy	96.5%	95.4%
Same home net operating income (NOI)	10,350	9,164
Same home net operating income (NOI) growth	12.9%	N/A
Same home net operating income (NOI) margin	62.3%	60.3%
TRICON LIFESTYLE COMMUNITIES *(Refer to Sections 3.3 and 4.3)*		
Investments – TLC	**$ 54,910**	**$ 31,636**
Investment income – TLC	**2,319**	**482**
Net operating income (NOI)	2,219	1,478
Net operating income (NOI) margin	58.9%	56.6%
Core funds from operations	1,134	738
Total number of rental sites	3,065	2,467
Occupancy	82.4%	75.6%
Long-term occupancy	73.2%	66.4%
TRICON LUXURY RESIDENCES *(Refer to Sections 3.3 and 4.4)*		
Investments – TLR	**$ 73,607**	**$ 32,284**
Investment income – TLR	**1,931**	**1,919**
Units under development	1,316	1,335
PRIVATE FUNDS AND ADVISORY *(Refer to Section 4.5)*		
Third-party assets under management	$ 1,155,899	$ 1,180,403
Contractual fees and GP distributions	**5,741**	**5,773**
Performance fees	**3**	**–**

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 months ended March 31, 2017.

3.1 Review of income statements

Consolidated statements of income

For the three months ended March 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	2017	2016	Variance
Revenue			
Contractual fees	$ 5,408	$ 5,468	$ (60)
General partner distributions	333	305	28
Performance fees	3	–	3
	5,744	5,773	(29)
Investment income			
Investment income – Tricon Housing Partners	5,668	6,401	(733)
Investment income – Tricon American Homes	12,269	12,910	(641)
Investment income – Tricon Lifestyle Communities	2,319	482	1,837
Investment income – Tricon Luxury Residences	1,931	1,919	12
	22,187	21,712	475
Total revenue and investment income	**$ 27,931**	**$ 27,485**	**$ 446**
Expenses			
Compensation expense	5,212	4,739	473
General and administration expense	1,860	1,407	453
Interest expense	3,316	2,560	756
Other expenses	6,504	1,770	4,734
Realized and unrealized foreign exchange loss	704	1,505	(801)
	17,596	11,981	5,615
Income before income taxes	10,335	15,504	(5,169)
Income tax expense – current	1,118	1,568	(450)
Income tax expense – deferred	1,462	1,079	383
Net income	**$ 7,755**	**$ 12,857**	**$ (5,102)**
Attributable to:			
Shareholders of Tricon	$ 7,871	$ 13,234	$ (5,363)
Non-controlling interest	(116)	(377)	261
Net income	**7,755**	**12,857**	**(5,102)**
Basic EPS attributable to shareholders of Tricon	**$ 0.07**	**$ 0.12**	**$ (0.05)**
Diluted EPS attributable to shareholders of Tricon	**$ 0.07**	**$ 0.11**	**$ (0.04)**
Weighted average shares outstanding – basic	**113,535,527**	**112,379,331**	**1,156,196**
Weighted average shares outstanding – diluted[1]	**115,914,567**	**122,715,437**	**(6,800,870)**

(1) For the three months ended March 31, 2017, the Company's 2020 convertible debentures are anti-dilutive (March 31, 2016 – dilutive), as debentures interest expense and the net change in fair value of derivative financial instruments, net of tax, would result in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the three months ended March 31, 2017, the impact of the 2020 convertible debentures was excluded as their effect was anti-dilutive.

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

Contractual fees

The following table provides details regarding contractual fees for the three months ended March 31, 2017.

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Management fees – private Investment Vehicles	$ 2,788	$ 3,472	$ (684)
Development fees – TDG	389	329	60
Development fees – Johnson	2,231	1,667	564
Contractual fees	**$ 5,408**	**$ 5,468**	**$ (60)**

Contractual fees for the three months ended March 31, 2017 totaled $5.4 million, a decrease of $0.1 million or 1% from the same period in the prior year. The variance is mainly attributable to:

- An increase of $0.6 million in advisory fee revenue from Johnson as a result of increased residential lot and third-party home sales compared to the same period in the prior year.
- An offsetting decrease of $0.7 million in management fees as a result of distributions at various funds, and a commensurate reduction in the outstanding investment balances.

Investment income – Tricon Housing Partners

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
THP1 US	$ 2,960	$ 4,699	$ (1,739)
THP2 US	431	486	(55)
THP3 Canada	(305)	783	(1,088)
Trinity Falls	1,822	–	1,822
Separate accounts[1]	588	504	84
Side-cars[2]	172	(71)	243
Investment income – THP	**$ 5,668**	**$ 6,401**	**$ (733)**

(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, Arantine Hills and Trilogy Lake Norman.

Investment income for the three months ended March 31, 2017 was $5.7 million, a decrease of $0.7 million or 11%, compared to $6.4 million for the same period in 2016. The variance is mainly attributable to:

- An increase in investment income of $1.8 million from Trinity Falls, a new investment made in July 2016, as well as a minor increase from separate accounts and side-cars.
- A $1.7 million decrease in investment income from THP1 US as significant distributions were made during 2016, thereby reducing the outstanding investment balance.
- A decrease in investment income of $1.1 million from THP3 Canada, which was attributable to higher than anticipated construction costs at River Park Place, a condominium project located in Richmond, British Columbia.

Investment income – Tricon American Homes

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Total revenue	$ 26,556	$ 21,123	$ 5,433
Total operating expenses	(10,194)	(8,447)	(1,747)
Net operating income (NOI)[1]	**16,362**	**12,676**	**3,686**
Fair value gain[2]	9,935	8,618	1,317
Other expenses[3]	(7,261)	(3,854)	(3,407)
Interest expense	(6,767)	(4,530)	(2,237)
Investment income – TAH	**$ 12,269**	**$ 12,910**	**$ (641)**

(1) KPI measure; see Section 8.1.

(2) Fair value gain for the three months ended March 31, 2017 includes imputed selling costs of $988. Fair value gain for the three months ended March 31, 2016 includes imputed selling costs of $821 to conform with the current period presentation.

(3) Other expenses are comprised of:

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Corporate overhead	$ (4,708)	$ (4,103)	$ (605)
Transaction costs and non-recurring costs	(3,323)	(332)	(2,991)
Amortization of fixed assets	(185)	(90)	(95)
Deferred tax recovery	955	671	284
Other expenses	**$ (7,261)**	**$ (3,854)**	**$ (3,407)**

Investment income for the three months ended March 31, 2017 was $12.3 million, a decrease of $0.6 million or 5% from $12.9 million for the same period in 2016 primarily due to $3.1 million of non-recurring transaction costs related to the acquisition of Silver Bay (see Sections 3.2 and 4.2). Excluding the impact of these costs, investment income for the quarter would have been $15.4 million, an increase of 19%. The variance is attributable to:

- An increase of $3.7 million in net operating income ("NOI") (a key performance indicator ("KPI"); refer to Section 8.1 for a description), as a result of an increase in the number of leased properties at quarter end (7,168 homes for Q1 2017 as compared to 6,666 homes for Q1 2016) as well as strong rent growth achieved across the portfolio (see Section 4.2) and an improvement in margins.
- An increase in fair value gain of $1.3 million as a result of higher portfolio home price appreciation (determined using a Home Price Index ("HPI") methodology (see Section 9.1)), net of capital expenditures. The HPI increase this quarter was 1.3% (5.2% annualized) as compared to a 1.0% (4.0% annualized) increase in the first quarter of 2016.
- The aforementioned increases were offset by both an increase in interest expense as a result of a higher outstanding debt balance from TAH's second securitization loan, and the non-recurring transaction costs related to the Silver Bay acquisition.

Investment income – Tricon Lifestyle Communities

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Total revenue	$ 3,767	$ 2,460	$ 1,307
Total operating expenses	(1,548)	(982)	(566)
Net operating income (NOI)[1]	**2,219**	**1,478**	**741**
Other expenses	(340)	(422)	82
Fair value gain	1,261	–	1,261
Interest expense	(821)	(574)	(247)
Investment income – TLC	**$ 2,319**	**$ 482**	**$ 1,837**

(1) KPI measure; see Section 8.1.

For the three months ended March 31, 2017, investment income from TLC was $2.3 million compared to $0.5 million for the same period in the prior year. This increase was primarily attributable to:

- An increase of $0.7 million in NOI associated with a greater number of properties owned (14 properties for Q1 2017 as compared to 10 properties for Q1 2016).
- A fair value gain recognized as a result of NOI growth and the substantial completion of capital enhancement programs at Newhaven and Glenhaven.
- These increases were partially offset by higher interest expense associated with financing the acquisition of four new communities compared to the same quarter last year.

Investment income – Tricon Luxury Residences

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Rental revenue	$ 269	$ 48	$ 221
Other expenses[1]	(96)	(954)	858
Fair value gain	1,758	2,825	(1,067)
Investment income – TLR	**$ 1,931**	**$ 1,919**	**$ 12**

(1) Other expenses are comprised of:

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Non-controlling interests	$ (212)	$ (1,554)	$ 1,342
Corporate overhead	(111)	(8)	(103)
Interest expense	(31)	–	(31)
Translation adjustment	258	608	(350)
Other expenses	**$ (96)**	**$ (954)**	**$ 858**

For the three months ended March 31, 2017, investment income from TLR was $1.9 million, which is consistent with the same period in the prior year. The main drivers for the investment income include:

- Fair value gains recognized at The Maxwell and The McKenzie projects in Dallas-Fort Worth were $1.1 million lower this quarter than the fair value gains recognized in the comparative period of 2016 as a result of construction commencement and related project de-risking that occurred in the first quarter of 2016.
- Reduced expenses primarily due to lower income attributable to the non-controlling interest, as lower fair value gains were recognized in the first quarter of 2017.

Compensation expense

The table below provides a breakdown of compensation expense.

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Salaries and benefits	$ 3,381	$ 2,744	$ 637
Annual incentive plan	2,438	2,335	103
Long-term incentive plan	(607)	(340)	(267)
Total compensation expense	**$ 5,212**	**$ 4,739**	**$ 473**

Compensation expense for the three months ended March 31, 2017 increased by $0.5 million compared to the same period in the prior year, primarily as a result of $0.6 million of incremental payroll costs attributable to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments, offset by a decrease in LTIP primarily as a result of lower projected performance fee sharing.

General and administration expense

General and administration expense for the three months ended March 31, 2017 increased by $0.5 million compared to the same period in the prior year, primarily due to increased levels of investment activity.

Interest expense

The table below provides a summary of interest expense.

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Credit facility interest	$ 1,470	$ 1,101	$ 369
Debentures interest	1,395	1,035	360
Debentures discount amortization	451	424	27
Total interest expense	**$ 3,316**	**$ 2,560**	**$ 756**

Interest expense was $3.3 million for the three months ended March 31, 2017 compared to $2.6 million for the same period last year, an increase of $0.8 million. The increase was primarily driven by accrued interest expense of $0.4 million in respect of the extendible convertible unsecured subordinated debentures issued on March 17, 2017 (refer to Section 3.2, Other liabilities). The increase was also attributable to higher interest expense incurred on the corporate revolving credit facility as a result of increased net investment in the Company's investment verticals.

Other expenses

The table below provides a breakdown of other expenses.

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Net change in fair value of derivative financial instruments	$ 4,167	$ (925)	$ 5,092
Transaction costs	936	1,125	(189)
Amortization expense	1,401	1,570	(169)
Total other expenses	**$ 6,504**	**$ 1,770**	**$ 4,734**

The net change in fair value of derivative financial instruments was driven by a net increase (net decrease for the three months ended March 31, 2016) in the fair value of the conversion feature of the Company's outstanding convertible debentures. The value of the conversion feature, which is reflected as an expense of the Company, increased largely because of a meaningful increase in Tricon's share price on the Toronto Stock Exchange ("TSX").

Income tax expense

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

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Assets					
Cash	$ 22,680	$ 17,780	$ 5,933	$ 8,695	$ 29,456
Amounts receivable	18,801	16,892	11,873	14,912	9,773
Prepaid expenses and deposits	3,660	2,599	2,652	8,298	3,020
Cash held in escrow	148,310	–	–	–	–
Investments – Tricon Housing Partners	297,512	301,787	347,840	270,716	270,241
Investments – Tricon American Homes	525,090	479,938	505,074	512,024	472,995
Investments – Tricon Lifestyle Communities	54,910	52,591	38,504	33,106	31,636
Investments – Tricon Luxury Residences	73,607	62,410	57,864	53,212	32,284
Intangible assets	23,626	24,967	26,312	27,672	29,027
Deferred income tax assets	13,969	12,404	12,274	13,359	13,526
Other assets	1,345	1,376	1,370	1,265	1,155
Total assets	**$ 1,183,510**	**$ 972,744**	**$ 1,009,696**	**$ 943,259**	**$ 893,113**
Liabilities					
Amounts payable and accrued liabilities	$ 10,965	$ 10,892	$ 8,240	$ 9,711	$ 4,764
Dividends payable	5,524	5,459	5,578	5,648	5,609
Long-term incentive plan	12,509	13,359	14,895	15,281	15,494
Debt	56,216	168,857	216,080	167,886	132,016
Other liabilities	313,260	–	–	–	–
Deferred income tax liabilities	33,461	30,488	28,294	24,204	22,149
Derivative financial instruments	4,195	28	1,264	5,648	8,003
Total liabilities	**436,130**	**229,083**	**274,351**	**228,378**	**188,035**
Equity					
Share capital	569,552	567,677	566,452	564,348	563,245
Contributed surplus	15,682	15,835	11,381	10,762	9,570
Cumulative translation adjustment	19,316	18,711	18,836	18,436	18,609
Retained earnings	130,047	127,691	124,775	106,811	98,099
Total shareholders' equity	734,597	729,914	721,444	700,357	689,523
Non-controlling interest	12,783	13,747	13,901	14,524	15,555
Total equity	**747,380**	**743,661**	**735,345**	**714,881**	**705,078**
Total liabilities and equity	**$ 1,183,510**	**$ 972,744**	**$ 1,009,696**	**$ 943,259**	**$ 893,113**

Investments – Tricon Housing Partners

As shown in the table below, investments in THP decreased by $4.3 million or 1% to $297.5 million as at March 31, 2017 from $301.8 million as at December 31, 2016. The variance is primarily a result of distributions of $16.4 million, partially offset by advances of $6.5 million during the quarter and investment income of $5.7 million generated across the portfolio. Tricon's co-investment in Tricon Housing Partners US Syndicated Pool 2 ("THP US SP2"), a new separate account investment that closed in the quarter (see Section 4.1), accounted for $4.9 million of the advances made during the quarter.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at March 31, 2017
THP1 US	$ 111,744	$ –	$ 2,960	$ (13,471)	$ 101,233
THP2 US	25,260	30	431	(22)	25,699
THP3 Canada	9,537	–	(305)	–	9,232
Trinity Falls	77,195	–	1,822	–	79,017
Separate accounts[1]	60,926	5,894	588	(2,948)	64,460
Side-cars[2]	17,125	574	172	–	17,871
Investments – THP	**$ 301,787**	**$ 6,498**	**$ 5,668**	**$ (16,441)**	**$ 297,512**

(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, Arantine Hills and Trilogy Lake Norman.

Investments – Tricon American Homes

Investments in TAH increased by $45.2 million or 9% to $525.1 million as at March 31, 2017, from $479.9 million as at December 31, 2016. The increase was driven by advances of $39.2 million for the acquisition of new homes and the buyout of the remaining minority interests of former operating partners, and investment income of $12.3 million, which included $9.9 million of fair value gains. This increase was partly offset by cash distributions of $6.3 million.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at March 31, 2017
Investments – TAH	**$ 479,938**	**$ 39,183**	**$ 12,269**	**$ (6,300)**	**$ 525,090**

Investments – Tricon Lifestyle Communities

Investments in TLC increased by $2.3 million or 4% to $54.9 million as at March 31, 2017, from $52.6 million as at December 31, 2016, as a result of net operating income and fair value gains during the quarter (see Section 3.1).

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at March 31, 2017
Investments – TLC	**$ 52,591**	**$ –**	**$ 2,319**	**$ –**	**$ 54,910**

Investments – Tricon Luxury Residences

Investments in TLR increased by $11.2 million or 18% to $73.6 million as at March 31, 2017, from $62.4 million as at December 31, 2016. The investment balance is comprised of $46.4 million in TLR U.S. and $27.2 million in TLR Canada. The overall increase during the quarter was mainly driven by advances made to existing projects in the U.S.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at March 31, 2017
Investments – TLR	**$ 62,410**	**$ 9,266**	**$ 1,931**	**$ –**	**$ 73,607**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)(1)	
(in thousands of dollars)	Currency	Total amount	Maturity date	Interest rate terms	March 31, 2017	December 31, 2016
Revolving term credit facility	USD	$ 235,000	June 2019	LIBOR+350 bps	$ –	$ 113,750
2020 convertible debentures	CAD	85,731	March 2020	5.60%	56,216	55,107
					$ 56,216	**$ 168,857**

(1) The 2020 convertible unsecured subordinated debentures are denominated in Canadian dollars. 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). USD/CAD exchange rates used to present debt balances in U.S. dollars are at March 31, 2017: 1.3299 and at December 31, 2016: 1.3427.

The Company has access to a corporate revolving credit facility provided by a syndicate of lenders. As of March 31, 2017, no amount was drawn from the facility. On May 9, 2017, the size of the facility was increased from $235.0 million to $365.0 million.

As of March 31, 2017, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "2020 convertible debentures") which, in the aggregate, are convertible into 8,748,061 common shares of the Company at a conversion price of C$9.80 per common share. The 2020 convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met.

Other liabilities

In connection with the acquisition of Silver Bay, the Company completed public offerings of extendible convertible debentures and subscription receipts, described below, raising approximately $323.8 million in aggregate gross proceeds. The net proceeds of these offerings were used to finance the acquisition of Silver Bay on May 9, 2017 and the terms of the debentures and subscription receipts, which are recorded as other liabilities, are described in more detail below.

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
2022 convertible debentures	$ 164,950	$ –
Subscription receipts and dividends payable	148,310	–
Total other liabilities	**313,260**	**–**

2022 convertible debentures

On March 17, 2017, the Company completed the offering, on a bought deal basis, of $172.5 million aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures (the "2022 convertible debentures"), including $22.5 million aggregate principal amount of 2022 convertible debentures issued pursuant to the exercise of underwriters' over-allotment options. The net offering proceeds to the Company were $164.9 million after transaction costs of $7.6 million. The 2022 convertible debentures were classified as a short-term other liability as at March 31, 2017, given that their initial maturity date fell within the twelve months of their issuance.

Upon the closing of the acquisition of Silver Bay on May 9, 2017, the 2022 convertible debentures became convertible to common shares of the Company in accordance with their terms, and their maturity date was extended to March 31, 2022. In accordance with IAS 39, the conversion and redemption features of the 2022 convertible debentures were measured separately from the 2022 convertible debentures, and these amounts will be classified to derivative financial instruments and debt, respectively.

The 2022 convertible debentures bear interest at 5.75% per annum, which is payable semi-annually in arrears in March and September, and are convertible into common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount of 2022 convertible debentures or a conversion price of approximately $10.46 per common share (equivalent to C$13.91 as of March 31, 2017).

The 2022 convertible debentures may not be redeemed by the Company prior to March 31, 2020, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after March 31, 2020 and prior to March 31, 2021, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the U.S. dollar equivalent of the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to their final maturity date, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.

Subscription receipts and dividends payable

On March 17, 2017, the Company completed the offering, on a bought deal basis, of 20,326,250 subscription receipts (including 2,651,250 subscription receipts issued pursuant to the exercise of underwriters' over-allotment options) at a price of C$9.90 per subscription receipt for gross proceeds of $151.3 million (C$201.2 million). The terms of the subscription receipts were summarized in detail in the Company's short form prospectus filed on March 10, 2017 and available on SEDAR at www.sedar.com. Upon the closing of the acquisition of Silver Bay on May 9, 2017, 20,326,250 common shares were delivered to holders of subscription receipts in satisfaction of their right to receive one common share per subscription receipt. As of May 9, 2017, no subscription receipts remain outstanding.

While outstanding, the subscription receipts were classified as short-term other liabilities. Prior to the completion of the acquisition of Silver Bay, the proceeds of the offering of subscription receipts were held in escrow and were recorded as cash held in escrow. As at March 31, 2017, subscription receipts recorded within other liabilities of $148.3 million were comprised of gross proceeds of $151.3 million offset by deferred issuance costs of $3.0 million. Dividend equivalent payments payable to holders of subscription receipts of record as of March 31, 2017 totaled $0.9 million (C$1.2 million), and were included in other liabilities as dividends payable. These dividend equivalent payments were paid first out of any interest earned or other income generated on the escrowed offering proceeds and second out of those escrowed funds as partial refunds of the subscription receipt offering price.

Following the closing of the acquisition of Silver Bay, and the resulting issuance of common shares to holders of subscription receipts, the amount of the liability represented by the outstanding subscription receipts will be reclassified to share capital net of issuance costs.

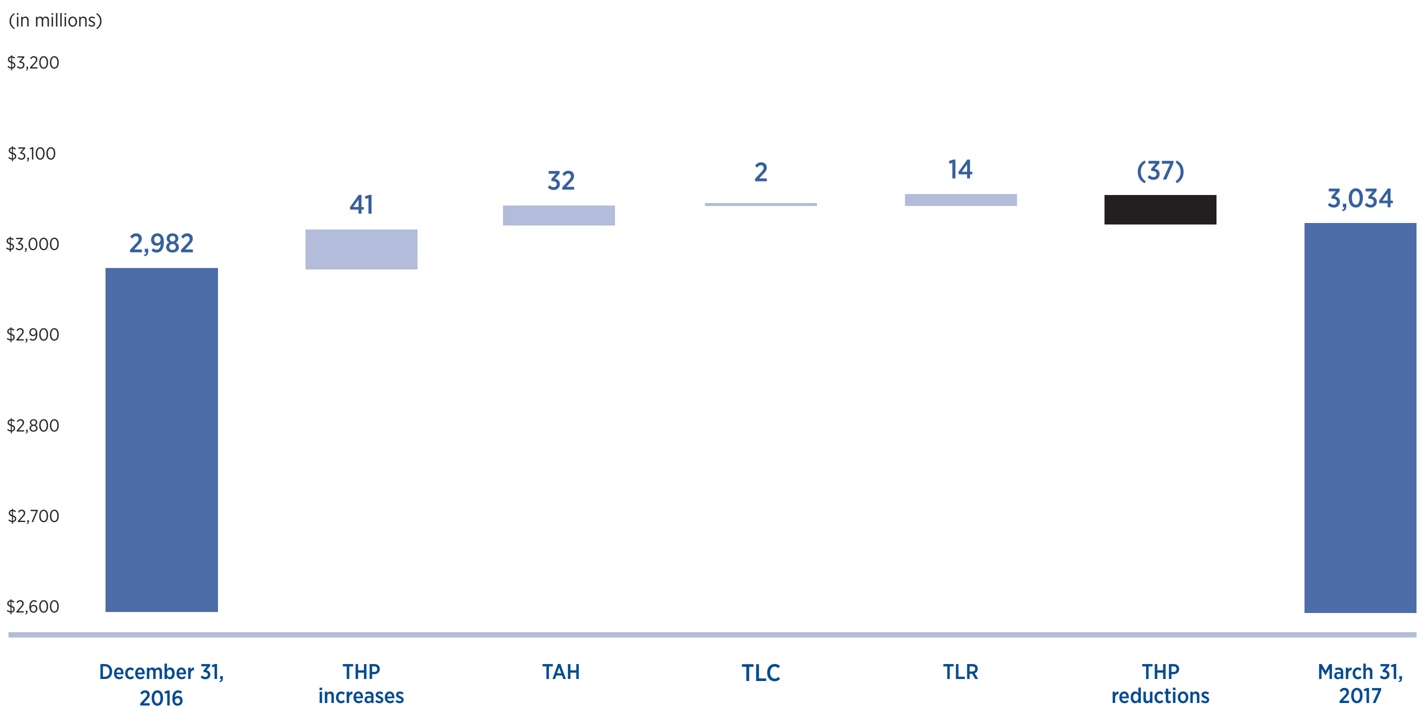
3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.1) were $3.0 billion as at March 31, 2017, representing a nominal increase since December 31, 2016. Refer to Section 8.2 for a detailed description of AUM.

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

- An increase of $40.5 million in THP AUM primarily as a result of new investments in THP US SP2, a new separate account (see Section 4.1).
- An increase of $32.7 million in TAH AUM driven by $21.8 million of new investments primarily related to the acquisition of homes and home renovations throughout the quarter, as well as $10.9 million of fair value adjustments related to home price appreciation in the portfolio.
- An increase of $1.8 million in TLC AUM primarily as a result of fair value gains recognized during the quarter.
- An increase of $13.7 million in TLR AUM primarily driven by an increase in construction loan advances for The Selby of $6.3 million, as well as an increase in total commitment amount of $4.3 million for The McKenzie. The remaining increase of $3.1 million includes a fair value gain of $1.8 million recognized on the U.S. projects during the first quarter, and $1.3 million foreign exchange gain on Canadian projects.
- A decrease of $36.8 million in THP AUM reflecting distributions from THP1 US and THP2 US, as well as fair value changes.

Changes in assets under management



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

(in thousands of U.S. dollars)	March 31, 2017[1]	December 31, 2016[1]	September 30, 2016[1]	June 30, 2016[1]	March 31, 2016[1]
PRINCIPAL INVESTMENTS					
Tricon Housing Partners					
THP1 US	$ 112,208	$ 122,719	$ 176,657	$ 179,660	$ 175,572
THP2 US	30,895	30,503	32,914	31,942	31,765
THP3 Canada	15,324	15,571	16,126	16,554	16,058
Trinity Falls	96,902	98,963	97,102	–	–
Separate accounts	74,261	69,930	65,398	64,306	70,526
Side-cars	20,042	20,266	19,230	18,998	19,013
Tricon Housing Partners	**349,632**	**357,952**	**407,427**	**311,460**	**312,934**
Tricon American Homes[2]	**1,271,996**	**1,239,344**	**1,232,862**	**1,194,530**	**1,112,966**
Tricon Lifestyle Communities[2]	**132,406**	**130,560**	**98,802**	**87,633**	**85,964**
Tricon Luxury Residences					
U.S.	66,443	60,663	62,370	60,094	59,058
Canada	57,739	56,338	56,279	67,803	30,421
Tricon Luxury Residences	**124,182**	**117,001**	**118,649**	**127,897**	**89,479**
Principal Investments	**$ 1,878,217**	**$ 1,844,857**	**$ 1,857,740**	**$ 1,721,520**	**$ 1,601,343**
PRIVATE FUNDS AND ADVISORY					
Tricon Housing Partners					
THP1 US	$ 31,413	$ 37,258	$ 62,411	$ 61,193	$ 61,010
THP2 US	226,642	235,695	308,740	308,740	308,740
THP1 Canada	726	719	736	471	471
THP2 Canada	22,544	22,323	23,179	38,720	45,987
THP3 Canada	101,589	100,640	102,478	101,998	102,052
Separate accounts	441,100	415,559	412,640	412,640	387,320
Side-cars	160,916	160,916	160,917	161,916	161,916
Syndicated investments	25,546	25,305	25,675	26,528	34,786
Tricon Housing Partners	**1,010,476**	**998,415**	**1,096,776**	**1,112,206**	**1,102,282**
Tricon Luxury Residences	**145,423**	**138,878**	**142,223**	**133,130**	**78,121**
Private Funds and Advisory	**$ 1,155,899**	**$ 1,137,293**	**$ 1,238,999**	**$ 1,245,336**	**$ 1,180,403**
Total assets under management	**$ 3,034,116**	**$ 2,982,150**	**$ 3,096,739**	**$ 2,966,856**	**$ 2,781,746**

(1) USD/CAD exchange rates used at each balance sheet date are: at Mar 31, 2017: 1.3299; Dec 31, 2016: 1.3427; Sep 30, 2016: 1.3117; Jun 30, 2016: 1.2917; and Mar 31, 2016: 1.2987.

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

3.4 Subsequent events

On May 9, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on July 14, 2017 to shareholders of record on June 30, 2017.

On May 9, 2017, TAH completed the previously announced acquisition of Silver Bay by way of an all-cash transaction valued at $21.50 per share of Silver Bay. Refer to Section 4.2 for additional details.

On May 9, 2017, the Company increased its corporate revolving credit facility to $365.0 million and added three additional banks to its syndicate of lenders.

4. Operational review of investment verticals and Private Funds and Advisory business

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

4.1 Tricon Housing Partners

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

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded equity commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 65,353	$ 101,233	$ 10,975	$ 112,208	$ 269,676	$ 262,305	$ 129,634
THP2 US	7.5%	19,619	25,699	5,196	30,895	19,804	22	28,567
THP3 Canada	10.2%	9,035	9,232	6,092	15,324	8,947	1,781	13,343
Trinity Falls	100.0%	73,865	79,017	17,885	96,902	73,865	–	184,444
Separate accounts[2]	12.9%	58,106	64,460	9,801	74,261	68,979	19,505	127,556
Side-cars[3]	7.4%	15,570	17,871	2,171	20,042	15,709	–	27,847
Total		**$ 241,548**	**$ 297,512**	**$ 52,120**	**$ 349,632**	**$ 456,980**	**$ 283,613**	**$ 511,391**

Investment income – Q1 2017	$ 5,668
as a % of invested capital at March 31, 2017 (annualized)	9.4%

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

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

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

For the three months ended March 31, 2017, investment income of $5.7 million represented a 2.3% net return on outstanding invested capital, or 9.4% on an annualized basis. This metric may fluctuate quarter to quarter, based on the timing of development milestones and project budget revisions. On a full-year basis, the net return on invested capital is expected to be in the range of 9% – 11%.

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

THP1 US

Over the first quarter, THP1 US distributed $19.7 million to its investors, including $13.5 million to Tricon. Of the total distributions, $18.2 million was generated from closing proceeds from the Rockwell condominium, the third and final project in the San Francisco Portfolio, which has outperformed the original budget and schedule. THP1 US is expected to continue to generate meaningful cash distributions to Tricon of approximately $130 million through 2019.

THP2 US

THP2 US performed largely in line with expectations in the first quarter of 2017. Major highlights include the receipt of final distributions from the Santa Rita project in Phoenix, Arizona which generated a gross IRR to the fund of 31.7%, and continued leasing success at The Kathryn and The Michael, two purpose-built rental apartment projects being developed in Dallas, Texas and Austin, Texas, respectively. These two projects are now 31% and 51% leased, respectively, positioning each project well for a future sale in early 2018. Major milestones anticipated for 2017 include the launch of home and builder sales at 1101 El Camino, Arantine Hills and Bryton Hill which are all scheduled to launch in the coming months. Once these projects commence sales, the vast majority of the fund's investments will be past the pre-development stage, allowing for distribution activity to ramp up.

THP3 Canada

Fund investments in Toronto, Calgary and Vancouver continued to benefit from the strong Canadian housing market in the first quarter of 2017. Notable events included the near sell-out of Phases 2 and 3 at River Park Place in Richmond, British Columbia (a Vancouver suburb) and a 44% year-over-year increase in home sales at the Mahogany master planned community in southeast Calgary. Notwithstanding the sales success at River Park Place, cost overruns related to the completion of off-site infrastructure in Phase 1 as well as general market inflation affecting construction budgets for Phases 2 and 3, have reduced expected project profitability and negatively impacted investment income from the fund during the quarter.

Trinity Falls

At Trinity Falls in Dallas, Texas, 48 lots were sold to homebuilders during the quarter and 70 homes were sold by homebuilders to end consumers. Johnson is currently working on planned initiatives that are expected to further improve the overall performance of the community, including entryway and landscaping improvements, planning and development of the initial phases of the 330-acre community park, implementation of a robust new marketing plan similar to other Johnson communities and revised site planning to allow for additional product offerings. Builder and home sales activity is expected to increase significantly later in 2017 once these initiatives are completed.

Separate accounts

At Viridian in Dallas-Fort Worth, Texas, 74 lots were sold to homebuilders during the quarter and 64 homes were sold by homebuilders to end consumers in the same period, compared to eight lot sales and 33 home sales in the first quarter of 2016. Home sales were up 94% year-over-year, largely due to replenished builder inventory as a result of the completion of new sections at the community in the prior quarter and the opening of new model homes. Subsequent to quarter end, Johnson commenced a month-long marketing event for the community to drive traffic to the new model home park, increase project awareness in the market and increase overall home sales.

At Cross Creek Ranch in Houston, Texas, home sales were strong with 116 home sales achieved in the first quarter of 2017, an increase of 43.2% from the 81 homes sold in the same period in 2016. This increase has been driven by an improvement in consumer confidence as oil pricing has stabilized at around $50 per barrel, leading market pundits to project a stronger labour market and positive job growth in 2017. The strong home sales activity is translating to robust lot demand as builders need to replenish their lot inventories, resulting in 78 lot sales for the first quarter. The project is benefiting from its diverse range of housing product and has successfully reacted to market trends with the recent introduction of townhome product to serve entry-level purchasers, the strongest segment of the Houston market today.

At Grand Central Park in Houston, Texas, Johnson is well underway on final preparatory efforts ahead of the grand opening event scheduled for spring and is actively marketing the event through a number of print and online media campaigns. All of the community's eight builders have now completed model homes and are actively selling on-site. The builders have remained on track with their contractual lot takedown requirements, purchasing 49 lots in the first quarter of 2017. Despite not having officially launched to the public yet, the builders achieved 21 home sales in the quarter.

New investments in THP

Tricon Housing Partners US Syndicated Pool 2

In March 2017, THP syndicated an investment to a third-party investor through Tricon Housing Partners US Syndicated Pool 2 ("THP US SP2"), a new separate account. The total commitment was $28.8 million, with the investor committing $23.0 million (80%) and Tricon committing $5.8 million (20%) as a principal co-investment. Similar to its existing managed Investment Vehicles, Tricon will earn asset management fees and potential performance fees from THP US SP2, as well as investment income from its co-investment in the vehicle.

THP US SP2 is comprised of a single investment in a 320-acre parcel of land near Phoenix, Arizona, located approximately 1.5 miles east of THP's existing Queen Creek & Ellsworth investment in THP US SP1. The business plan consists of the acquisition, entitlement and sale of 852 lots and two commercial parcels in multiple phases.

4.2 Tricon American Homes

TAH generated strong operating results and improved metrics in the first quarter of 2017 driven by "operational excellence", including the ongoing internalization of maintenance, as well as favourable seasonal factors. Highlights for the quarter include a 61.6% NOI margin, 62.3% same home NOI margin, 12.9% year-over-year same home NOI growth and 5.0% rent growth (5.6% for the same home portfolio). The introduction of same home metrics this quarter is part of management's effort to continue to enhance disclosure, and it facilitates comparison between prior periods and industry peers.

The previously announced acquisition of the remaining minority interests in TAH's real estate and property management entities was also completed in the first quarter. The purchase price for 100% of the minority interests was $71.5 million, including a $9.3 million premium attributable to the buyout of the property management interests, and is payable in cash over twelve months following closing with final payments scheduled for January 2018.

Silver Bay acquisition

On May 9, 2017, TAH completed the previously announced acquisition of Silver Bay, a New York Stock Exchange-listed U.S. single-family rental REIT with 9,044 homes (as of December 31, 2016) and a highly complementary portfolio to that of TAH given its focus on the Sun Belt and middle market demographic. The $21.50 per share all-cash transaction values Silver Bay at approximately $1.4 billion (before transaction costs), including an equity purchase price of approximately $820 million and approximately $600 million of in-place debt (net of cash on hand) that was concurrently refinanced. The transaction was structured as a merger of a subsidiary of TAH and Silver Bay, with the TAH subsidiary as the surviving entity.

The transaction was financed with the net proceeds of bought deal public offerings of subscription receipts and the 2022 convertible debentures (see Section 3.2) and a new TAH credit facility of approximately $1.2 billion. The new credit facility has been provided to certain subsidiaries of TAH under an agreement with Deutsche Bank AG and is a term loan facility in two tranches bearing a blended interest rate of LIBOR plus 3.27% per annum, subject to a LIBOR floor of 0.50%. The facility matures on May 9, 2018 with a one-year extension option, is guaranteed by Tricon Capital Group Inc. on a non-recourse basis subject only to certain "bad boy" acts, and is subject to customary financial and non-financial covenants.

This is a transformational acquisition for TAH which creates the fourth largest publicly-owned single-family rental company in the U.S. with approximately 16,800 homes and a focus on the U.S. Sun Belt and middle market. The combination of two geographically complementary single-family rental portfolios is expected to unlock substantial operating benefits and efficiencies, including: (i) property-level efficiencies arising from enhanced operating scale in each market, which management estimates will add approximately 200 basis points to Silver Bay's NOI margin of approximately 58% for the full year of 2016; and (ii) general and administrative expense synergies through the elimination of corporate-level redundancies, Silver Bay public reporting costs and back office overhead expenses, which management estimates to be approximately $10 million per annum in aggregate.

Business results

TAH ended the first quarter with a portfolio of 7,821 homes, a 1% increase from December 31, 2016, resulting from the net acquisition of 56 homes (total acquisitions of 168 offset by dispositions of 112 homes). TAH slowed its organic acquisition pace in contemplation of the Silver Bay acquisition in order to allocate capital to the transaction.

TAH realized rent appreciation of 5.0% during the quarter, with 6.0% growth on new leases and 4.3% growth on renewals, reflecting strong demand for high-quality and well-located rental homes. TAH maintained its leased occupancy rate at 95.6% from December 31, 2016 to March 31, 2017, largely as a result of a stabilized portfolio and a low number of acquisitions. Moreover, TAH's annualized turnover in the first three months of 2017 was 25.6%, which management believes is a reflection of the portfolio's attractive asset quality, TAH's middle market investment strategy, and the high level of customer service provided to residents.

The tables in this section provide a summary of some of the 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.

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total homes owned	7,821	7,765	8,006	8,018	7,603
Less homes held for sale	322	170	324	114	65
Rental homes	7,499	7,595	7,682	7,904	7,538
Homes acquired	168	–	14	452	482
Less homes disposed	(112)	241	26	37	72
Net homes acquired during the quarter	56	(241)	(12)	415	410
Occupancy	95.6%	95.6%	91.7%	88.9%	88.4%
Stabilized occupancy	96.5%	96.9%	95.4%	95.9%	95.4%
Annualized turnover rate	25.6%	20.0%	30.1%	30.1%	26.7%
Average monthly rent	$ 1,247	$ 1,227	$ 1,217	$ 1,191	$ 1,175
Average quarterly rent growth – renewal	4.3%	4.4%	4.4%	4.2%	3.6%
Average quarterly rent growth – new move-in	6.0%	5.1%	6.3%	6.4%	4.5%
Average quarterly rent growth – blended	5.0%	4.7%	5.1%	5.0%	4.1%

The above metrics are key drivers of TAH revenue and ultimately its net operating income (KPI measure; refer to Section 8.1). Net operating income, together with fair value gains from home price appreciation, is the main contributor 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 three months ended March 31 (in thousands of U.S. dollars)		2017	2016	Variance
Total revenue[1]		$ 26,556	$ 21,123	$ 5,433
Property taxes		4,006	3,106	900
Repair, maintenance and turnover		2,794	2,608	186
Property management fees		1,886	1,469	417
Property insurance		670	678	(8)
Homeowners' association (HOA) costs		357	531	(174)
Other direct expenses		481	55	426
Total operating expenses		10,194	8,447	1,747
Net operating income (NOI)		**$ 16,362**	**$ 12,676**	**$ 3,686**
Net operating income (NOI) margin		**61.6%**	**60.0%**	
Other expenses		(7,261)	(3,854)	(3,407)
Fair value gain	A	9,935	8,618	1,317
Interest expense	B	(6,767)	(4,530)	(2,237)
Investment income – TAH (per Tricon income statement)		**$ 12,269**	**$ 12,910**	**$ (641)**
Fair value adjustment on homes[2]		$ 9,935	$ 8,609	$ 1,326
Less performance fees[3]		–	9	(9)
Fair value gain	A	$ 9,935	$ 8,618	$ 1,317
Warehouse credit facility interest		$ 885	$ 1,995	$ (1,110)
Securitization debt 2015 interest		2,525	2,522	3
Securitization debt 2016 interest		3,357	–	3,357
Other debt interest		–	13	(13)
Interest expense	B	$ 6,767	$ 4,530	$ 2,237
Weighted average interest rate		3.2%	2.8%	

(1) Includes bad debt expense of $422 for the three months ended March 31, 2017 (2016 – $225).

(2) Fair value gain for the three months ended March 31, 2017 includes imputed selling costs of $988. Fair value gain for the three months ended March 31, 2016 includes imputed selling costs of $821 to conform with the current period presentation.

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

Total portfolio

During the first quarter of 2017, total revenue increased by $5.4 million or 26% to $26.6 million compared to $21.1 million in the same period in 2016. This is largely the result of an occupancy increase to 95.6% at March 31, 2017 from 88.4% at March 31, 2016. The number of rental homes was similar in both periods as TAH focused on allocating capital to the buyout of its minority interest partners, pruning non-core homes, and more recently preparing for the acquisition of Silver Bay. Revenues were further increased by rising rents during the year.

The growth in revenues, combined with a 160 basis point increase in NOI margin, contributed to a 29% rise in net operating income in the first quarter of 2017 to $16.4 million compared to $12.7 million in the same period in 2016. For the three months ended March 31, 2017, the NOI margin increased to 61.6% compared to 60.0% for the three months ended March 31, 2016. The NOI margin increased as a result of lower turn expenses, which management attributes to a more effective review process of turn costs and the initial roll out of its internalized maintenance program. The NOI margin is also impacted by seasonality as there are traditionally fewer resident move-outs in the first quarter and move-out activity picks up in the second and third quarters.

TAH's fair value gain in the three months ended March 31, 2017 was $9.9 million compared to $8.6 million in the same period in the prior year, which reflects a 1.3% HPI increase this quarter (5.2% annualized), net of capital expenditures, versus a 1.0% HPI increase in the first quarter of 2016 (4.0% annualized).

Refer to Section 3.1 for a discussion of other expenses and interest expenses.

Funds from operations and core funds from operations

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Investment income – TAH	$ 12,269	$ 12,910	$ (641)
Fair value gain[1]	(9,935)	(8,618)	(1,317)
Gain on sale of homes	–	(413)	413
Non-controlling interests	422	623	(201)
Amortization of fixed assets	185	90	95
Deferred tax recovery	(955)	(671)	(284)
Deferred financing costs	361	–	361
Funds from operations (FFO)	**$ 2,347**	**$ 3,921**	**$ (1,574)**
Transaction costs and non-recurring costs[2]	3,323	332	2,991
Core funds from operations (Core FFO)	**$ 5,670**	**$ 4,253**	**$ 1,417**

(1) Fair value gain is presented net of change in imputed selling costs of approximately 1% of the fair value of the rental investment properties and 5% of the fair value for properties identified as for sale homes.

(2) YTD 2017 includes transaction costs of $3,066 related to the Silver Bay acquisition, internalization-related expenses of $84, and non-recurring costs of $173; YTD 2016 includes transaction costs related to office relocation expenses.

For the first quarter of 2017, Core FFO increased by $1.4 million or 33%, as compared to the same period in the prior year, driven by a larger portfolio of homes and concurrent growth in net operating income, offset by higher interest expense on the higher outstanding debt balance as a result of TAH's second securitization transaction which was completed in October 2016.

Same home portfolio

"Same home" or "same home portfolio" includes, for a given reporting period, homes that have been stabilized for at least 90 days prior to the first day of the prior-year comparative period. It excludes homes that have been sold and homes that have been designated for sale. Based on this definition, any home included in the same home portfolio will have satisfied the conditions described above prior to September 30, 2015. Management believes presenting same home portfolio information provides investors with meaningful comparability to the performance of TAH's peers in the market.

For the three months ended March 31 (in thousands of U.S. dollars, except per home data)	2017	2016	Variance
Operating metrics – Same home			
Rental homes	4,466	4,466	–
Occupancy	96.7%	96.4%	0.3%
Annualized turnover rate	25.4%	28.1%	(2.7%)
Average monthly rent	$ 1,285	$ 1,237	$ 48
Average quarterly rent growth – renewal	4.4%	3.7%	0.7%
Average quarterly rent growth – new move-in	7.4%	4.5%	2.9%
Average quarterly rent growth – blended	5.6%	4.1%	1.5%

For the 4,466 homes comprising the same home portfolio, occupancy improved to 96.7% in the first quarter of 2017 compared to 96.4% in the same period in 2016. TAH's annualized turnover in the first three months of 2017 was 25.4%, an improvement of 270 basis points from the annualized turnover of 28.1% in the same period in 2016. Management believes that residents are staying in their homes for longer as a result of the high quality of the homes, their location in desirable neighbourhoods, and the high level of customer service that TAH provides. Blended rental growth of 5.6% also exceeded the total portfolio rental growth of 5.0% as a result of the reasons stated above.

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Income statement – Same home			
Rental revenue	$ 16,359	$ 15,247	$ 1,112
Fees and other revenue	438	78	360
Bad debt	(194)	(118)	(76)
Total revenue	16,604	15,207	1,397
Property taxes	2,277	2,154	123
Repair, maintenance and turnover	1,761	1,915	(154)
Property management fees	1,177	1,045	132
Property insurance	473	514	(41)
Homeowners' association (HOA) costs	263	240	23
Other direct expenses	303	175	128
Total operating expenses	6,254	6,043	211
Net operating income (NOI)	**$ 10,350**	**$ 9,164**	**$ 1,186**
Net operating income (NOI) growth			**12.9%**
Net operating income (NOI) margin	**62.3%**	**60.3%**	

During the first quarter of 2017, same home NOI increased by 12.9% year-over-year to $10.4 million, compared to $9.2 million in the first quarter of 2016. This was driven by 9% growth in same home total revenue to $16.6 million compared to $15.2 million in the same period in 2016, primarily as a result of rising rents and increased occupancy, as well as higher fee revenue, lower concessions and lower delinquency.

Assets under management and investment balance

TAH's AUM (KPI measure; refer to Section 8.1) is based on the fair value of the homes in the portfolio, which is determined via the HPI or BPO methodologies discussed in Section 9. The residual equity value (after deducting debt and minority interest at TAH) determines the value of Tricon's investment in TAH on its balance sheet, as summarized below.

(in thousands of U.S. dollars)		Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Purchase price of homes		$ 830,501	$ 822,719	$ 827,597	$ 829,165	$ 780,719
Cumulative capital expenditures[1]		199,282	192,984	190,051	186,742	168,370
Total cost basis of rental homes		$ 1,029,783	$ 1,015,703	$ 1,017,648	$ 1,015,907	$ 949,089
Cost of homes held for sale		31,920	24,271	25,717	11,013	7,871
Cumulative fair value adjustment[2]		210,293	199,370	189,497	167,610	156,006
Portfolio home price appreciation during the quarter		1.3%	0.9%	1.7%	1.4%	1.0%
Fair value of homes (AUM)		**$ 1,271,996**	**$ 1,239,344**	**$ 1,232,862**	**$ 1,194,530**	**$ 1,112,966**
Less imputed selling costs[3]		14,221	13,233	12,329	11,945	11,130
Fair value of homes, net	C	1,257,775	1,226,111	1,220,533	1,182,585	1,101,836
Warehouse credit facility (LIBOR+300 bps)	D	68,626	63,038	351,612	313,486	277,606
Securitization debt 2015 (LIBOR+196 bps)	D	347,091	350,595	360,397	360,647	361,260
Securitization debt 2016 (359 bps fixed)	D	362,601	362,601	–	–	–
Other debt	D	–	–	1,200	1,200	1,200
Partner equity (minority interest)	D	–	3,000	57,224	52,050	48,638
Other net assets[4]	D	(45,633)	(33,061)	(54,974)	(56,822)	(59,863)
Investments – TAH (per Tricon balance sheet)	C – D	**$ 525,090**	**$ 479,938**	**$ 505,074**	**$ 512,024**	**$ 472,995**
Debt-to-cost		73.3%	74.6%	68.4%	65.8%	66.9%
Debt-to-value		61.2%	62.6%	57.8%	56.5%	57.5%

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

(2) Cumulative fair value adjustment is net of capital expenditures and third-party operator performance fees.

(3) Imputed selling costs are approximately 1% of the fair value of the rental investment properties and 5% of the fair value for properties identified as for sale homes.

(4) Other net assets include working capital at TAH's local operating subsidiaries and payables to subsidiary general partners as a result of minority interests buyout.

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

Geography	Total homes owned[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or renovation	Occupancy	Stabilized occupancy
Atlanta	1,099	1,020	949	56	15	93.0%	94.8%
Charlotte	1,255	1,098	1,079	5	14	98.3%	98.5%
Columbia	455	415	378	22	15	91.1%	95.4%
Dallas	628	611	598	6	7	97.9%	98.4%
Houston	831	829	754	50	25	91.0%	91.3%
Indianapolis	375	375	349	19	7	93.1%	95.6%
Las Vegas	295	295	289	–	6	98.0%	98.0%
Northern California	631	630	629	–	1	99.8%	99.8%
Phoenix	409	409	403	2	4	98.5%	98.5%
Reno	251	251	248	–	3	98.8%	98.8%
San Antonio	209	204	196	6	2	96.1%	95.8%
Southeastern Florida	593	582	538	12	32	92.4%	92.4%
Southern California	279	274	273	–	1	99.6%	99.6%
Tampa	511	506	485	11	10	95.8%	97.0%
Total/Weighted average	**7,821**	**7,499**	**7,168**	**189**	**142**	**95.6%**	**96.5%**

Geography	Average purchase price per home	Average capital expenditures per home	Total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 89,000	$ 28,000	$ 117,000	1,758	$ 1,131	$ 0.64
Charlotte	79,000	30,000	109,000	1,476	1,055	0.71
Columbia	92,000	18,000	110,000	1,443	1,062	0.74
Dallas	125,000	17,000	142,000	1,517	1,292	0.85
Houston	119,000	18,000	137,000	1,612	1,282	0.80
Indianapolis	112,000	17,000	129,000	1,560	1,174	0.75
Las Vegas	136,000	19,000	155,000	1,589	1,210	0.76
Northern California	124,000	25,000	149,000	1,251	1,405	1.12
Phoenix	115,000	14,000	129,000	1,975	1,086	0.55
Reno	150,000	20,000	170,000	1,537	1,394	0.91
San Antonio	94,000	30,000	124,000	1,626	1,206	0.74
Southeastern Florida	100,000	37,000	137,000	1,421	1,539	1.08
Southern California	149,000	27,000	176,000	1,304	1,546	1.19
Tampa	91,000	35,000	126,000	1,384	1,363	0.99
Total/Weighted average	**$ 107,000**	**$ 25,000**	**$ 132,000**	**1,537**	**$ 1,247**	**$ 0.81**

(1) Includes 322 investment properties held for sale.

4.3 Tricon Lifestyle Communities

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

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total number of parks	14	14	11	10	10
Parks acquired during the period	–	3	1	–	5
Total number of rental sites	3,065	3,065	2,644	2,467	2,467
Rental sites acquired during the period	–	421	177	–	1,348
Occupancy	82.4%	82.2%	72.5%	69.8%	75.6%
Long-term occupancy	73.2%	73.9%	70.0%	67.7%	66.4%
Annualized turnover rate	9.6%	5.8%	4.7%	5.5%	5.8%
Average gross monthly rent per site	$ 423	$ 413	$ 385	$ 376	$ 378
Average rent increase	3.2%	3.9%	4.0%	3.3%	3.4%

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Long-term rental revenue	$ 3,286	$ 2,072	$ 1,214
Seasonal rental revenue	481	388	93
Total rental revenue[1]	$ 3,767	$ 2,460	$ 1,307
Property taxes	204	112	92
Repairs and maintenance	103	80	23
Property insurance	59	35	24
Utilities	596	376	220
Property management[2]	586	379	207
Total operating expenses	1,548	982	566
Net operating income (NOI)	**$ 2,219**	**$ 1,478**	**$ 741**
Net operating income (NOI) margin	**58.9%**	**60.1%**	
Other expenses	(340)	(422)	82
Fair value gain	1,261	–	1,261
Interest expense	(821)	(574)	(247)
Investment income – TLC (per Tricon income statement)	**$ 2,319**	**$ 482**	**$ 1,837**

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

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

During the first quarter of 2017, rental revenue increased by $1.3 million to $3.8 million compared to $2.5 million in the same period in 2016. This increase is attributed to the four communities acquired since March 31, 2016, which contributed $1.0 million of rental revenue in the first quarter of 2017. In addition, the ten parks held at March 31, 2016 earned $2.7 million of rental revenue in the first quarter of 2017 compared to $2.4 million in the same period in 2016, which is attributable to rental rate increases and occupancy improvements following successful repositioning programs at these parks.

Occupancy increased by 680 basis points from 75.6% as at March 31, 2016 to 82.4% as at March 31, 2017, mainly as a result of a change in portfolio mix. The four communities acquired since March 31, 2016 have an average occupancy as at March 31, 2017 of 92.6% as compared to the communities held at March 31, 2016, which have an average occupancy of 79.9%. TLC expects to see a continued increase in occupancy across the portfolio through active management and a capital expenditure program.

The NOI margin for the first quarter of 2017 was 58.9%, 1.2% lower than 60.1% reported in the first quarter of 2016. The lower NOI margin was a result of the three properties acquired in California which are subject to rent control and higher property taxes, in addition to a lower utilities reimbursement structure compared to the Arizona properties. TLC expects to see an improvement in the NOI margin and occupancy of its newly-acquired communities over time through the lease-up of vacant pads and by renegotiating long-term lease agreements as they expire.

Notwithstanding the notable achievements discussed above, building sufficient scale in the MHC market has been challenging due to the dearth of portfolio acquisition opportunities and the recent influx of new entrants to the sector. In the interest of simplifying its business model and focusing on investment verticals where scale and industry leadership can be achieved, Tricon plans to pursue an orderly exit of its investment in the TLC manufactured housing business; however, in the interim, TLC will continue to execute on its existing value-added business plan to improve the portfolio, including implementing capital expenditure programs at Rosehaven, Parkhaven and Brighthaven. Each community is expected to receive new front entrance signage, road improvements, as well as significant upgrades to the common amenities. The improvements at Rosehaven, Parkhaven and Brighthaven are expected to commence in mid-2017. The improvements to Springhaven, which commenced in 2016, are expected to be completed in mid-2017.

Funds from operations and core funds from operations

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
Investment income – TLC	$ 2,319	$ 482	$ 1,837
Fair value gain	(1,261)	–	(1,261)
Other	75	233	(158)
Funds from operations (FFO)	**$ 1,133**	**$ 715**	**$ 418**
Transaction costs and non-recurring costs	1	23	(22)
Core funds from operations (Core FFO)	**$ 1,134**	**$ 738**	**$ 396**

Core FFO for the first quarter of 2017 increased to $1.1 million compared to $0.7 million for the same period in 2016, mainly as a result of the contribution of four MHCs acquired since March 31, 2016.

Assets under management and investment balance

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

(in thousands of U.S. dollars)		Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Fair value of parks (AUM)	A	**$ 132,406**	**$ 130,560**	**$ 98,802**	**$ 87,633**	**$ 85,964**
Partner equity (minority interest)	B	623	623	549	491	475
Debt	B	78,791	79,000	60,356	54,478	54,598
Other net assets[1]	B	(1,918)	(1,654)	(607)	(442)	(745)
Investments – TLC (per Tricon balance sheet)	A – B	**$ 54,910**	**$ 52,591**	**$ 38,504**	**$ 33,106**	**$ 31,636**
Debt-to-value		59.5%	60.5%	61.1%	62.2%	63.5%

(1) Other net assets include working capital.

Loan maturity	Outstanding debt	Weighted average interest rate
2020	$ 15,822	3.69% fixed
2022	13,280	4.48% fixed
2023	8,747	4.59% fixed
2024	16,563	4.51% fixed
2026	24,379	4.09% fixed
Total/Weighted average	**$ 78,791**	**4.22% fixed**

TLC's portfolio consists of 14 parks with the following operating characteristics:

Property	Location	Type	Acres	Residential sites	Average gross monthly rent per site[1]	Occupancy[3]	Long-term occupancy[3]
Longhaven	Phoenix, AZ	Age-restricted	38.0	314	$ 505	89.5%	88.5%
Skyhaven	Phoenix, AZ	Age-restricted	17.5	192	384	95.8%	90.1%
Springhaven[2]	Phoenix, AZ	Age-restricted	15.5	320	348	86.9%	74.1%
Brookhaven[2]	Phoenix, AZ	Age-restricted	10.0	140	214	97.9%	90.7%
Sunhaven[2]	Phoenix, AZ	Age-restricted	9.4	153	281	82.4%	69.9%
Glenhaven	Phoenix, AZ	Age-restricted	11.8	164	419	79.3%	65.9%
Newhaven	Phoenix, AZ	Age-restricted	11.3	111	365	81.1%	53.2%
Parkhaven	Phoenix, AZ	Age-restricted	28.3	455	400	70.1%	62.2%
Rosehaven	Phoenix, AZ	Age-restricted	36.3	411	416	75.2%	57.9%
Sundowner	Phoenix, AZ	Age-restricted	13.7	207	368	56.5%	42.5%
Brighthaven	Phoenix, AZ	Age-restricted	16.6	177	476	87.0%	82.5%
Riverdale	Indio, CA	Age-restricted	21.2	185	517	91.4%	91.4%
Palmdale	Indio, CA	Age-restricted	19.2	151	527	97.4%	97.4%
Springdale	San Marcos, CA	Family	11.8	85	670	98.8%	98.8%
Total/Weighted average			**260.6**	**3,065**	**$ 423**	**82.4%**	**73.2%**

(1) Represents average of gross rents per the lease agreements, which may include utility reimbursements. The structure of utility reimbursements varies among communities.
(2) Communities with park model homes as the majority housing type.
(3) KPI measure; see Section 8.1.

4.4 Tricon Luxury Residences

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

		TLR principal investments					
(in thousands of U.S. dollars)	Location	TLR's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
The McKenzie	Dallas, TX	90%	$ 30,874	$ 34,934	$ –	$ 5,627	$ 40,561
The Maxwell	Frisco, TX	90%	18,609	21,158	–	4,724	25,882
The Selby (592 Sherbourne)	Toronto, ON	15%	6,144	7,312	3,140	–	10,452
57 Spadina	Toronto, ON	20%	6,426	6,426	3,579	–	10,005
Scrivener Square	Toronto, ON	50%	7,657	8,068	9,775	11,145	28,988
Shops of Summerhill	Toronto, ON	25%	4,829	4,980	3,314	–	8,294
Total			**$ 74,539**	**$ 82,878**	**$ 19,808**	**$ 21,496**	**$ 124,182**

(1) Investments – TLR per Tricon balance sheet of $73,607 includes the principal investments above of $82,878 as well as net liabilities and non-controlling interests of $9,271.

Operational highlights include the following:

Tricon Luxury Residences – U.S.

At The McKenzie, adjacent to the affluent Highland Park neighbourhood of Dallas, above-grade construction continued as planned, with over 85% of trades now under contract. By the end of the quarter, the 14th floor (of 22 floors) of the residential tower had been poured. The concrete structure is expected to top-out in the second half of 2017 and construction of the 183-unit rental building is expected to be completed in mid-2018, with occupancy stabilized in early 2019.

At The Maxwell in Frisco, Texas, construction and site work progressed as planned with over 75% of trades now under contract. The two-level parking deck has been poured and the concrete slab on grade is complete. Construction of the 325-unit rental building is expected to be completed in the third quarter of 2018, with occupancy stabilized in early 2019. The Frisco rental market remains strong, supported in part by continued demand from employees relocating to the nearby Legacy West business park where Toyota, JP Morgan and Liberty Mutual are opening their offices later this year.

The U.S. multi-family development industry is currently experiencing a number of headwinds, including cost inflation as well as tighter financing conditions. As such, TLR does not intend to continue growing its U.S. business and will exit its U.S. multi-family development assets upon their stabilization. TLR expects to focus on new investments in Canada where operating fundamentals have improved, notwithstanding potential challenges posed by Ontario's proposed Fair Housing Plan.

Tricon Luxury Residences – Canada

TLR Canada's first project in Toronto, The Selby, continues to progress well through the development phase, with over 78% of trades now under contract. The project is currently tracking ahead of schedule with formwork now commencing on the 21st floor and window installation beginning on the first ten floors. The project is expected to reach completion in late 2018, and is expected to commence the leasing program six months prior to initial occupancy. With little inventory available, Toronto's Bloor East market continues to show strong leasing activity with recent demand driving above average market rental growth in the first quarter of 2017.

57 Spadina remains in the design stage with design development scheduled to be complete in the second quarter of 2017. The development team is aiming to finalize construction drawings in the fourth quarter of 2017 with on-site demolition commencing in February 2018. As currently designed, the project is comprised of 306 units, 18,500 square feet of retail space and two floors of office space equating to approximately 28,000 square feet of gross floor area. Similar to Bloor East, the King West submarket continues to show strong market rental growth with the average days on market for a listed unit among the lowest in Toronto.

TLR Canada's most recent acquisition, Scrivener Square, is located in Rosedale/Summerhill, one of Toronto's most affluent residential communities. The project remains in the preliminary design and rezoning process with a formal submission to the city planned for the second quarter of 2017. The development site is owned on a 50/50 basis with Diamond Corporation and is adjacent to The Shops of Summerhill, where TLR holds a 25% interest through a joint venture with RioCan REIT.

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

	Projected construction		Projected total cost ($000)	Projected rental units	Projected retail (sq. feet)	Projected development yield[1]
	Start	End				
The McKenzie	Q4 2015	Q2 2018	$ 90,500	183	–	5.50–6.00%
The Maxwell	Q2 2016	Q3 2018	58,100	325	–	6.50–7.00%
The Selby (592 Sherbourne)	Q1 2015	Q4 2018	138,400	502	–	5.25–5.75%
57 Spadina	Q1 2018	Q2 2020	108,600	306	18,500	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	N/A
Total			**$ 395,600**	**1,316**		

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

On April 20, 2017, the Ontario government announced its new Ontario Fair Housing Plan targeting both private home ownership and rental housing. This new plan, which was incorporated into the 2017 Ontario Budget tabled on April 27, 2017, consists of 16 proposed measures that the government believes will make housing more affordable by cooling homebuyer demand, increasing the supply of housing units, containing rent increases, and curbing speculative practices.

Under the proposals, rent control regulations will apply to all private rental units in Ontario, including those built after 1991. Rent increases will be limited to the annual provincial rent increase guideline, which is capped at a maximum of 2.5%. Landlords can still apply for vacancy decontrol and reset rent to the prevailing market rate at unit turnover. While there should be no impact to TLR's underwritten development yield on its existing Canadian projects, we would expect ten-year underwritten net IRRs (blended development phase and hold phase) to decline modestly by about 100 basis points. The financial impact of rent control may be mitigated by a development charge rebate program and property tax equalizing program that are part of the government's proposals; however, it is too early to fully assess the impact of these programs.

Any negative impact of the government's plan to the viability of condominium development, including limiting investor demand through a proposed new 15% Non-Resident Speculation Tax, rent control and a crack down on purchase contract assignments, may lessen competition for development sites and provide purpose-built rental developers with a relative advantage in securing development opportunities. It will take time to fully assess the details of the many measures proposed in the Ontario Fair Housing Plan, and TLR will continue to monitor market activity closely while prudently considering new opportunities.

4.5 Private Funds and Advisory

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016	Variance
THP1 US	$ 273	$ 748	$ (475)
THP2 US	695	966	(271)
Separate accounts	908	297	611
Side-cars	392	960	(568)
U.S. syndicated investments	(2)	254	(256)
Trinity Falls	185	–	185
THP1 Canada	4	3	1
THP2 Canada	82	144	(62)
Canadian syndicated investments	66	60	6
TLR Canada	111	–	111
TLR U.S.	74	40	34
Management fees – private Investment Vehicles	2,788	3,472	(684)
Development fees – TDG	389	329	60
Development fees – Johnson	2,231	1,667	564
Contractual fees	**$ 5,408**	**$ 5,468**	**$ (60)**

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

	Third-party investments				Projected returns[2]				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 26,432	$ –	$ 4,981	$ 31,413	2.2x	14%	1.7x	11%	$ 12,202
THP2 US	182,072	–	44,570	226,642	1.8x	18%	1.5x	13%	25,686
Separate accounts[3]	366,794	–	74,306	441,100	2.4x	17%	2.3x	16%	28,148
Side-cars[4]	140,875	–	20,041	160,916	1.7x	16%	1.6x	15%	1,655
THP1 Canada	726	–	–	726	2.0x	15%	1.6x	11%	6,748
THP2 Canada	21,484	–	1,060	22,544	1.8x	14%	1.5x	10%	2,172
THP3 Canada	77,819	–	23,770	101,589	1.9x	12%	1.6x	9%	–
Canadian syndicated investments[5]	20,429	–	5,117	25,546	2.1x	11%	1.9x	10%	1,851
Total – THP	**$ 836,631**	**$ –**	**$ 173,845**	**$ 1,010,476**					**$ 78,462**
TLR Canada[6]	59,374	51,816	34,233	145,423	2.6x	13%	2.5x	12%	17,213
Total	**$ 896,005**	**$ 51,816**	**$ 208,078**	**$ 1,155,899**					**$ 95,675**

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

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

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

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

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

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

Third-party AUM increased by $18.6 million in the first quarter of 2017, primarily as a result of the new investment in THP US SP2 ($22.6 million) and increases in the share of outstanding debt for TLR projects ($5.7 million). These increases were partially offset by distributions at THP1 US ($6.2 million).

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

	Total units[2]					Total units sold				
As of March 31, 2017[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,077	25,631	5,939	1,556	41,575	307	5,037	3,002	932	32,373
Canada	267	3,975	766	5,739	219,520	187	2,249	540	5,037	175,020
Total units as at March 31, 2017	**1,344**	**29,606**	**6,705**	**7,295**	**261,095**	**494**	**7,286**	**3,542**	**5,969**	**207,393**
U.S.	1,077	24,815	5,897	1,556	41,575	307	4,770	2,880	766	32,373
Canada	285	3,848	761	5,739	219,520	173	2,218	486	5,007	175,020
Total units as at December 31, 2016	**1,362**	**28,663**	**6,658**	**7,295**	**261,095**	**480**	**6,988**	**3,366**	**5,773**	**207,393**

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

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

The Johnson Companies LP ("Johnson")

The following table provides a summary of Johnson's development advisory fees, as well as unit sales of lots and land parcels to homebuilders which generate fee revenue for Johnson. In addition, the table provides total third-party home sales at Johnson's active communities as an indicator of end-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 three months ended March 31 (in thousands of U.S. dollars, except for land, lot and home sales)	2017	2016	Variance
Development fees – Johnson	$ 2,231	$ 1,667	$ 564
Land sales (acres)	128	34	94
Lot sales	528	288	240
Third-party home sales	964	573	391

Johnson generated 528 lot sales during the quarter compared to 288 in the same period in 2016, an increase of 83%. Third-party home sales for the first quarter in 2017 within Johnson communities were 964 compared to 573 home sales during the same period in 2016, an increase of 68%. The increase in sales was primarily driven by the addition of Trinity Falls (see Section 4.1) and the sales launches of Grand Central Park, Jordan Ranch and Veranda. In addition, the stabilization of oil prices in recent months has increased consumer confidence in Houston, driving home sales higher at existing communities within the market. During the quarter, Johnson was also named as the only developer in the U.S. to have four communities named in the top 30 for new home sales within a master planned community in 2016, as reported by Robert Charles Lesser & Co. and John Burns Real Estate Consulting.

5. Liquidity and capital resources

5.1 Financing strategy

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

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

5.2 Liquidity

Tricon generates substantial liquidity through:

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

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

Working capital

As at March 31, 2017, Tricon had a net working capital surplus of $28.7 million, reflecting current assets of $45.1 million, offset by payables and accrued liabilities of $16.5 million.

5.3 Capital resources

Debt structure

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

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

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

Equity issuance and cancellations

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

As of March 31, 2017, there were 113,030,589 common shares of the Company issued and outstanding. As of May 9, 2017, following the issuance of common shares to holders of subscription receipts (see Section 3.2), there are 133,559,296 common shares of the Company issued and outstanding.

6. Non-IFRS measures

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

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

- Adjusted EBITDA is defined as net income (loss) attributable to shareholders of Tricon before income tax (from both consolidating and investment entities), interest (from both consolidating and investment entities), amortization (excluding non-controlling interests portion of amortization expense), stock option expense and non-recurring and non-cash expenses.
- Adjusted net income is defined as net income (loss) attributable to shareholders of Tricon before non-recurring and non-cash expenses.
- Adjusted basic EPS is defined as adjusted net income divided by the weighted average basic common shares outstanding in the period. Adjusted diluted EPS is defined as adjusted net income, 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 three months ended March 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		2017	2016	Variance
THP Adjusted EBITDA	A	$ 5,424	$ 7,851	$ (2,427)
TAH Adjusted EBITDA	B	21,589	17,970	3,619
TLC Adjusted EBITDA	C	3,051	1,286	1,765
TLR Adjusted EBITDA	D	1,704	1,311	393
Contractual fees and GP distributions		5,741	5,773	(32)
Performance fees		3	–	3
Adjusted non-controlling interest EBITDA	E	(493)	(282)	(211)
Interest income		–	2	(2)
Adjusted EBITDA before corporate overhead		37,019	33,911	3,108
Adjusted compensation expense	F	(5,783)	(5,704)	(79)
General and administration expense		(1,860)	(1,407)	(453)
Adjusted EBITDA		**29,376**	**26,800**	**2,576**
Stock option expense		(400)	(282)	(118)
Adjusted interest expense	G	(10,484)	(7,240)	(3,244)
Adjusted amortization expense	H	(792)	(911)	119
Adjusted net income before taxes		**17,700**	**18,367**	**(667)**
Adjusted income tax expense	I	(2,300)	(2,554)	254
Adjusted net income		**$ 15,400**	**$ 15,813**	**$ (413)**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.14**	**$ 0.14**	**$ –**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.13**	**$ 0.14**	**$ (0.01)**
Weighted average shares outstanding – basic		**113,535,527**	**112,379,331**	**1,156,196**
Weighted average shares outstanding – diluted		**124,662,628**	**122,715,437**	**1,947,191**

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.

- Adjusted EBITDA increased by $2.6 million or 10% to $29.4 million for the three months ended March 31, 2017 compared to $26.8 million for the same period in the prior year as a result of higher TAH, TLC and TLR Adjusted EBITDA. This was offset by lower THP1 US investment income largely driven by a lower investment balance as a result of significant distributions from the Greater Bay Area and San Francisco portfolios in the first quarter of 2016.
- Adjusted net income, which excludes non-recurring items, decreased by $0.4 million or 3% to $15.4 million for the three months ended March 31, 2017 compared to $15.8 million for the same period in the prior year. The decrease is attributable to lower THP Adjusted EBITDA and higher adjusted interest expense mainly as a result of a higher outstanding debt balance from TAH's second securitization loan. These items were partly offset by higher Adjusted EBITDA from TAH, TLC and TLR.
- Adjusted basic earnings per share remained consistent at $0.14. Adjusted diluted earnings per share for the three months ended March 31, 2016 decreased by $0.01 or 7% to $0.13 compared to $0.14 in the same period in the prior year, attributable to a higher dilutive share count as a result of an increased number of outstanding stock options and deferred share units.

7. Reconciliation of non-IFRS financial measures

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

For the three months ended March 31 (in thousands of U.S. dollars)	2017	2016
Net income	**$ 7,755**	**$ 12,857**
Non-recurring adjustments:		
Transaction costs at investment level	3,509	1,224
Transaction costs and formation costs	936	1,125
Non-cash adjustments:		
Control premium adjustment	$ –	$ 1,884
Non-controlling interest	116	377
Foreign exchange gain at investment level	(354)	(1,121)
LTIP accrued recoveries[1]	(971)	(1,247)
Debentures discount amortization	451	424
Interest expense reclassification	–	2
Net change in fair value of derivative	4,167	(925)
Unrealized foreign exchange loss	704	1,505
Tax effect of above adjustments (expense)	(913)	(292)
Adjusted net income[2]	**$ 15,400**	**$ 15,813**
Add:		
Stock option expense	$ 400	$ 282
Adjusted interest expense[2]	10,484	7,240
Adjusted amortization expense[2]	792	911
Adjusted income tax expense[2]	2,300	2,554
Adjusted EBITDA[2]	**$ 29,376**	**$ 26,800**

(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 three months ended March 31 (in thousands of U.S. dollars)		2017	2016
Investment income – THP per financial statements		**$ 5,668**	**$ 6,401**
Control premium adjustment		–	1,884
Tax expense (recovery)		(148)	79
Unrealized foreign exchange gain		(96)	(513)
THP Adjusted EBITDA[1]	A	**$ 5,424**	**$ 7,851**
Investment income – TAH per financial statements		**$ 12,269**	**$ 12,910**
Interest expense		6,767	4,530
Transaction costs and non-cash expenses		3,508	1,201
Tax recovery		(955)	(671)
TAH Adjusted EBITDA[1]	B	**$ 21,589**	**$ 17,970**
Investment income – TLC per financial statements		**$ 2,319**	**$ 482**
Interest expense		821	574
Transaction costs and non-cash expenses		1	23
Tax expense (recovery)		(90)	207
TLC Adjusted EBITDA[1]	C	**$ 3,051**	**$ 1,286**
Investment income – TLR per financial statements		**$ 1,931**	**$ 1,919**
Interest expense		31	–
Translation adjustment		(258)	(608)
TLR Adjusted EBITDA[1]	D	**$ 1,704**	**$ 1,311**
NCI change per financial statements		**$ 116**	**$ 377**
NCI portion of amortization and tax		(609)	(659)
Adjusted non-controlling interest[1]	E	**$ (493)**	**$ (282)**
Compensation expense per financial statements		**$ (5,212)**	**$ (4,739)**
Accrued LTIP recovery		(971)	(1,247)
Stock option expense		400	282
Adjusted compensation expense[1]	F	**$ (5,783)**	**$ (5,704)**
Interest expense per financial statements		**$ (3,316)**	**$ (2,560)**
TAH interest expense		(6,767)	(4,530)
TLC interest expense		(821)	(574)
TLR interest expense		(31)	–
Debenture discount amortization		451	424
Adjusted interest expense[1]	G	**$ (10,484)**	**$ (7,240)**
Amortization expense per financial statements		**$ (1,401)**	**$ (1,570)**
NCI portion of Johnson's amortization expense		609	659
Adjusted amortization expense[1]	H	**$ (792)**	**$ (911)**
Tax expense per financial statements		**$ (2,580)**	**$ (2,647)**
THP tax recovery (expense)		148	(79)
TAH tax recovery		955	671
TLC tax recovery (expense)		90	(207)
Tax expense on non-cash and non-recurring Items		(913)	(292)
Adjusted income tax expense[1]	I	**$ (2,300)**	**$ (2,554)**

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

8. Operational key performance indicators

8.1 Key performance indicators

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

Tricon Housing Partners

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

Tricon American Homes

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

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

Tricon Lifestyle Communities

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

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

8.2 Assets under management

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

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

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

9. Accounting estimates and policies, controls and procedures, and risk analysis

9.1 Revenue, investments and fair value determination

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

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

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

- Contractual fees, general partner distributions and performance fees from asset management of third-party capital invested through private Investment Vehicles, including private commingled funds, separate accounts, side-cars and syndicated investments. Refer to Section 1.3 for a list of active investments.
- Development management and related advisory fees through Tricon's subsidiary, Johnson, a developer of master planned communities. We view these fees as a means of enhancing returns from certain THP investments.
- Management fees for services performed by Tricon Development Group Ltd. ("TDG") in respect of TLR projects in Canada. We view these fees as a means of enhancing returns from TLR Canada investments.

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

Tricon Housing Partners ("THP")

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

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

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

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

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

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

Tricon American Homes ("TAH")

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

Tricon Lifestyle Communities ("TLC")

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

Tricon Luxury Residences ("TLR")

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

9.2 Accounting estimates and policies

Accounting estimates

The Company makes estimates and assumptions concerning the future that may not equal actual results. Refer to the notes to the condensed interim consolidated financial statements for details on critical accounting estimates.

Accounting standards adopted in the current year

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

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

Accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments ("IFRS 9"), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard ("IAS") 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income ("OCI"). Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated OCI indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in OCI.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, and (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9). IFRS 9 will be effective on January 1, 2018.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. Amendments to IFRS 15 were issued in April 2016 to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent, and to provide additional practical expedients on transition. These amendments are effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year.

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

In June 2016, the IASB issued an amendment to IFRS 2, Share-Based Payments, addressing (i) certain issues 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.

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. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

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

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

9.4 Transactions with related parties

Tricon has a ten-year sub-lease commitment on the Company's head office premises with Mandukwe Company Inc., a company owned and controlled by a director of the Company. The annual rental amount is $90,000 (C$119,000) plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

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

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

9.5 Dividends

On May 9, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on July 14, 2017 to shareholders of record on June 30, 2017.

9.6 Compensation incentive plan

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

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

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

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

9.7 Risk definition and management

There are certain risks inherent in the Company's activities and those of its investees which may impact the Company's performance, the value of its investments and the value of its securities. The Company's Annual Information Form dated March 29, 2017 and its MD&A for the year ended December 31, 2016, which are available on SEDAR or may be accessed on the Company's website, contain detailed discussions of these risks.

10. Historical financial information

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

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Financial statement results				
Total revenue and investment income	$ 27,931	$ 21,845	$ 35,860	$ 26,210
Net income	7,755	8,964	23,617	14,322
Basic earnings per share	0.07	0.07	0.21	0.13
Diluted earnings per share	0.07	0.07	0.17	0.11

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Financial statement results				
Total revenue and investment income	$ 27,485	$ 26,046	$ 27,863	$ 13,029
Net income	12,857	28,813	33,675	6,931
Basic earnings per share	0.12	0.27	0.34	0.08
Diluted earnings per share	0.11	0.16	0.20	0.04

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