TRICON

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Three and Six Months Ended June 30, 2017

Table of Contents

Non-IFRS measures and forward-looking statements 1

1. INTRODUCTION **2**
- 1.1 Who we are and what we do 2
- 1.2 How we invest and create value 4

2. HIGHLIGHTS **6**

3. FINANCIAL REVIEW **8**
- 3.1 Review of income statements 8
- 3.2 Review of selected balance sheet items 14
- 3.3 Assets under management 16
- 3.4 Subsequent events 17

4. OPERATIONAL REVIEW OF INVESTMENT VERTICALS AND PRIVATE FUNDS AND ADVISORY BUSINESS **18**
- 4.1 Tricon Housing Partners 18
- 4.2 Tricon American Homes 20
- 4.3 Tricon Lifestyle Communities 27
- 4.4 Tricon Luxury Residences 30
- 4.5 Private Funds and Advisory 31

5. LIQUIDITY AND CAPITAL RESOURCES **33**
- 5.1 Financing strategy 33
- 5.2 Liquidity 33
- 5.3 Capital resources 33

6. NON-IFRS MEASURES **34**

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES **35**

8. OPERATIONAL KEY PERFORMANCE INDICATORS **37**
- 8.1 Key performance indicators 37
- 8.2 Assets under management 38

9. ACCOUNTING ESTIMATES AND POLICIES, CONTROLS AND PROCEDURES, AND RISK ANALYSIS **39**
- 9.1 Revenue, investments and fair value determination 39
- 9.2 Accounting estimates and policies 41
- 9.3 Controls and procedures 42
- 9.4 Transactions with related parties 42
- 9.5 Dividends 42
- 9.6 Compensation incentive plan 42
- 9.7 Risk definition and management 42

10. HISTORICAL FINANCIAL INFORMATION **43**

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 flows; 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 August 8, 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 and six months ended June 30, 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 and six months ended June 30, 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.

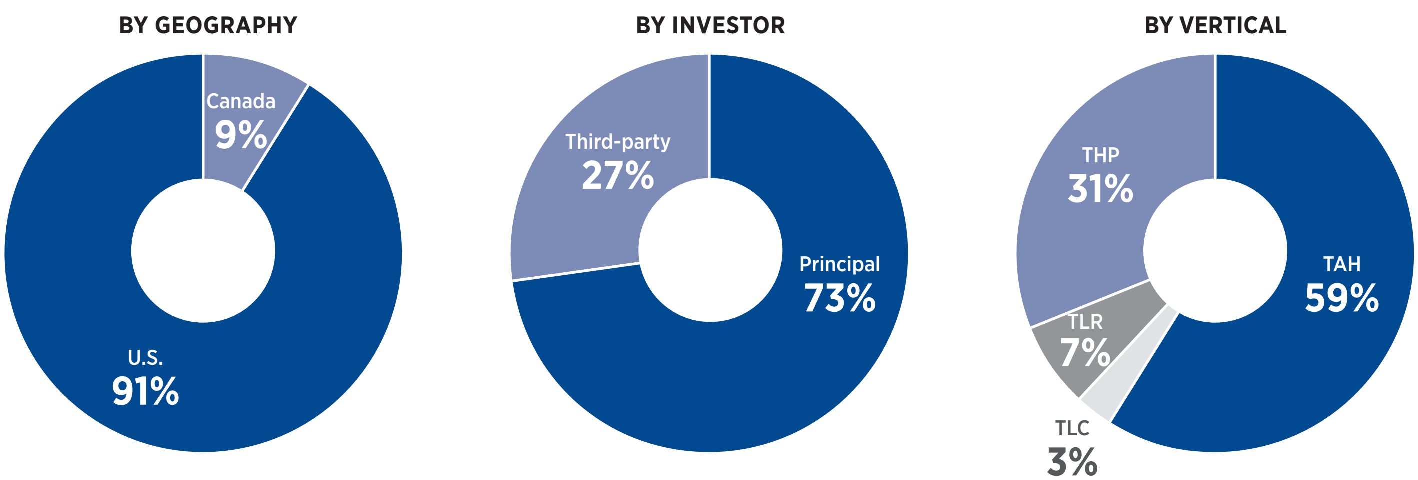
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

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 $4.6 billion (C$5.9 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 purpose-built rental apartments. Our business objective is to invest for investment income and capital appreciation through our principal investments and to earn fee income through the third-party asset management and advisory activities of our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $19 billion.

$4.6 billion

Assets Under Management (AUM)



THP: Land and homebuilding
TAH: Single-family rental homes
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 manufactured housing communities ("MHC"), where land parcels are leased to owners of prefabricated homes.

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

Through its investment in Houston-based Johnson, Tricon has the ability to leverage an integrated development platform with expertise in land entitlement, infrastructure, municipal bond finance and place making, and deep relationships with public and regional homebuilders and commercial developers. Johnson is an active development manager of master planned communities in the United States and the only development manager in the United States to have six MPCs ranked in the top 50 for the first half of 2017 (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, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 375 employees that oversee all aspects of TAH's day-to-day business activities.

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

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

On May 9, 2017, TAH completed the acquisition of Silver Bay Realty Trust Corp. ("Silver Bay"). Silver Bay is a U.S. single-family rental Real Estate Investment Trust ("REIT") which owned 9,054 homes (as of May 9, 2017) and had a similar investment strategy to TAH whereby it targeted the Sun Belt and middle market households. With 16,660 homes, TAH is now the fourth largest publicly-owned single-family rental company in the U.S. See Section 4.2 for further details concerning the acquisition.

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

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 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 corporate structure, and only focus on sectors where Tricon can achieve sufficient scale and industry leadership, as mentioned above. Tricon believes that its THP and TAH businesses are well-positioned to capitalize on the large millennial cohort (those born between 1980 and 2000) who are in the early stages of forming families, having children and ultimately moving to the suburbs where they can find relatively affordable single-family housing and good schools. The more affluent will continue to buy homes, benefiting Tricon's land and homebuilding investments, 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)

	Three months		Six months	
For the periods ended June 30	2017	2016	2017	2016
Total revenue and investment income	$ 15,433	$ 26,210	$ 43,364	$ 53,695
Net income (loss)[1]	(21,643)	14,322	(13,888)	27,179
Basic earnings (loss) per share	(0.17)	0.13	(0.12)	0.25
Diluted earnings (loss) per share	(0.17)	0.11	(0.11)	0.22
Dividends per share	C$ 0.065	C$ 0.065	C$ 0.130	C$ 0.130
Non-IFRS measures[2]				
Adjusted EBITDA	$ 47,583	$ 24,294	$ 76,959	$ 51,094
Adjusted net income	21,830	13,771	37,230	29,584
Adjusted basic EPS attributable to shareholders of Tricon	0.17	0.12	0.31	0.26
Adjusted diluted EPS attributable to shareholders of Tricon	0.17	0.12	0.30	0.25
As at June 30			2017	2016
Total assets			$ 1,276,485	$ 943,259
Total liabilities			414,168	228,378
Investments			1,203,921	869,058
Debt			301,680	167,886
Assets under management (AUM)[3]			$ 4,556,263	$ 2,966,856

(1) Net loss of $21,643 for the three months ended June 30, 2017 includes the following:
- (i) $28,696 of transaction costs incurred at TAH in connection with the acquisition of Silver Bay
- (ii) $19,151 fair value loss related to derivative financial instruments, driven by an increase in the fair value of the conversion feature of Tricon's outstanding convertible debentures, as a result of an increase in the Company's share price

(2) 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.

(3) 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 periods ended June 30 (in thousands of U.S. dollars, except for percentages and units)	Three months 2017	Three months 2016	Six months 2017	Six months 2016
TRICON HOUSING PARTNERS *(Refer to Sections 3.3 and 4.1)*				
Investments – THP			**$ 301,378**	**$ 270,716**
Investment income – THP	**$ 6,568**	**$ 4,928**	**12,236**	**11,329**
TRICON AMERICAN HOMES *(Refer to Sections 3.3 and 4.2)*				
Investments – TAH			**$ 766,364**	**$ 512,024**
Investment income (loss) – TAH[1]	**$ (1,954)**	**$ 13,079**	**10,315**	**25,989**
Net operating income (NOI)	27,595	13,902	43,957	26,578
Net operating income (NOI) margin	60.8%	60.1%	61.1%	60.1%
Core funds from operations	7,272	7,789	12,942	12,042
Total homes owned			16,660	8,018
Occupancy			96.9%	88.9%
Stabilized occupancy			97.2%	95.9%
Total number of homes in same home portfolio			4,700	4,700
Same home net operating income (NOI)	10,860	9,933	21,691	19,603
Same home net operating income (NOI) growth	9.3%	N/A	10.7%	N/A
Same home net operating income (NOI) margin	61.5%	60.6%	61.8%	60.6%
TRICON LIFESTYLE COMMUNITIES *(Refer to Sections 3.3 and 4.3)*				
Investments – TLC			**$ 56,929**	**$ 33,106**
Investment income – TLC	**$ 1,613**	**$ 1,399**	**3,932**	**1,881**
Net operating income (NOI)	1,923	1,166	4,142	2,644
Net operating income (NOI) margin	58.5%	56.6%	58.7%	58.5%
Core funds from operations	839	406	1,973	1,144
Total number of rental sites			3,065	2,467
Occupancy			78.8%	69.8%
Long-term occupancy			73.9%	67.7%
TRICON LUXURY RESIDENCES *(Refer to Sections 3.3 and 4.4)*				
Investments – TLR			**$ 79,250**	**$ 53,212**
Investment income – TLR	**$ 2,847**	**$ 788**	**4,778**	**2,707**
Units under development			1,296	1,339
PRIVATE FUNDS AND ADVISORY *(Refer to Section 4.5)*				
Third-party assets under management			$ 1,230,980	$ 1,245,336
Contractual fees and GP distributions	**$ 6,004**	**$ 5,915**	**11,745**	**11,688**
Performance fees	**355**	**101**	**358**	**101**

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

(1) Investment loss – TAH of $1,954 for the three months ended June 30, 2017 includes $28,696 of transaction costs incurred at TAH in connection with the acquisition of Silver Bay.

3. Financial review

The following section should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2017.

3.1 Review of income statements

Consolidated statements of income

For the periods ended June 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Revenue						
Contractual fees	$ 5,673	$ 5,588	$ 85	$ 11,081	$ 11,056	$ 25
General partner distributions	331	327	4	664	632	32
Performance fees	355	101	254	358	101	257
	6,359	6,016	343	12,103	11,789	314
Investment income						
Investment income – Tricon Housing Partners	6,568	4,928	1,640	12,236	11,329	907
Investment income (loss) – Tricon American Homes[1]	(1,954)	13,079	(15,033)	10,315	25,989	(15,674)
Investment income – Tricon Lifestyle Communities	1,613	1,399	214	3,932	1,881	2,051
Investment income – Tricon Luxury Residences	2,847	788	2,059	4,778	2,707	2,071
	9,074	20,194	(11,120)	31,261	41,906	(10,645)
Total revenue and investment income	**$ 15,433**	**$ 26,210**	**$ (10,777)**	**$ 43,364**	**$ 53,695**	**$ (10,331)**
Expenses						
Compensation expense	9,773	5,424	4,349	14,985	10,163	4,822
General and administration expense	2,053	1,801	252	3,913	3,208	705
Interest expense	6,478	3,094	3,384	9,794	5,654	4,140
Other expenses (income)[2]	21,509	(403)	21,912	28,013	1,367	26,646
Realized and unrealized foreign exchange (gain) loss[3]	(1,822)	451	(2,273)	(1,118)	1,956	(3,074)
	37,991	10,367	27,624	55,587	22,348	33,239
Income (loss) before income taxes	(22,558)	15,843	(38,401)	(12,223)	31,347	(43,570)
Income tax expense (recovery) – current	1,573	(714)	2,287	2,691	854	1,837
Income tax expense (recovery) – deferred	(2,488)	2,235	(4,723)	(1,026)	3,314	(4,340)
Net income (loss)	**$ (21,643)**	**$ 14,322**	**$ (35,965)**	**$ (13,888)**	**$ 27,179**	**$ (41,067)**
Attributable to:						
Shareholders of Tricon	$ (21,663)	$ 14,325	$ (35,988)	$ (13,792)	$ 27,559	$ (41,351)
Non-controlling interest	20	(3)	23	(96)	(380)	284
Net income (loss)	**(21,643)**	**14,322**	**(35,965)**	**(13,888)**	**27,179**	**(41,067)**
Basic EPS attributable to shareholders of Tricon	**$ (0.17)**	**$ 0.13**	**$ (0.30)**	**$ (0.12)**	**$ 0.25**	**$ (0.37)**
Diluted EPS attributable to shareholders of Tricon	**$ (0.17)**	**$ 0.11**	**$ (0.28)**	**$ (0.11)**	**$ 0.22**	**$ (0.33)**
Weighted average shares outstanding – basic	**125,490,567**	**112,491,380**	**12,999,187**	**119,454,548**	**112,436,772**	**7,017,776**
Weighted average shares outstanding – diluted[4]	**128,153,242**	**123,124,591**	**5,028,651**	**121,991,068**	**123,045,132**	**(1,054,064)**

(1) Includes $28,696 of Silver Bay acquisition-related transaction costs for the three months ended June 30, 2017.

(2) Includes $19,151 fair value loss related to derivative financial instruments for the three months ended June 30, 2017.

(3) Includes $1,416 of realized foreign exchange gain from a foreign exchange hedge related to the subscription receipts offering.

(4) For the three and six months ended June 30, 2017, both of the Company's convertible debentures are anti-dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would have resulted in reduced loss per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amounts for the three and six months ended June 30, 2017, the impact of the convertible debentures was excluded (2016 – included).

The following discussion is based on selected line items of the consolidated statements of income for the three and six months ended June 30, 2017.

Contractual fees

The following table provides details regarding contractual fees for the three and six months ended June 30, 2017.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Management fees – private Investment Vehicles	$ 2,815	$ 2,521	$ 294	$ 5,603	$ 5,993	$ (390)
Development fees – TDG	383	380	3	772	709	63
Development fees – Johnson	2,475	2,687	(212)	4,706	4,354	352
Contractual fees	**$ 5,673**	**$ 5,588**	**$ 85**	**$ 11,081**	**$ 11,056**	**$ 25**

Contractual fees for the three months ended June 30, 2017 totaled $5.7 million. Although overall contractual fees are consistent with the same period in the prior year, there were offsetting variances between management fees and development fees attributable to:

- An increase of $0.3 million in management fees for the three months ended June 30, 2017 compared to the same period in the prior year as a result of incremental fee revenue from new investments in separate accounts made during the past twelve months.
- An offsetting decrease of $0.2 million in advisory fee revenue from Johnson for the three months ended June 30, 2017. While lot sales at Johnson communities increased year-over-year, the sales mix shifted towards smaller lots, and therefore, lower fees compared to the same period in 2016.

Contractual fees for the six months ended June 30, 2017 totaled $11.1 million, consistent with the same period in the prior year. There were offsetting variances which included:

- An increase of $0.4 million in advisory fee revenue from Johnson attributable to Johnson's strong lot sales compared to the same period in the prior year, which more than offset the aforementioned change in sales mix.
- A decrease of $0.4 million in management fees driven by significant distributions made from THP1 US in the second half of 2016, which resulted in a lower outstanding investment balance upon which fees are earned.

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three and six months ended June 30, 2017.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
THP1 US	$ 2,435	$ 4,090	$ (1,655)	$ 5,395	$ 8,789	$ (3,394)
THP2 US	563	177	386	994	663	331
THP3 Canada	430	258	172	125	1,041	(916)
Trinity Falls	1,821	–	1,821	3,643	–	3,643
Separate accounts[1]	720	530	190	1,308	1,034	274
Side-cars[2]	599	(127)	726	771	(198)	969
Investment income – THP	**$ 6,568**	**$ 4,928**	**$ 1,640**	**$ 12,236**	**$ 11,329**	**$ 907**

(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 June 30, 2017 was $6.6 million, an increase of $1.6 million or 33% compared to $4.9 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; $0.7 million of higher interest income for side-cars; and increased income from separate accounts, which included the addition of THP US SP2 in March 2017.
- A $1.7 million decrease in investment income from THP1 US as significant distributions were made during 2016 and 2017, thereby reducing the outstanding investment balance.

Investment income for the six months ended June 30, 2017 was $12.2 million, an increase of $0.9 million or 8% compared to $11.3 million for the same period in 2016. The variance is mainly attributable to the same reasons discussed above, offset by a decrease in investment income of $0.9 million from THP3 Canada, which was a result of 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 (loss) from TAH for the three and six months ended June 30, 2017.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Total revenue	$ 45,369	$ 23,114	$ 22,255	$ 71,925	$ 44,237	$ 27,688
Total operating expenses	(17,774)	(9,212)	(8,562)	(27,968)	(17,659)	(10,309)
Net operating income (NOI)[1]	**27,595**	**13,902**	**13,693**	**43,957**	**26,578**	**17,379**
Fair value gain[2]	19,766	6,880	12,886	29,701	15,498	14,203
Other expenses[3]	(34,220)	(2,947)	(31,273)	(41,481)	(6,801)	(34,680)
Interest expense	(15,095)	(4,756)	(10,339)	(21,862)	(9,286)	(12,576)
Investment income (loss) – TAH	**$ (1,954)**	**$ 13,079**	**$ (15,033)**	**$ 10,315**	**$ 25,989**	**$ (15,674)**

(1) KPI measure; see Section 8.1.

(2) Fair value gain is net of imputed selling costs. Comparative periods have been reclassified to conform with the current period presentation.

(3) Other expenses are comprised of:

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Corporate overhead	$ (5,332)	$ (2,239)	$ (3,093)	$ (10,040)	$ (6,342)	$ (3,698)
Transaction costs and non-recurring costs	(28,696)	(1,304)	(27,392)	(32,019)	(1,636)	(30,383)
Amortization of fixed assets	(308)	(110)	(198)	(493)	(200)	(293)
Deferred tax recovery	116	706	(590)	1,071	1,377	(306)
Other expenses	**$ (34,220)**	**$ (2,947)**	**$ (31,273)**	**$ (41,481)**	**$ (6,801)**	**$ (34,680)**

TAH's investment loss for the three months ended June 30, 2017 was $2.0 million, a decrease of $15.0 million from $13.1 million of investment income for the same period in 2016 primarily due to $28.7 million of non-recurring transaction costs related to the acquisition of Silver Bay (see Sections 3.2 and 4.2). Excluding the impact of transaction costs and non-recurring costs, investment income for the quarter would have been $26.7 million, an increase of 86% compared to $14.4 million for the same period in the prior year.

The additional variances in investment income for the three months ended June 30, 2017 include:

- An increase of $13.7 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description) substantially from the 9,054 Silver Bay homes acquired on May 9, 2017 and also as a result of improved operating performance of the legacy TAH portfolio.
- An increase in fair value gain of $12.9 million as a result of home price appreciation (determined by using Broker Purchase Opinion and Home Price Index ("HPI") methodologies (see Section 9.1)), net of capital expenditures. The HPI increase this quarter was 1.2% (4.8% annualized) applicable to a larger portfolio compared to a 1.4% (5.6% annualized) increase in the second quarter of 2016. Homes acquired through the Silver Bay acquisition were held at cost given the close proximity of the transaction date and the valuation date.
- The aforementioned increases were offset by higher interest expense of $10.3 million related to incremental debt used to finance the Silver Bay acquisition, as well as interest on TAH's second securitized loan, which was entered into in the fourth quarter of 2016.

Investment income for the six months ended June 30, 2017 was $10.3 million, a decrease of $15.7 million from $26.0 million for the same period in 2016. Excluding non-recurring transaction costs, investment income for the six months ended June 30, 2017 would have been $42.3 million, an increase of 53% compared to $27.6 million for the same period in the prior year. The variance is attributed to the same reasons as above, including additional NOI from the acquisition of Silver Bay, NOI growth from the legacy TAH portfolio, and an increase in fair value gain, which were offset by the higher interest expense and non-recurring transaction costs noted above.

Investment income – Tricon Lifestyle Communities

The following table provides details regarding investment income from TLC for the three and six months ended June 30, 2017.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Total revenue	$ 3,289	$ 2,061	$ 1,228	$ 7,056	$ 4,521	$ 2,535
Total operating expenses	(1,366)	(895)	(471)	(2,914)	(1,877)	(1,037)
Net operating income (NOI)[1]	**1,923**	**1,166**	**757**	**4,142**	**2,644**	**1,498**
Other expenses	(322)	(29)	(293)	(662)	(451)	(211)
Fair value gain	872	847	25	2,133	847	1,286
Interest expense	(860)	(585)	(275)	(1,681)	(1,159)	(522)
Investment income – TLC	**$ 1,613**	**$ 1,399**	**$ 214**	**$ 3,932**	**$ 1,881**	**$ 2,051**

(1) KPI measure; see Section 8.1.

For the three months ended June 30, 2017, investment income from TLC was $1.6 million compared to $1.4 million for the same period in the prior year. This 15% increase was primarily attributable to:

- An increase of $0.8 million in NOI associated with a greater number of properties owned (14 properties for Q2 2017 compared to 10 properties for Q2 2016).
- The offsetting impact of higher interest expense associated with financing the acquisition of four new communities compared to the same quarter last year.
- Higher home sales expenses (included in other expenses) as a result of a greater number of home sales being made in the quarter.

For the six months ended June 30, 2017, investment income from TLC was $3.9 million compared to $1.9 million for the same period in the prior year. This 109% increase was primarily attributable to:

- An increase of $1.5 million in NOI associated with a greater number of properties owned, which was partially offset by higher interest expense and home sales expenses, as noted above.
- An increase of $1.3 million of fair value gains as a result of NOI growth and the substantial completion of capital enhancement programs at Newhaven and Glenhaven.

Investment income – Tricon Luxury Residences

The following table provides details regarding investment income from TLR for the three and six months ended June 30, 2017.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Rental revenue	$ 292	$ 130	$ 162	$ 561	$ 178	$ 383
Other income (expenses)[1]	300	(391)	691	204	(1,345)	1,549
Fair value gain	2,255	1,049	1,206	4,013	3,874	139
Investment income – TLR	**$ 2,847**	**$ 788**	**$ 2,059**	**$ 4,778**	**$ 2,707**	**$ 2,071**

(1) Other income (expenses) are comprised of:

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Non-controlling interests	$ (239)	$ (566)	$ 327	$ (451)	$ (2,120)	$ 1,669
Corporate overhead	(122)	(3)	(119)	(233)	(11)	(222)
Interest expense	(31)	(4)	(27)	(62)	(4)	(58)
Translation adjustment	692	182	510	950	790	160
Other income (expenses)	**$ 300**	**$ (391)**	**$ 691**	**$ 204**	**$ (1,345)**	**$ 1,549**

For the three months ended June 30, 2017, investment income from TLR was $2.8 million, which was $2.1 million or 261% higher than the same period in the prior year. The main drivers of this variance include:

- Fair value gains recognized at The Maxwell and The McKenzie projects in Dallas-Fort Worth were $1.2 million higher this quarter than in the comparative period of 2016 as a result of construction progress that has occurred since June 30, 2016.
- Favourable translation adjustment in TLR Canada due to the strengthening Canadian dollar.
- Lower expense associated with the non-controlling interest as a result of a greater proportion of construction costs being contractually allocated to the minority partner.

For the six months ended June 30, 2017, investment income from TLR was $4.8 million, an increase of $2.1 million or 77% compared to the same period in the prior year. This was primarily attributable to a reduction in expenses related to the non-controlling interest as discussed above.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
Salaries and benefits	$ 3,787	$ 3,122	$ 665	$ 7,168	$ 5,866	$ 1,302
Annual incentive plan	4,795	1,897	2,898	7,233	4,232	3,001
Long-term incentive plan	1,191	405	786	584	65	519
Total compensation expense	**$ 9,773**	**$ 5,424**	**$ 4,349**	**$ 14,985**	**$ 10,163**	**$ 4,822**

Compensation expense for the three and six months ended June 30, 2017 increased by $4.3 million and $4.8 million, respectively, compared to the same periods in the prior year. The increase is primarily due to higher estimated annual incentive plan ("AIP") expense, which is accrued at 15% of Adjusted Base EBITDA for Bonus Purposes (see Section 9.6). Final bonuses are determined in the fourth quarter based on Company, departmental and individual performance, with any differences between actual bonuses and the amount accrued over the course of the year adjusted accordingly. Additionally, the Company incurred an incremental $0.7 million and $1.3 million of payroll costs for the three and six months ended June 30, 2017, respectively, attributable to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments, along with an increase in LTIP primarily as a result of higher projected performance fee sharing.

General and administration expense

General and administration expense for the three and six months ended June 30, 2017 increased by $0.3 million and $0.7 million, respectively, compared to the same periods in the prior year, primarily due to increased levels of investment activity.

Interest expense

The table below provides a summary of interest expense.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Credit facility interest	$ 1,359	$ 1,607	$ (248)	$ 2,829	$ 2,708	$ 121
Debentures interest	3,917	1,036	2,881	5,312	2,071	3,241
Debentures discount amortization	1,202	451	751	1,653	875	778
Total interest expense	**$ 6,478**	**$ 3,094**	**$ 3,384**	**$ 9,794**	**$ 5,654**	**$ 4,140**

Interest expense was $6.5 million for the three months ended June 30, 2017 compared to $3.1 million for the same period last year, an increase of $3.4 million. The increase was primarily driven by incremental debentures interest expense of $2.9 million and debentures discount amortization of $0.8 million in respect of the extendible convertible unsecured subordinated debentures issued on March 17, 2017 ("2022 convertible debentures" – refer to Section 3.2, Debt). The increase was offset by lower interest expense incurred on the corporate revolving credit facility, which was undrawn for the first month of the quarter.

Similarly, interest expense for the six months ended June 30, 2017 increased by $4.1 million, primarily as a result of the incremental $3.2 million debentures interest expense and $0.8 million debentures discount amortization in respect of the 2022 convertible debentures.

Other expenses

The table below provides a breakdown of other expenses.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Net change in fair value of derivative financial instruments	$ 19,151	$ (2,403)	$ 21,554	$ 23,318	$ (3,328)	$ 26,646
Transaction costs	980	571	409	1,916	1,696	220
Amortization expense	1,378	1,429	(51)	2,779	2,999	(220)
Total other expenses (income)	**$ 21,509**	**$ (403)**	**$ 21,912**	**$ 28,013**	**$ 1,367**	**$ 26,646**

The net change in fair value of derivative financial instruments was driven by a net increase (net decrease for the three and six months ended June 30, 2016) in the fair value of the conversion feature of the Company's outstanding convertible debentures. The newly issued 2022 convertible debentures accounted for $8.6 million of the $19.2 million net change. 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 increase in current tax expense over the same period in the prior year was the result of the full utilization of loss carryback applied against taxable income in the prior year. This increase in current tax expense was offset by an increase in deferred tax recoveries, mainly from transaction costs incurred in the Silver Bay acquisition that led to an investment loss at TAH.

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Assets						
Cash	$ 7,206	$ 22,680	$ 17,780	$ 5,933	$ 8,695	$ 29,456
Amounts receivable	18,181	18,801	16,892	11,873	14,912	9,773
Prepaid expenses and deposits	4,191	3,660	2,599	2,652	8,298	3,020
Cash held in escrow	–	148,310	–	–	–	–
Investments – Tricon Housing Partners	301,378	297,512	301,787	347,840	270,716	270,241
Investments – Tricon American Homes	766,364	525,090	479,938	505,074	512,024	472,995
Investments – Tricon Lifestyle Communities	56,929	54,910	52,591	38,504	33,106	31,636
Investments – Tricon Luxury Residences	79,250	73,607	62,410	57,864	53,212	32,284
Intangible assets	22,410	23,626	24,967	26,312	27,672	29,027
Deferred income tax assets	19,330	13,969	12,404	12,274	13,359	13,526
Other assets	1,246	1,345	1,376	1,370	1,265	1,155
Total assets	**$ 1,276,485**	**$ 1,183,510**	**$ 972,744**	**$ 1,009,696**	**$ 943,259**	**$ 893,113**
Liabilities						
Amounts payable and accrued liabilities	$ 20,903	$ 10,965	$ 10,892	$ 8,240	$ 9,711	$ 4,764
Dividends payable	6,702	5,524	5,459	5,578	5,648	5,609
Long-term incentive plan	13,246	12,509	13,359	14,895	15,281	15,494
Debt	301,680	56,216	168,857	216,080	167,886	132,016
Other liabilities	–	313,260	–	–	–	–
Deferred income tax liabilities	34,103	33,461	30,488	28,294	24,204	22,149
Derivative financial instruments	37,534	4,195	28	1,264	5,648	8,003
Total liabilities	**414,168**	**436,130**	**229,083**	**274,351**	**228,378**	**188,035**
Equity						
Share capital	713,428	569,552	567,677	566,452	564,348	563,245
Contributed surplus	16,574	15,682	15,835	11,381	10,762	9,570
Cumulative translation adjustment	18,408	19,316	18,711	18,836	18,436	18,609
Retained earnings	101,702	130,047	127,691	124,775	106,811	98,099
Total shareholders' equity	850,112	734,597	729,914	721,444	700,357	689,523
Non-controlling interest	12,205	12,783	13,747	13,901	14,524	15,555
Total equity	**862,317**	**747,380**	**743,661**	**735,345**	**714,881**	**705,078**
Total liabilities and equity	**$ 1,276,485**	**$ 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 $0.4 million to $301.4 million as at June 30, 2017, from $301.8 million as at December 31, 2016. The variance is primarily a result of distributions of $22.3 million, partially offset by advances of $9.7 million and investment income of $12.2 million generated across the portfolio. Tricon's co-investment in THP US SP2 accounted for $4.9 million of the advances made during the first quarter, while $18.9 million of distributions were received from THP1 US.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at June 30, 2017
THP1 US	$ 111,744	$ –	$ 5,395	$ (18,885)	$ 98,254
THP2 US	25,260	596	994	(28)	26,822
THP3 Canada	9,537	–	125	–	9,662
Trinity Falls	77,195	–	3,643	–	80,838
Separate accounts[1]	60,926	7,024	1,308	(2,978)	66,280
Side-cars[2]	17,125	2,055	771	(429)	19,522
Investments – THP	**$ 301,787**	**$ 9,675**	**$ 12,236**	**$ (22,320)**	**$ 301,378**

(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 $286.4 million to $766.4 million as at June 30, 2017, from $479.9 million as at December 31, 2016. The increase was driven by advances of $326.4 million, primarily for the acquisition of Silver Bay, and investment income of $10.3 million, which reflected $29.7 million of fair value gains. This increase was partly offset by cash distributions of $50.3 million.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at June 30, 2017
Investments – TAH	**$ 479,938**	**$ 326,411**	**$ 10,315**	**$ (50,300)**	**$ 766,364**

Investments – Tricon Lifestyle Communities

Investments in TLC increased by $4.3 million to $56.9 million as at June 30, 2017, from $52.6 million as at December 31, 2016, primarily as a result of net operating income and fair value gains during the quarter (see Section 3.1), along with $0.4 million of advances for ongoing capital enhancement initiatives.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at June 30, 2017
Investments – TLC	**$ 52,591**	**$ 406**	**$ 3,932**	**$ –**	**$ 56,929**

Investments – Tricon Luxury Residences

Investments in TLR increased by $16.8 million to $79.3 million as at June 30, 2017, from $62.4 million as at December 31, 2016. The investment balance is comprised of $50.9 million in TLR U.S. and $28.3 million in TLR Canada. The overall increase during the six months ended June 30, 2017 was mainly driven by advances made to existing projects in the U.S., along with fair value gains recognized on these projects.

(in thousands of U.S. dollars)	As at December 31, 2016	Advances	Investment income	Distributions	As at June 30, 2017
Investments – TLR	**$ 62,410**	**$ 12,062**	**$ 4,778**	**$ –**	**$ 79,250**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total amount	Maturity date	Interest rate terms	June 30, 2017	December 31, 2016
Revolving term credit facility	USD	$ 365,000	June 2020	LIBOR+325 bps	$ 93,000	$ 113,750
2020 convertible debentures	CAD	$ 85,693	March 2020	5.60%	57,284	55,107
2022 convertible debentures	USD	$ 172,500	March 2022	5.75%	151,396	–
					$ 301,680	**$ 168,857**

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other expenses). The 2020 convertible unsecured subordinated debentures are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at June 30, 2017: 1.2977 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 June 30, 2017, $93.0 million 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 June 30, 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 8,744,184 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. During the quarter, $28,000 (C$38,000) principal amount was converted into 3,877 common shares.

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 $164.6 million after transaction costs of $7.9 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 into 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 have been 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 16,491,397 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$13.57 as of June 30, 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.

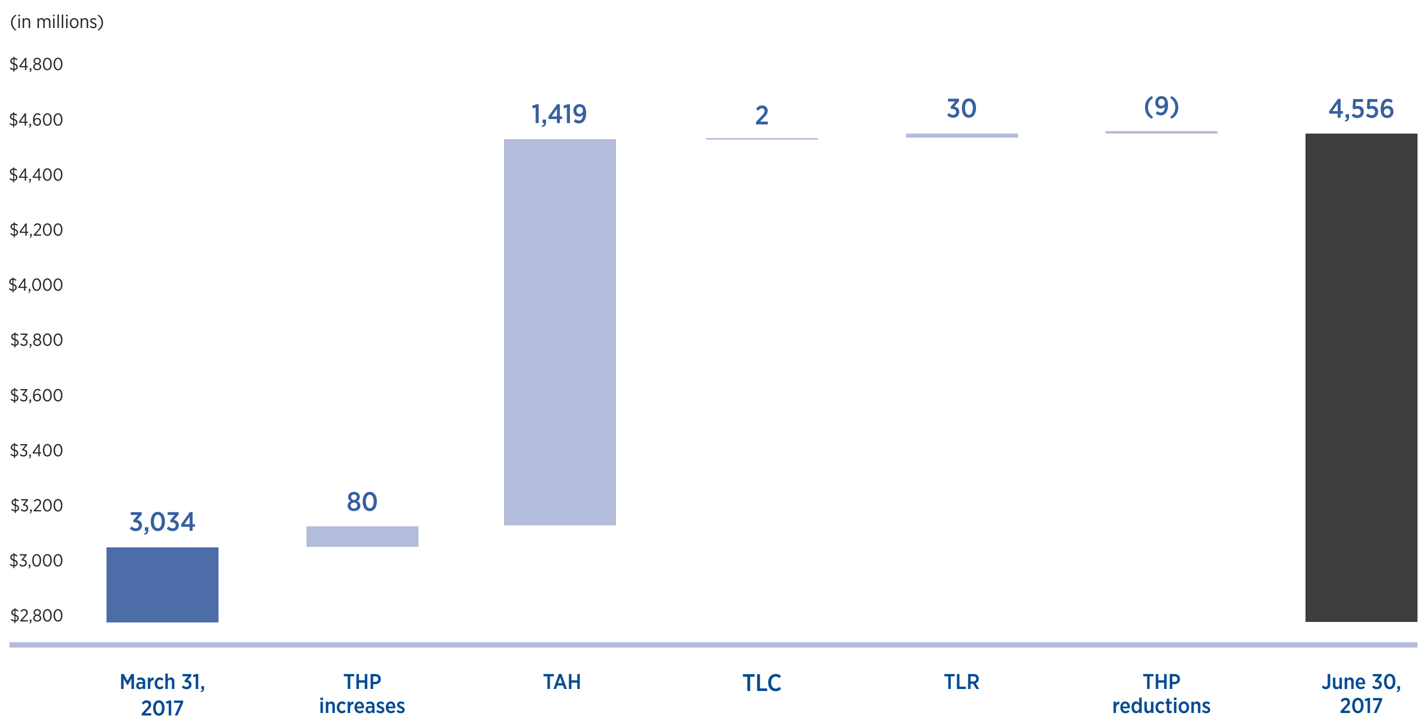
3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.1) were $4.6 billion as at June 30, 2017, representing an increase of $1.5 billion since March 31, 2017. 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 changes in AUM since March 31, 2017 were:

- An $80.7 million increase in THP AUM largely attributable to $69.0 million of additional capital commitments to the Arantine Hills syndicated investment to accommodate a change in project scope and $3.4 million of advances made to Viridian, as well as advances to and fair value gains in other investments.
- An increase of $1.4 billion in TAH AUM primarily driven by the $1.4 billion value of the Silver Bay homes acquired this quarter, as well as $19.8 million of fair value adjustments related to home price appreciation in the portfolio.
- An increase of $1.9 million in TLC AUM primarily due to $0.9 million of fair value gains recognized during the quarter and ongoing enhancement capital expenditures.
- An increase of $29.5 million in TLR AUM resulting from additional construction expenditures and fair value gains recognized.
- A decrease of $9.3 million as a result of distributions across THP investments.

Changes in assets under management



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

(in thousands of U.S. dollars)	June 30, 2017[1]	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	$ 109,229	$ 112,208	$ 122,719	$ 176,657	$ 179,660	$ 175,572
THP2 US	31,452	30,895	30,503	32,914	31,942	31,765
THP3 Canada	15,905	15,324	15,571	16,126	16,554	16,058
Trinity Falls	98,723	96,902	98,963	97,102	–	–
Separate accounts	75,703	74,261	69,930	65,398	64,306	70,526
Side-cars	25,945	20,042	20,266	19,230	18,998	19,013
Tricon Housing Partners	**356,957**	**349,632**	**357,952**	**407,427**	**311,460**	**312,934**
Tricon American Homes[2]	**2,691,329**	**1,271,996**	**1,239,344**	**1,232,862**	**1,194,530**	**1,112,966**
Tricon Lifestyle Communities[2]	**134,310**	**132,406**	**130,560**	**98,802**	**87,633**	**85,964**
Tricon Luxury Residences						
U.S.	81,811	66,443	60,663	62,370	60,094	59,058
Canada	60,876	57,739	56,338	56,279	67,803	30,421
Tricon Luxury Residences	**142,687**	**124,182**	**117,001**	**118,649**	**127,897**	**89,479**
Principal Investments	**$ 3,325,283**	**$ 1,878,217**	**$ 1,844,857**	**$ 1,857,740**	**$ 1,721,520**	**$ 1,601,343**
PRIVATE FUNDS AND ADVISORY						
Tricon Housing Partners						
THP1 US	$ 29,428	$ 31,413	$ 37,258	$ 62,411	$ 61,193	$ 61,010
THP2 US	233,741	226,642	235,695	308,740	308,740	308,740
THP1 Canada	643	726	719	736	471	471
THP2 Canada	23,374	22,544	22,323	23,179	38,720	45,987
THP3 Canada	104,115	101,589	100,640	102,478	101,998	102,052
Separate accounts	444,562	441,100	415,559	412,640	412,640	387,320
Side-cars	212,516	160,916	160,916	160,917	161,916	161,916
Syndicated investments	26,182	25,546	25,305	25,675	26,528	34,786
Tricon Housing Partners	**1,074,561**	**1,010,476**	**998,415**	**1,096,776**	**1,112,206**	**1,102,282**
Tricon Luxury Residences	**156,419**	**145,423**	**138,878**	**142,223**	**133,130**	**78,121**
Private Funds and Advisory	**$ 1,230,980**	**$ 1,155,899**	**$ 1,137,293**	**$ 1,238,999**	**$ 1,245,336**	**$ 1,180,403**
Total assets under management	**$ 4,556,263**	**$ 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 Jun 30, 2017: 1.2977; 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 August 8, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on or after October 15, 2017 to shareholders of record on September 30, 2017.

Subsequent to quarter-end, on August 8, 2017, TAH launched the offering of its third securitization transaction. The transaction involves the issuance and sale of single-family rental pass-through certificates representing beneficial ownership interests in a loan secured by a portion of TAH's portfolio of single-family rental properties and is intended to: (i) refinance a portion of the debt incurred in connection with TAH's recent acquisition of Silver Bay, (ii) reduce TAH's cost of capital over the long term, and (iii) extend the term structure of TAH's debt.

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. 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%	$ 61,481	$ 98,254	$ 10,975	$ 109,229	$ 269,676	$ 267,719	$ 124,563
THP2 US	7.5%	20,214	26,822	4,630	31,452	20,370	28	28,963
THP3 Canada	10.2%	9,260	9,662	6,243	15,905	9,169	1,825	13,638
Trinity Falls	100.0%	73,865	80,838	17,885	98,723	73,865	–	184,444
Separate accounts[2]	12.9%	59,241	66,280	9,423	75,703	70,109	19,535	135,628
Side-cars[3]	7.5%	17,134	19,522	6,423	25,945	17,190	429	29,326
Total		**$ 241,195**	**$ 301,378**	**$ 55,579**	**$ 356,957**	**$ 460,379**	**$ 289,536**	**$ 516,562**

Investment income – Q2 2017 (6 months)	$ 12,236
as a % of invested capital at June 30, 2017 (annualized)	10.1%

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

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

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

For the six months ended June 30, 2017, investment income of $12.2 million represented a 5.1% net return on outstanding invested capital, or 10.1% 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

During the second quarter, THP1 US distributed $8.0 million to its investors, including $5.4 million to Tricon. Of the total distributions, $4.0 million was generated from closing proceeds from the Rockwell condominium in San Francisco, which is expected to sell out its remaining five units by the end of the year. Additionally, the Phoenix Lot Portfolio distributed $1.8 million from its final lot sales at Circle Cross Ranch. THP1 US is expected to continue to generate meaningful cash distributions to Tricon of approximately $125 million through 2019.

THP2 US

THP2 US performed largely in line with expectations in the second quarter of 2017. Smyrna Grove, a homebuilding project in Atlanta, Georgia, which is now over 50% sold, generated $2.0 million from home sales and continues to perform in line with budget. The Michael and The Kathryn, two purpose-built rental apartment projects being developed in Austin, Texas and Dallas, Texas, respectively, continued to experience strong leasing momentum. The two projects are now 70% and 50% leased, respectively, positioning each project well for a future sale in early 2018. Upcoming milestones for the third quarter of 2017 include the expected launch of sales at 1101 El Camino (located in Mountain View, California), and Bryton Hill (located in Atlanta, Georgia).

THP3 Canada

Fund investments in Toronto, Calgary and Vancouver continued to benefit from a resilient Canadian housing market in the second quarter of 2017. Phases 2 and 3 at the sold-out River Park Place condominium project in Richmond, British Columbia (a Vancouver suburb) are on schedule to begin construction in the third quarter of 2017. The Mahogany master planned community in southeast Calgary also had a strong quarter with a 23% increase in home sales from the same period in 2016. While the overall housing market in Calgary is weaker, Mahogany has experienced a "flight to quality" given its strong location and highly amenitized offering. The developer has also been able to introduce smaller lot product and homes to drive absorption.

Trinity Falls

At Trinity Falls in Dallas, Texas, 38 lots were sold to homebuilders during the quarter and 56 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, 113 lots were sold to homebuilders during the quarter and 93 homes were sold by homebuilders to end consumers, compared to 96 lot sales and 49 home sales in the second quarter of 2016. Home sales were up 90% year-over-year, largely due to replenished builder inventory as a result of the completion of new sections of the community in the last quarter of 2016, opening of new model homes and new marketing campaigns in the community.

At Cross Creek Ranch in Houston, Texas, 94 lots were sold to builders in the second quarter of 2017, an increase of 92% from 49 lots sold in the second quarter of 2016. The increase was driven by the delivery of new townhouse lots which represent the community's entry-level housing product. Sales by homebuilders remained strong with 94 homes sold in the second quarter of 2017 and 210 homes sold year-to-date, an increase of 11% from the first six months of 2016.

Grand Central Park in Houston, Texas hosted its public grand opening in the second quarter of 2017, which attracted over 2,000 visitors to the community. A total of 46 lots were acquired by builders in the second quarter of 2017 and 24 home sales were achieved. The first retail building in the community's retail centre is set to open in early 2018. The expansion of retail and other amenities is expected to increase local interest and home sales activity in the community.

Lastly, the Company and its limited partners increased their equity commitment to Arantine Hills, in Corona, California during the quarter to provide additional flexibility to the project business plan, including the potential to participate in the build-out of homes as opposed to simply selling lots. None of this additional commitment was drawn during the quarter.

4.2 Tricon American Homes

TAH completed the acquisition of Silver Bay on May 9, 2017 while continuing to build strong momentum in its key operating metrics in the second quarter of 2017. As a result of the Silver Bay acquisition, TAH increased its portfolio size to 16,660 homes from 7,821 homes, creating the fourth largest publicly-owned single-family rental company in the U.S. During the quarter, TAH also achieved a 60.8% NOI margin, 61.5% same home NOI margin, 9.3% same home NOI growth (10.7% year-over-year growth rate for the six-month periods) and 4.9% rent growth (5.0% for the same home portfolio).

The acquisition of Silver Bay was a $21.50 per share all-cash transaction that valued Silver Bay at approximately $1.4 billion (before transaction costs of approximately $28.7 million). 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 dedicated term loan of approximately $1.2 billion from Deutsche Bank AG ("Silver Bay acquisition warehouse facility"). The Silver Bay acquisition warehouse facility bears interest at a blended rate of one-month LIBOR plus 326 basis points per annum. The Silver Bay acquisition warehouse facility matures on May 9, 2018 with two six-month extension options, is guaranteed by the Company on a non-recourse basis subject only to certain "bad boy" acts, and is subject to customary financial and non-financial covenants.

Since completing the transaction, TAH has focused its efforts on integrating the TAH and Silver Bay portfolios, which will continue throughout the remainder of 2017.

Silver Bay integration

Between the announcement of the Silver Bay acquisition in February 2017 and transaction closing in May 2017, TAH created a comprehensive integration plan, which addressed all aspects of combining two similarly sized portfolios, including property management operations, information technology, accounting, human resources/staffing and facilities management.

In order to ensure minimal disruption to Silver Bay residents, TAH was able to provide access to its residential portal and call centre for any customer service needs within two days of closing the transaction. Vacant Silver Bay homes were listed on its leasing website almost immediately such that all prospective residents were driven to the TAH leasing portal and able to contact the TAH call centre. From a staffing and facilities management perspective, TAH hired 60 new field operating staff from Silver Bay, bringing total TAH employees to 375, and all local field offices in overlapping markets were combined.

Over the remainder of 2017, TAH will continue to integrate additional back-office functions to achieve further operational synergies, in line with what was previously disclosed upon transaction announcement.

As a result of the integration efforts, the operating performance of the Silver Bay portfolio remained strong in the second quarter. The NOI margin during the quarter for Silver Bay homes was 60.7% (from May 9, 2017 to June 30, 2017), above management's initial expectations. In addition, significant progress was made towards realizing underwritten G&A synergies of approximately $10 million per annum, largely by centralizing management, streamlining duplicate back-office headcount, and eliminating redundant public company costs.

Financing and disposition

TAH is currently assessing the disposition of approximately 1,600 homes, including approximately 1,300 Silver Bay homes, and using the disposition proceeds to repay the Silver Bay acquisition warehouse facility. Subsequent to quarter-end, on August 8, 2017, TAH launched the offering of its third securitization transaction. The transaction involves the issuance and sale of single-family rental pass-through certificates representing beneficial ownership interests in a loan secured by a portion of TAH's portfolio of single-family rental properties and is intended to: (i) refinance a portion of the debt incurred in connection with TAH's recent acquisition of Silver Bay, (ii) reduce TAH's cost of capital over the long term, and (iii) extend the term structure of TAH's debt.

Business results

TAH ended the second quarter with a portfolio of 16,660 homes, a significant increase from March 31, 2017, resulting primarily from the acquisition of 9,054 Silver Bay homes, but also including dispositions of 215 homes as part of TAH's continued efforts to optimize its portfolio composition.

TAH realized rent appreciation of 4.9% during the quarter, with 5.7% growth on new leases and 4.4% growth on renewals. TAH also increased its leased occupancy rate from 95.6% at March 31, 2017 to 96.9% at June 30, 2017, reflective of the continued strong demand for well-located single-family rental product targeting the middle market. TAH's annualized turnover in the second quarter was 31.2%, which is higher than the 25.6% recorded in the first quarter due to seasonally higher move outs in the late spring and early summer months. Annualized turnover for the first half of the year was 29.2%, in line with management's long-term expectations.

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.

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total homes owned	16,660	7,821	7,765	8,006	8,018	7,603
Less homes held for sale	153	322	170	324	114	65
Rental homes	16,507	7,499	7,595	7,682	7,904	7,538
Homes acquired	9,054	168	–	14	452	482
Less homes disposed	(215)	(112)	(241)	(26)	(37)	(72)
Net homes acquired (disposed) during the quarter	8,839	56	(241)	(12)	415	410
Occupancy	96.9%	95.6%	95.6%	91.7%	88.9%	88.4%
Stabilized occupancy	97.2%	96.5%	96.9%	95.4%	95.9%	95.4%
Annualized turnover rate	31.2%	25.6%	20.0%	30.1%	30.1%	26.7%
Average monthly rent	$ 1,243	$ 1,247	$ 1,227	$ 1,217	$ 1,191	$ 1,175
Average quarterly rent growth – renewal	4.4%	4.3%	4.4%	4.4%	4.2%	3.6%
Average quarterly rent growth – new move-in	5.7%	6.0%	5.1%	6.3%	6.4%	4.5%
Average quarterly rent growth – blended	4.9%	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 and fair value gains from home price appreciation are the main contributors to investment income – TAH (per Tricon's income statement). The table below presents a breakdown of TAH net operating income and a reconciliation to investment income – TAH on Tricon's income statement. The financial information presented in this table and throughout this section is an aggregation of all entities and balances within the TAH vertical on a standalone basis and does not necessarily reflect the audited financial information of any particular TAH entity.

For the periods ended June 30 (in thousands of U.S. dollars)		Three months			Six months	
	2017	2016	Variance	2017	2016	Variance
Total revenue[1]	$ 45,369	$ 23,114	$ 22,255	$ 71,925	$ 44,237	$ 27,688
Property taxes	6,796	3,054	3,742	10,802	6,160	4,642
Repairs, maintenance and turnover	5,372	2,805	2,567	8,166	5,413	2,753
Property management fees	3,216	1,658	1,558	5,102	3,127	1,975
Property insurance	937	702	235	1,607	1,380	227
Homeowners' association (HOA) costs	590	570	20	947	1,101	(154)
Other direct expenses	863	423	440	1,344	478	866
Total operating expenses	17,774	9,212	8,562	27,968	17,659	10,309
Net operating income (NOI)	**$ 27,595**	**$ 13,902**	**$ 13,693**	**$ 43,957**	**$ 26,578**	**$ 17,379**
Net operating income (NOI) margin	**60.8%**	**60.1%**		**61.1%**	**60.1%**	
Other expenses[2]	(34,220)	(2,947)	(31,273)	(41,481)	(6,801)	(34,680)
Fair value gain (A)	19,766	6,880	12,886	29,701	15,498	14,203
Interest expense[2] (B)	(15,095)	(4,756)	(10,339)	(21,862)	(9,286)	(12,576)
Investment income (loss) – TAH (per Tricon income statement)	**$ (1,954)**	**$ 13,079**	**$ (15,033)**	**$ 10,315**	**$ 25,989**	**$ (15,674)**
Fair value adjustment on homes[3]	$ 19,766	$ 10,768	$ 8,998	$ 29,701	$ 19,377	$ 10,324
Less performance fees[4]	–	(3,888)	3,888	–	(3,879)	3,879
Fair value gain (A)	$ 19,766	$ 6,880	$ 12,886	$ 29,701	$ 15,498	$ 14,203
Warehouse credit facility interest	$ 947	$ 2,530	$ (1,583)	$ 1,832	$ 4,525	$ (2,693)
Securitization debt 2015 interest	2,875	2,215	660	5,400	4,737	663
Securitization debt 2016 interest	3,357	–	3,357	6,714	–	6,714
Silver Bay acquisition warehouse facility interest	7,916	–	7,916	7,916	–	7,916
Other debt interest	–	11	(11)	–	24	(24)
Interest expense (B)	$ 15,095	$ 4,756	$ 10,339	$ 21,862	$ 9,286	$ 12,576
Weighted average interest rate	3.5%	2.9%		3.4%	2.8%	

(1) Includes bad debt expense of $603 (2016 – $269) and $1,025 (2016 – $494) for the three and six months ended June 30, 2017.

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

(3) Fair value gain is net of imputed selling costs. Comparative periods have been reclassified to conform with the current period presentation.

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

Total portfolio

During the second quarter of 2017, total revenue increased by $22.3 million or 96% to $45.4 million compared to $23.1 million in the same period in 2016. This is associated with additional revenue earned from the Silver Bay portfolio and revenue growth of 17% from the legacy TAH homes.

The growth in the portfolio, combined with a 70 basis point increase in NOI margin, contributed to a 98% increase in net operating income in the second quarter of 2017 to $27.6 million compared to $13.9 million in the same period in 2016. For the three months ended June 30, 2017, the NOI margin increased to 60.8% compared to 60.1% for the three months ended June 30, 2016. This was the result of higher occupancy, strong rent growth, lower bad debt expense, disciplined expense management related to repairs, maintenance and turnover activities, and the effect of previously announced operational synergies from the Silver Bay acquisition.

TAH's fair value gain in the three months ended June 30, 2017 was $19.8 million compared to $6.9 million in the three months ended June 30, 2016. The fair value growth in the second quarter of 2017 was supported by BPO and HPI valuations (see Section 9) and reflects strong ongoing home price appreciation in TAH's target markets. The HPI increase this quarter was 1.2% (4.8% annualized) compared to a 1.4% HPI increase in the second quarter of 2016 (5.6% annualized). Homes acquired through the Silver Bay acquisition were held at cost given the close proximity of the transaction date and the valuation date.

Funds from operations and core funds from operations

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

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Investment income (loss) – TAH	$ (1,954)	$ 13,079	$ (15,033)	$ 10,315	$ 25,989	$ (15,674)
Fair value gain[1]	(19,766)	(6,880)	(12,886)	(29,701)	(15,498)	(14,203)
Loss on sale of homes	–	566	(566)	–	153	(153)
Non-controlling interests	–	316	(316)	422	939	(517)
Amortization of fixed assets	308	110	198	493	200	293
Deferred tax recovery	(116)	(706)	590	(1,071)	(1,377)	306
Deferred financing costs	104	–	104	465	–	465
Funds from operations (FFO)	**$ (21,424)**	**$ 6,485**	**$ (27,909)**	**$ (19,077)**	**$ 10,406**	**$ (29,483)**
Transaction costs and non-recurring costs[2]	28,696	1,304	27,392	32,019	1,636	30,383
Core funds from operations (Core FFO)	**$ 7,272**	**$ 7,789**	**$ (517)**	**$ 12,942**	**$ 12,042**	**$ 900**

(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 $11,925 related to the Silver Bay acquisition, Silver Bay integration-related expenses of $3,493, loan facility issuance costs of $14,939 and $1,662 writeoff of deferred formation costs resulting from the buyout of minority interests; YTD 2016 includes non-recurring costs of $1,056 related to office relocation expense and credit facility amendments costs of $580.

For the second quarter of 2017, Core FFO decreased by $0.5 million or 7% compared to the same period in the prior year. This variance was driven by a net increase in staff and in overhead expenses leading up to the Silver Bay acquisition and throughout the integration process, as well as higher interest expense. These items were largely offset by the NOI contribution of Silver Bay homes for a portion of the quarter.

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 December 31, 2015.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars, except per home data)	2017	2016	Variance	2017	2016	Variance
Operating metrics – same home						
Rental homes	4,700	4,700	–	4,700	4,700	–
Occupancy	97.5%	95.2%	2.3%	97.5%	95.2%	2.3%
Annualized turnover rate	31.7%	33.9%	(2.2%)	28.7%	30.7%	(2.0%)
Average monthly rent	$ 1,294	$ 1,251	$ 43	$ 1,294	$ 1,251	$ 43
Average quarterly rent growth – renewal	4.6%	4.3%	0.3%	4.5%	4.1%	0.5%
Average quarterly rent growth – new move-in	5.7%	7.3%	(1.5%)	6.4%	5.8%	0.6%
Average quarterly rent growth – blended	5.0%	5.2%	(0.3%)	5.2%	4.7%	0.5%

For the 4,700 homes comprising the same home portfolio, occupancy improved to 97.5% in the second quarter of 2017 compared to 95.2% in the same period in 2016. This portfolio's annualized turnover in the three months ended June 30, 2017 was 31.7%, an improvement of 220 basis points from the annualized turnover of 33.9% in the same period in 2016. The lower turnover rate supports lower turn costs and partially contributed to the NOI margin improvement during the quarter. Management believes that by offering a portfolio of high-quality homes in desirable neighbourhoods, complemented by a high level of customer service, residents will be inclined to stay in their homes for an extended period of time.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Income statement – same home						
Rental revenue	$ 17,313	$ 16,405	$ 908	$ 34,482	$ 32,429	$ 2,053
Fees and other revenue	557	400	157	1,163	668	495
Bad debt	(220)	(411)	191	(555)	(743)	188
Total revenue	17,650	16,394	1,256	35,090	32,354	2,736
Property taxes	2,436	2,009	427	4,874	4,274	600
Repairs, maintenance and turnover	1,991	2,104	(113)	3,842	4,080	(238)
Property management fees	1,247	1,184	63	2,485	2,275	210
Property insurance	474	532	(58)	963	1,063	(100)
Homeowners' association (HOA) costs	271	251	20	544	496	48
Other direct expenses	371	381	(10)	691	563	128
Total operating expenses	6,790	6,461	329	13,399	12,751	648
Net operating income (NOI)	**$ 10,860**	**$ 9,933**	**$ 927**	**$ 21,691**	**$ 19,603**	**$ 2,088**
Net operating income (NOI) growth			**9.3%**			**10.7%**
Net operating income (NOI) margin	**61.5%**	**60.6%**		**61.8%**	**60.6%**	

Total revenue from the same home portfolio increased by $1.3 million or 8% to $17.7 million in the second quarter of 2017 compared to $16.4 million for the same period in the prior year due to increases in average monthly rent, aggregate occupancy, and a reduction in annualized turnover. This increase in revenue was partially offset by a nominal increase in operating expenses of $0.3 million or 5%, which was largely driven by higher property taxes and partially negated by a reduction in repairs and maintenance, as TAH continued its efforts to internalize the repairs and maintenance function, as well as savings on insurance achieved through additional scale.

Meaningfully higher revenues along with the containment of controllable expenses resulted in same home NOI growth of 9.3% year-over-year to $10.9 million, compared to $9.9 million in the second quarter of 2016 (10.7% year-over-year NOI growth rate for the six-month periods).

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)		Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Purchase price of homes		$ 2,237,442	$ 830,501	$ 822,719	$ 827,597	$ 829,165	$ 780,719
Cumulative capital expenditures[1]		207,927	199,282	192,984	190,051	186,742	168,370
Total cost basis of rental homes		$ 2,445,369	$ 1,029,783	$ 1,015,703	$ 1,017,648	$ 1,015,907	$ 949,089
Cost of homes held for sale		15,901	31,920	24,271	25,717	11,013	7,871
Cumulative fair value adjustment[2]		230,059	210,293	199,370	189,497	167,610	156,006
Portfolio home price appreciation during the quarter		1.2%	1.3%	0.9%	1.7%	1.4%	1.0%
Fair value of homes (AUM)		**$ 2,691,329**	**$ 1,271,996**	**$ 1,239,344**	**$ 1,232,862**	**$ 1,194,530**	**$ 1,112,966**
Less imputed selling costs[3]		14,205	14,221	13,233	12,329	11,945	11,130
Fair value of homes, net	C	2,677,124	1,257,775	1,226,111	1,220,533	1,182,585	1,101,836
Warehouse credit facility (LIBOR+300 bps)	D	73,608	68,626	63,038	351,612	313,486	277,606
Securitization debt 2015 (LIBOR+196 bps)	D	339,611	347,091	350,595	360,397	360,647	361,260
Securitization debt 2016 (359 bps fixed)	D	362,601	362,601	362,601	–	–	–
Silver Bay acquisition warehouse facility (LIBOR+326 bps blended)	D	1,197,902	–	–	–	–	–
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	(62,962)	(45,633)	(33,061)	(54,974)	(56,822)	(59,863)
Investments – TAH (per Tricon balance sheet)	C – D	**$ 766,364**	**$ 525,090**	**$ 479,938**	**$ 505,074**	**$ 512,024**	**$ 472,995**
Cash and cash equivalents		91,709	41,559	44,952	33,879	44,877	44,778
Debt-to-cost (net of cash)		80.2%	73.3%	74.6%	68.4%	65.8%	66.9%
Debt-to-value (net of cash)		73.3%	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. No selling costs were applied on the Silver Bay home portfolio of $1.4 billion due to the close proximity of the Silver Bay acquisition date to the homes' valuation date.

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

TAH's portfolio is diversified across 18 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	4,019	3,964	3,857	24	83	97.3%	97.2%
Phoenix	1,831	1,831	1,792	20	19	97.9%	97.5%
Charlotte	1,807	1,776	1,730	16	30	97.4%	98.5%
Tampa	1,644	1,639	1,593	30	16	97.2%	98.6%
Dallas	1,129	1,122	1,094	14	14	97.5%	98.1%
Northern California	1,010	1,010	1,001	1	8	99.1%	99.4%
Houston	829	829	769	32	28	92.8%	93.5%
Southeastern Florida	776	769	705	39	25	91.7%	93.8%
Las Vegas	585	585	578	2	5	98.8%	98.8%
Orlando	520	520	500	3	17	96.2%	98.0%
Columbia	455	415	388	15	12	93.5%	94.8%
Jacksonville	451	451	432	12	7	95.8%	95.7%
Indianapolis	375	375	359	10	6	95.7%	96.0%
Columbus[2]	284	284	274	7	3	96.5%	N/A
Southern California	279	277	273	2	2	98.6%	98.5%
Reno	251	251	251	–	–	100.0%	100.0%
Tucson[2]	209	209	204	5	–	97.6%	N/A
San Antonio	206	200	195	–	5	97.5%	97.4%
Total/Weighted average	**16,660**	**16,507**	**15,995**	**232**	**280**	**96.9%**	**97.2%**

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	$ 119,000	$ 26,000	$ 145,000	1,797	$ 1,145	$ 0.64
Phoenix	166,000	14,000	180,000	1,711	1,153	0.67
Charlotte	101,000	30,000	131,000	1,542	1,093	0.71
Tampa	148,000	32,000	180,000	1,548	1,381	0.89
Dallas	133,000	17,000	150,000	1,564	1,328	0.85
Northern California	197,000	25,000	222,000	1,305	1,562	1.20
Houston	119,000	18,000	137,000	1,613	1,286	0.80
Southeastern Florida	120,000	36,000	156,000	1,402	1,571	1.12
Las Vegas	164,000	19,000	183,000	1,652	1,239	0.75
Orlando	161,000	2,000	163,000	1,502	1,250	0.83
Columbia	92,000	20,000	112,000	1,443	1,064	0.74
Jacksonville	139,000	1,000	140,000	1,534	1,195	0.78
Indianapolis	112,000	17,000	129,000	1,560	1,178	0.76
Columbus	89,000	1,000	90,000	1,414	1,113	0.79
Southern California	152,000	28,000	180,000	1,308	1,559	1.19
Reno	152,000	21,000	173,000	1,541	1,411	0.92
Tucson	94,000	–	94,000	1,330	873	0.66
San Antonio	94,000	31,000	125,000	1,640	1,224	0.75
Total/Weighted average	**$ 133,000**	**$ 24,000**	**$ 157,000**	**1,599**	**$ 1,243**	**$ 0.78**

(1) Includes 153 investment properties held for sale.

(2) The homes in the Columbus and Tucson markets are classified as non-core and are not part of the stabilized portfolio in the stabilized occupancy calculation.

4.3 Tricon Lifestyle Communities

TLC continued to generate strong internal growth by driving rental increases and advancing capital expenditure projects. 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.

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total number of parks	14	14	14	11	10	10
Parks acquired during the period	–	–	3	1	–	5
Total number of rental sites	3,065	3,065	3,065	2,644	2,467	2,467
Rental sites acquired during the period	–	–	421	177	–	1,348
Occupancy	78.8%	82.4%	82.2%	72.5%	69.8%	75.6%
Long-term occupancy	73.9%	73.2%	73.9%	70.0%	67.7%	66.4%
Annualized turnover rate	4.3%	9.6%	5.8%	4.7%	5.5%	5.8%
Average gross monthly rent per site	$ 428	$ 424	$ 413	$ 385	$ 376	$ 378
Average rent increase	3.0%	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 periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Long-term rental revenue	$ 3,149	$ 1,999	$ 1,150	$ 6,435	$ 4,071	$ 2,364
Seasonal rental revenue	140	62	78	621	450	171
Total rental revenue[1]	$ 3,289	$ 2,061	$ 1,228	$ 7,056	$ 4,521	$ 2,535
Property taxes	202	105	97	406	217	189
Repairs and maintenance	93	90	3	196	170	26
Property insurance	58	43	15	117	78	39
Utilities	507	320	187	1,103	696	407
Property management	506	337	169	1,092	716	376
Total operating expenses	1,366	895	471	2,914	1,877	1,037
Net operating income (NOI)	**$ 1,923**	**$ 1,166**	**$ 757**	**$ 4,142**	**$ 2,644**	**$ 1,498**
Net operating income (NOI) margin	**58.5%**	**56.6%**		**58.7%**	**58.5%**	
Other expenses[2]	(322)	(29)	(293)	(662)	(451)	(211)
Fair value gain	872	847	25	2,133	847	1,286
Interest expense[2]	(860)	(585)	(275)	(1,681)	(1,159)	(522)
Investment income – TLC (per Tricon income statement)	**$ 1,613**	**$ 1,399**	**$ 214**	**$ 3,932**	**$ 1,881**	**$ 2,051**

(1) Rental revenue includes base rent, utilities reimbursements, miscellaneous income and bad debt expense where applicable.
(2) Refer to Section 3.1 for a discussion of other expenses and interest expense.

During the three and six months ended June 30, 2017, rental revenue increased by $1.2 million and $2.5 million, respectively, compared to $2.1 million and $4.5 million in the same periods of 2016. These increases are primarily attributed to the four communities acquired since June 30, 2016 as well as rental rate increases and occupancy improvements following successful enhancement programs at the existing communities.

Occupancy increased by 9.0% from 69.8% as at June 30, 2016 to 78.8% as at June 30, 2017, mainly as a result of a change in portfolio mix. The four communities acquired since June 30, 2016 have an average occupancy of 91.6% as at June 30, 2017 compared to the communities held at June 30, 2016, which currently have an average occupancy of 75.7%. TLC expects to see a continued increase in occupancy across the portfolio through active management and its capital expenditure program.

The NOI margin for the three and six months ended June 30, 2017 was 58.5% and 58.7%, respectively, compared to 56.6% and 58.5% in the same periods in 2016. The improved NOI margin is attributable to occupancy growth and rent increases, along with disciplined operating expense management.

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 completing 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 Parkhaven and Brighthaven are expected to be completed by the end of 2017, and improvements at Rosehaven to be completed by early 2018. The improvements to Springhaven, which commenced in 2016, are expected to be completed in late 2017.

Funds from operations and core funds from operations

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

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2017	2016	Variance	2017	2016	Variance
Investment income – TLC	$ 1,613	$ 1,399	$ 214	$ 3,932	$ 1,881	$ 2,051
Fair value gain	(872)	(847)	(25)	(2,133)	(847)	(1,286)
Other	95	(146)	241	170	87	83
Funds from operations (FFO)	**$ 836**	**$ 406**	**$ 430**	**$ 1,969**	**$ 1,121**	**$ 848**
Transaction costs and non-recurring costs	3	–	3	4	23	(19)
Core funds from operations (Core FFO)	**$ 839**	**$ 406**	**$ 433**	**$ 1,973**	**$ 1,144**	**$ 829**

Core FFO for the second quarter of 2017 increased to $0.8 million compared to $0.4 million for the same period in 2016, mainly as a result of the contribution of four communities acquired since June 30, 2016. Similarly, Core FFO for the six months ended June 30, 2017 increased to $2.0 million from $1.1 million.

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)		Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Fair value of parks (AUM)	**A**	**$ 134,310**	**$ 132,406**	**$ 130,560**	**$ 98,802**	**$ 87,633**	**$ 85,964**
Partner equity (minority interest)	B	627	623	623	549	491	475
Debt	B	78,590	78,791	79,000	60,356	54,478	54,598
Other net assets[1]	B	(1,836)	(1,918)	(1,654)	(607)	(442)	(745)
Investments – TLC (per Tricon balance sheet)	**A – B**	**$ 56,929**	**$ 54,910**	**$ 52,591**	**$ 38,504**	**$ 33,106**	**$ 31,636**
Debt-to-value		58.5%	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	$ 15,751	3.69% fixed
2022	13,215	4.48% fixed
2023	8,707	4.59% fixed
2024	16,559	4.51% fixed
2026	24,358	4.09% fixed
Total/Weighted average	**$ 78,590**	**4.22% fixed**

TLC's portfolio consists of 14 parks with the following operating characteristics (in order of acquisition date):

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	93.9%	91.7%
Skyhaven	Phoenix, AZ	Age-restricted	17.5	192	386	91.1%	90.6%
Springhaven[2]	Phoenix, AZ	Age-restricted	15.5	320	352	75.3%	74.7%
Brookhaven[2]	Phoenix, AZ	Age-restricted	10.0	140	213	92.1%	92.1%
Sunhaven[2]	Phoenix, AZ	Age-restricted	9.4	153	280	71.9%	69.9%
Glenhaven	Phoenix, AZ	Age-restricted	11.8	164	438	78.0%	67.7%
Newhaven	Phoenix, AZ	Age-restricted	11.3	111	368	76.6%	53.2%
Parkhaven	Phoenix, AZ	Age-restricted	28.3	455	409	68.1%	65.5%
Rosehaven	Phoenix, AZ	Age-restricted	36.3	411	415	68.4%	57.4%
Sundowner	Phoenix, AZ	Age-restricted	13.7	207	378	55.1%	42.0%
Brighthaven	Phoenix, AZ	Age-restricted	16.6	177	465	83.1%	76.8%
Riverdale	Indio, CA	Age-restricted	21.2	185	488	91.4%	91.4%
Palmdale	Indio, CA	Age-restricted	19.2	151	534	98.0%	98.0%
Springdale	San Marcos, CA	Family	11.8	85	686	98.8%	98.8%
Total/Weighted average			**260.6**	**3,065**	**$ 428**	**78.8%**	**73.9%**

(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 second 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%	$ 31,640	$ 38,768	$ 7,352	$ 4,861	$ 50,981
The Maxwell	Frisco, TX	90%	20,608	26,008	2,097	2,725	30,830
The Selby (592 Sherbourne)	Toronto, ON	15%	6,297	7,718	4,521	–	12,239
57 Spadina	Toronto, ON	20%	6,585	6,585	3,669	–	10,254
Scrivener Square	Toronto, ON	50%	8,173	8,767	10,018	11,097	29,882
Shops of Summerhill	Toronto, ON	25%	4,866	5,126	3,375	–	8,501
Total			**$ 78,169**	**$ 92,972**	**$ 31,032**	**$ 18,683**	**$ 142,687**

(1) Investments – TLR per Tricon balance sheet of $79,250 includes the principal investments above of $92,972 as well as net liabilities and non-controlling interest of $13,722.

Operational highlights include the following:

Tricon Luxury Residences – U.S.

At The McKenzie, adjacent to Dallas' affluent Highland Park neighbourhood, above-grade construction continued as planned, with 90% of trades now under contract. By the end of the quarter, all 22 floors of the residential tower had been poured and exterior framing, sheathing and waterproofing had reached the 18th floor. The concrete structure achieved top-out subsequent to quarter-end and construction of the 183-unit rental building is expected to be completed in mid-2018, with stabilization in mid-2019.

At The Maxwell in Frisco, Texas, construction and site work progressed as planned, with 85% of trades now under contract. The two-level parking deck is complete and framing, roofing and decking of the buildings are underway. Construction of the 325-unit rental building is expected to be completed in the third quarter of 2018, with stabilization in mid-2019. The Frisco rental market remains strong, supported by continued demand from employees relocating to the nearby Legacy West business park where Toyota has begun moving the first of thousands of employees and where JP Morgan and Liberty Mutual will be opening their offices later this year.

Tricon Luxury Residences – Canada

TLR Canada's first project in Toronto, The Selby, continues to progress well through the development phase, with over 88% of trades now under contract. The project is currently tracking ahead of schedule, with formwork now commencing on the 31st floor, brick precast installation ongoing on the 19th floor, and window and balcony door installation on the 14th floor. The project is expected to commence leasing in the second half of 2018, with the building reaching final completion in late 2018. 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 six months of 2017.

57 Spadina remains in the design stage, with design development substantially completed and on-site demolition scheduled to commence in February 2018. The Entertainment District submarket continues to be one of the most sought-after neighbourhoods in Toronto, and rental growth continues to trend strongly upward.

Scrivener Square remains in the design stage, with the formal zoning submission completed in the second quarter of 2017. The development site is owned on a 50/50 basis with Diamond Corp. 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					
	Start	End	Projected total cost ($000)	Projected rental units	Projected retail (sq. feet)	Projected development yield[1]
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	139,900	502	–	5.25–5.75%
57 Spadina	Q1 2018	Q1 2021	111,400	286	19,000	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	N/A
Total			**$ 399,900**	**1,296**		

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

4.5 Private Funds and Advisory

During the first six months 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 periods ended June 30 (in thousands of U.S. dollars)	Three months			Six months		
	2017	2016	Variance	2017	2016	Variance
THP1 US	$ 242	$ 538	$ (296)	$ 515	$ 1,286	$ (771)
THP2 US	720	965	(245)	1,415	1,931	(516)
Separate accounts	937	416	521	1,845	1,495	350
Side-cars	381	336	45	773	764	9
U.S. syndicated investments	4	4	–	2	8	(6)
Trinity Falls	185	–	185	370	–	370
THP1 Canada	3	4	(1)	7	7	–
THP2 Canada	81	135	(54)	163	279	(116)
Canadian syndicated investments	66	65	1	132	125	7
TLR Canada	109	–	109	220	–	220
TLR U.S.	87	58	29	161	98	63
Management fees – private Investment Vehicles	2,815	2,521	294	5,603	5,993	(390)
Development fees – TDG	383	380	3	772	709	63
Development fees – Johnson	2,475	2,687	(212)	4,706	4,354	352
Contractual fees	**$ 5,673**	**$ 5,588**	**$ 85**	**$ 11,081**	**$ 11,056**	**$ 25**

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.

(in thousands of U.S. dollars)	Third-party investments: Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Projected returns[2]: Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 24,471	$ –	$ 4,957	$ 29,428	2.2x	14%	1.7x	11%	$ 12,202
THP2 US	184,567	–	49,174	233,741	1.8x	18%	1.5x	13%	25,686
Separate accounts[3]	373,656	–	70,906	444,562	2.4x	17%	2.3x	16%	28,724
Side-cars[4]	154,202	–	58,314	212,516	1.7x	16%	1.6x	15%	1,655
THP1 Canada	643	–	–	643	2.0x	15%	1.6x	12%	6,748
THP2 Canada	22,287	–	1,087	23,374	1.8x	14%	1.5x	10%	2,172
THP3 Canada	79,754	–	24,361	104,115	1.9x	12%	1.6x	9%	–
Canadian syndicated investments[5]	20,937	–	5,245	26,182	2.1x	11%	1.9x	10%	1,851
Total – THP	**$ 860,517**	**$ –**	**$ 214,044**	**$ 1,074,561**					**$ 79,038**
TLR Canada[6]	61,710	60,427	34,282	156,419	2.6x	13%	2.5x	12%	17,213
Total	**$ 922,227**	**$ 60,427**	**$ 248,326**	**$ 1,230,980**					**$ 96,251**

(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 $75.1 million in the three months ended June 30, 2017, primarily as a result of:

- An increase in THP AUM of $64.1 million attributable to $69.0 million of additional capital commitments to the Arantine Hills syndicated investment to accommodate a change in project scope less net advances and distributions on remaining investments of $4.9 million.
- An increase in TLR Canada AUM of $11.0 million as a result of construction loan advances of $7.4 million made to The Selby, along with a foreign exchange gain of $3.6 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 June 30, 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	25,541	6,041	1,556	41,575	307	5,235	3,171	1,081	32,373
Canada	267	3,905	836	5,739	219,520	187	2,384	635	5,054	175,020
Total units as at June 30, 2017	**1,344**	**29,446**	**6,877**	**7,295**	**261,095**	**494**	**7,619**	**3,806**	**6,135**	**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) Total units and total units sold shown above include all projects in private Investment Vehicles under the THP investment vertical (THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Trinity Falls, separate accounts and side-cars).

(2) Total units 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 periods ended June 30 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months 2017	Three months 2016	Three months Variance	Six months 2017	Six months 2016	Six months Variance
Development fees – Johnson	$ 2,475	$ 2,687	$ (212)	$ 4,706	$ 4,354	$ 352
Land sales (acres)	17	29	(12)	145	63	82
Lot sales	616	493	123	1,144	781	363
Third-party home sales	884	731	153	1,848	1,304	544

Johnson generated 616 lot sales during the quarter compared to 493 in the same period in 2016, an increase of 25%. Third-party home sales for the second quarter in 2017 within Johnson communities were 884 compared to 731 home sales during the same period in 2016, an increase of 21%. The year-to-date figures for both lot sales and third-party home sales also show a significant increase compared to the same period in 2016. The increase in lot 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. During the quarter, Johnson was named as the only developer in the U.S. to have six communities listed in the top 50 for new home sales within a master planned community in 2017, as reported by Robert Charles Lesser & Co. Real Estate Advisors.

Despite the stronger volume of lot sales, a shift in the sales mix to smaller, less expensive lots has led to a decline in development fee revenue compared to the same quarter last year. Johnson continues to assess homebuyer trends across each of its communities in an effort to deliver an appropriate product mix. Demand for entry-level homes continues to be strong across Houston, with Johnson focusing new lot deliveries on this segment of the market.

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 June 30, 2017, Tricon had a net working capital surplus of $2.0 million, reflecting current assets of $29.6 million, offset by payables and accrued liabilities of $27.6 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 June 30, 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.

On March 17, 2017, the Company completed the offering, on a bought deal basis, of 20,326,250 subscription receipts at a price of $7.41 (C$9.90) per subscription receipt for gross proceeds of $150.5 million (C$201.2 million translated to U.S. dollars using the March 17, 2017 exchange rate). 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. On the settlement date, the gross proceeds were revalued to $146.8 million (C$201.2 million translated to U.S. dollars using the May 9, 2017 exchange rate). Net proceeds from the offering were $141.1 million (C$193.3 million), which is net of $7.8 million equity issuance costs (including $1.0 million dividend equivalent payments), offset by $2.1 million of deferred tax recoveries.

As of June 30, 2017, there were 133,806,806 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 periods ended June 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months 2017	Three months 2016	Three months Variance	Six months 2017	Six months 2016	Six months Variance
THP Adjusted EBITDA	A	$ 6,236	$ 4,867	$ 1,369	$ 11,660	$ 12,718	$ (1,058)
TAH Adjusted EBITDA	B	42,029	19,221	22,808	63,618	37,191	26,427
TLC Adjusted EBITDA	C	2,312	1,784	528	5,363	3,070	2,293
TLR Adjusted EBITDA	D	2,186	610	1,576	3,890	1,921	1,969
Contractual fees and GP distributions		6,004	5,915	89	11,745	11,688	57
Performance fees		355	101	254	358	101	257
Adjusted non-controlling interest EBITDA	E	(579)	(670)	91	(1,072)	(952)	(120)
Interest income		–	(2)	2	–	–	–
Adjusted EBITDA before corporate overhead		58,543	31,826	26,717	95,562	65,737	29,825
Adjusted compensation expense	F	(8,907)	(5,731)	(3,176)	(14,690)	(11,435)	(3,255)
General and administration expense		(2,053)	(1,801)	(252)	(3,913)	(3,208)	(705)
Adjusted EBITDA		**47,583**	**24,294**	**23,289**	**76,959**	**51,094**	**25,865**
Stock option expense		(302)	(220)	(82)	(702)	(502)	(200)
Adjusted interest expense	G	(21,262)	(7,988)	(13,274)	(31,746)	(15,228)	(16,518)
Adjusted amortization expense	H	(819)	(756)	(63)	(1,611)	(1,667)	56
Adjusted net income before taxes		**25,200**	**15,330**	**9,870**	**42,900**	**33,697**	**9,203**
Adjusted income tax expense	I	(3,370)	(1,559)	(1,811)	(5,670)	(4,113)	(1,557)
Adjusted net income		**$ 21,830**	**$ 13,771**	**$ 8,059**	**$ 37,230**	**$ 29,584**	**$ 7,646**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.17**	**$ 0.12**	**$ 0.05**	**$ 0.31**	**$ 0.26**	**$ 0.05**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.17**	**$ 0.12**	**$ 0.05**	**$ 0.30**	**$ 0.25**	**$ 0.05**
Weighted average shares outstanding – basic		**125,490,567**	**112,491,380**	**12,999,187**	**119,454,548**	**112,436,772**	**7,017,776**
Weighted average shares outstanding – diluted		**146,505,117**	**123,124,591**	**23,380,526**	**135,567,566**	**123,045,132**	**12,522,434**

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 $23.3 million or 96% to $47.6 million for the three months ended June 30, 2017 compared to $24.3 million for the same period in the prior year due to higher TAH Adjusted EBITDA, primarily as a result of the acquisition of Silver Bay, as well as higher Adjusted EBITDA for THP, TLC and TLR.
- Adjusted EBITDA increased by $25.9 million or 51% to $77.0 million for the six months ended June 30, 2017 compared to $51.1 million for the same period in the prior year due to the same reasons discussed above. This was partially 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 during 2016.
- Adjusted net income, which excludes non-recurring items, increased by $8.1 million or 59% to $21.8 million for the three months ended June 30, 2017 compared to $13.8 million for the same period in the prior year. The increase is attributable to higher Adjusted EBITDA, partially offset by higher adjusted interest expense as a result of a higher outstanding debt balance at TAH with respect to the Silver Bay acquisition financing and the new 2022 convertible debentures. Meanwhile, Adjusted net income increased by $7.6 million or 26% to $37.2 million for the six months ended June 30, 2017 compared to $29.6 million for the same period in the prior year for the same reasons noted above.
- Adjusted basic EPS increased by $0.05 to $0.17 and $0.31, respectively, for both the three and six months ended June 30, 2017 compared to the same periods in the prior year. Adjusted diluted EPS for the three and six months ended June 30, 2017 increased by $0.05 compared to $0.12 and $0.25 in the same periods in the prior year, respectively. The increase in Adjusted basic and diluted EPS is attributable to significantly higher Adjusted net income for the reasons noted above, offset by a higher weighted average share count primarily as a result of the common shares issued in May 2017 in satisfaction of the outstanding subscription receipts (see Section 5), along with the inclusion of the dilutive impact of the Company's outstanding convertible debentures (2016 – the 2020 convertible debentures were included).

7. Reconciliation of non-IFRS financial measures

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2017.

For the periods ended June 30	Three months		Six months	
(in thousands of U.S. dollars)	2017	2016	2017	2016
Net income	**$ (21,643)**	**$ 14,322**	**$ (13,888)**	**$ 27,179**
Non-recurring adjustments:				
Transaction costs at investment level	29,007	2,092	32,516	3,316
Transaction costs and formation costs	980	571	1,916	1,696
Non-cash adjustments:				
Control premium adjustment	–	–	–	1,884
Non-controlling interest	(20)	3	96	380
Foreign exchange gain at investment level	(1,085)	(243)	(1,439)	(1,364)
LTIP accrued recoveries[1]	564	(527)	(407)	(1,774)
Debentures discount amortization	1,202	451	1,653	875
Interest expense reclassification	–	(2)	–	–
Net change in fair value of derivative	19,151	(2,403)	23,318	(3,328)
Unrealized foreign exchange (gain) loss	(1,822)	451	(1,118)	1,956
Tax effect of above adjustments (expense)	(4,504)	(944)	(5,417)	(1,236)
Adjusted net income[2]	**$ 21,830**	**$ 13,771**	**$ 37,230**	**$ 29,584**
Add:				
Stock option expense	$ 302	$ 220	$ 702	$ 502
Adjusted interest expense[2]	21,262	7,988	31,746	15,228
Adjusted amortization expense[2]	819	756	1,611	1,667
Adjusted income tax expense[2]	3,370	1,559	5,670	4,113
Adjusted EBITDA[2]	**$ 47,583**	**$ 24,294**	**$ 76,959**	**$ 51,094**

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

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

For the periods ended June 30 (in thousands of U.S. dollars)		Three months 2017	Three months 2016	Six months 2017	Six months 2016
Investment income – THP per financial statements		$ 6,568	$ 4,928	$ 12,236	$ 11,329
Control premium adjustment		–	–	–	1,884
Tax expense (recovery)		61	–	(87)	79
Unrealized foreign exchange gain		(393)	(61)	(489)	(574)
THP Adjusted EBITDA[1]	A	$ 6,236	$ 4,867	$ 11,660	$ 12,718
Investment income – TAH per financial statements		$ (1,954)	$ 13,079	$ 10,315	$ 25,989
Interest expense		15,095	4,756	21,862	9,286
Transaction costs and non-cash expenses		29,004	2,092	32,512	3,293
Tax recovery		(116)	(706)	(1,071)	(1,377)
TAH Adjusted EBITDA[1]	B	$ 42,029	$ 19,221	$ 63,618	$ 37,191
Investment income – TLC per financial statements		$ 1,613	$ 1,399	$ 3,932	$ 1,881
Interest expense		860	585	1,681	1,159
Transaction costs and non-cash expenses		3	–	4	23
Tax expense (recovery)		(164)	(200)	(254)	7
TLC Adjusted EBITDA[1]	C	$ 2,312	$ 1,784	$ 5,363	$ 3,070
Investment income – TLR per financial statements		$ 2,847	$ 788	$ 4,778	$ 2,707
Interest expense		31	4	62	4
Translation adjustment		(692)	(182)	(950)	(790)
TLR Adjusted EBITDA[1]	D	$ 2,186	$ 610	$ 3,890	$ 1,921
NCI change per financial statements		$ (20)	$ 3	$ 96	$ 380
NCI portion of amortization and tax		(559)	(673)	(1,168)	(1,332)
Adjusted non-controlling interest[1]	E	$ (579)	$ (670)	$ (1,072)	$ (952)
Compensation expense per financial statements		$ (9,773)	$ (5,424)	$ (14,985)	$ (10,163)
Accrued LTIP expense (recovery)		564	(527)	(407)	(1,774)
Stock option expense		302	220	702	502
Adjusted compensation expense[1]	F	$ (8,907)	$ (5,731)	$ (14,690)	$ (11,435)
Interest expense per financial statements		$ (6,478)	$ (3,094)	$ (9,794)	$ (5,654)
TAH interest expense		(15,095)	(4,756)	(21,862)	(9,286)
TLC interest expense		(860)	(585)	(1,681)	(1,159)
TLR interest expense		(31)	(4)	(62)	(4)
Debentures discount amortization		1,202	451	1,653	875
Adjusted interest expense[1]	G	$ (21,262)	$ (7,988)	$ (31,746)	$ (15,228)
Amortization expense per financial statements		$ (1,378)	$ (1,429)	$ (2,779)	$ (2,999)
NCI portion of Johnson's amortization expense		559	673	1,168	1,332
Adjusted amortization expense[1]	H	$ (819)	$ (756)	$ (1,611)	$ (1,667)
Tax expense per financial statements		$ 915	$ (1,521)	$ (1,665)	$ (4,168)
THP tax recovery (expense)		(61)	–	87	(79)
TAH tax recovery		116	706	1,071	1,377
TLC tax recovery (expense)		164	200	254	(7)
Tax expense on non-cash and non-recurring items		(4,504)	(944)	(5,417)	(1,236)
Adjusted income tax expense[1]	I	$ (3,370)	$ (1,559)	$ (5,670)	$ (4,113)

(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 provisions 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 available to Tricon and Tricon's shareholders.
- Funds from operations ("FFO") represents investment income – TAH excluding fair value gains and other non-cash items such as deferred taxes, 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 available 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 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 the fair value of the underlying properties
Investment income – TLR	• Realized rental income net of expenses from leasing rental units within multi-family apartment/development projects • Unrealized investment income from changes in the fair value of the apartment/development projects

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

- Contractual fees, general partner distributions and performance fees from asset management of 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 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 a discounted cash flow methodology applied to the expected net cash flow from each property. Fair value gains are primarily 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 differ from 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 June 30, 2017. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the six months ended June 30, 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 $92,000 (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 August 8, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on or after October 15, 2017 to shareholders of record on September 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% as 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)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Financial statement results				
Total revenue and investment income	$ 15,433	$ 27,931	$ 21,845	$ 35,860
Net income (loss)	(21,643)	7,755	8,964	23,617
Basic earnings (loss) per share	(0.17)	0.07	0.07	0.21
Diluted earnings (loss) per share	(0.17)	0.07	0.07	0.17

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Financial statement results				
Total revenue and investment income	$ 26,210	$ 27,485	$ 26,046	$ 27,863
Net income	14,322	12,857	28,813	33,675
Basic earnings per share	0.13	0.12	0.27	0.34
Diluted earnings per share	0.11	0.11	0.16	0.20

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