Rethinking Residential Real Estate

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the Three and Six Months Ended June 30, 2019

TRICON

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

Unaudited (in thousands of U.S. dollars)

	Notes	June 30, 2019	December 31, 2018
ASSETS			
Cash		$ 4,911	$ 7,773
Amounts receivable		14,276	17,934
Prepaid expenses and deposits		461	819
Investments – Tricon American Homes	3, 5	1,262,571	1,145,221
Investments – Tricon Lifestyle Rentals	3, 4, 5	517,143	129,838
Investments – Tricon Housing Partners	3, 5	329,629	307,564
Intangible assets	10	18,556	20,733
Deferred income tax assets	9	42,252	36,135
Other assets	11, 12	22,218	21,645
Total assets		**$ 2,212,017**	**$ 1,687,662**
LIABILITIES			
Amounts payable and accrued liabilities	7	$ 28,351	$ 6,429
Dividends payable	13	10,398	7,350
Long-term incentive plan	16	22,875	21,407
Debt	6, 12	434,674	374,716
Deferred income tax liabilities	9	93,150	81,226
Derivative financial instruments	8	3,332	3,936
Other liability	4, 8	12,486	–
Total liabilities		**605,266**	**495,064**
Equity			
Share capital	4, 14	1,201,678	793,521
Share capital reserve	4	(13,057)	–
Contributed surplus		19,594	17,468
Cumulative translation adjustment		19,255	19,525
Retained earnings		371,193	353,220
Total shareholders' equity		1,598,663	1,183,734
Non-controlling interest		8,088	8,864
Total equity		**1,606,751**	**1,192,598**
Total liabilities and equity		**$ 2,212,017**	**$ 1,687,662**

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

Approved by the Board of Directors

David Berman

Michael Knowlton

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		For the three months ended		For the six months ended	
	Notes	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue					
Contractual fees	2, 17	$ 7,402	$ 6,283	$ 14,438	$ 11,486
General partner distributions	2, 17	267	353	517	709
Performance fees	2, 17	1,698	838	1,901	846
		9,367	7,474	16,856	13,041
Investment income					
Investment income – Tricon American Homes	17, 18	40,231	40,681	83,784	127,123
Investment income – Tricon Lifestyle Rentals	17, 18	2,501	2,547	7,888	3,564
Investment income – Tricon Housing Partners	17, 18	3,346	3,312	5,573	6,197
		46,078	46,540	97,245	136,884
		55,445	54,014	114,101	149,925
Expenses					
Compensation expense	16	10,677	9,955	19,376	19,678
General and administration expense		3,217	2,671	6,008	4,995
Interest expense	6	7,708	8,603	15,038	16,567
Net change in fair value of derivative financial instruments and other liability	8	(8,060)	9,527	(1,175)	(19,726)
Transaction costs	4	24,888	82	26,811	180
Amortization and depreciation expense	10, 11	1,562	1,249	3,104	2,482
Realized and unrealized foreign exchange (gain) expense		(159)	(1,289)	21	(2,977)
		39,833	30,798	69,183	21,199
Income before income taxes		**15,612**	**23,216**	**44,918**	**128,726**
Income tax (expense) recovery – current	9	(576)	298	(2,089)	(683)
Income tax expense – deferred	9	(2,680)	(3,353)	(6,410)	(11,938)
Net income from continuing operations		**$ 12,356**	**$ 20,161**	**$ 36,419**	**$ 116,105**
Investment income from discontinued operations and gain from disposal of investments held for sale – Tricon Lifestyle Communities	17, 18	–	19,602	–	21,170
Income tax recovery from discontinued operations – deferred	9	–	–	–	1,957
Net income from discontinued operations		**$ –**	**$ 19,602**	**$ –**	**$ 23,127**
Net income		**$ 12,356**	**$ 39,763**	**$ 36,419**	**$ 139,232**
Attributable to:					
Shareholders of Tricon		11,932	39,527	35,848	139,254
Non-controlling interest		424	236	571	(22)
Net income		**$ 12,356**	**$ 39,763**	**$ 36,419**	**$ 139,232**
Other comprehensive income					
Items that will be reclassified subsequently to net income					
Cumulative translation reserve		(252)	(1,084)	(270)	152
Comprehensive income for the period		**$ 12,104**	**$ 38,679**	**$ 36,149**	**$ 139,384**
Attributable to:					
Shareholders of Tricon		$ 11,680	$ 38,443	$ 35,578	$ 139,406
Non-controlling interest		424	236	571	(22)
Comprehensive income for the period		**$ 12,104**	**$ 38,679**	**$ 36,149**	**$ 139,384**
Basic earnings per share attributable to shareholders of Tricon					
Continuing operations	15	$ 0.08	$ 0.15	$ 0.24	$ 0.87
Discontinued operations	15	–	0.14	–	0.17
Basic earnings per share attributable to shareholders of Tricon	15	**$ 0.08**	**$ 0.29**	**$ 0.24**	**$ 1.04**
Diluted earnings per share attributable to shareholders of Tricon					
Continuing operations	15	$ 0.04	$ 0.15	$ 0.24	$ 0.65
Discontinued operations	15	–	0.14	–	0.14
Diluted earnings per share attributable to shareholders of Tricon	15	**$ 0.04**	**$ 0.29**	**$ 0.24**	**$ 0.79**
Weighted average shares outstanding – basic	15	**155,787,146**	**134,528,070**	**150,063,994**	**134,389,889**
Weighted average shares outstanding – diluted	15	**174,133,167**	**136,394,075**	**151,936,857**	**161,492,736**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited (in thousands of U.S. dollars)

	Notes	Share capital	Share capital reserve	Contributed surplus	Cumulative translation adjustment	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at January 1, 2019		**$ 793,521**	**$ –**	**$ 17,468**	**$ 19,525**	**$ 353,220**	**$ 1,183,734**	**$ 8,864**	**$ 1,192,598**
Net income		–	–	–	–	35,848	35,848	571	36,419
Shares issued to acquire Starlight U.S. Multi-Family (No. 5) Core Fund	4, 14	405,491	(13,057)	–	–	–	392,434	–	392,434
Cumulative translation reserve		–	–	–	(270)	–	(270)	–	(270)
Distributions to non-controlling interest		–	–	–	–	–	–	(1,347)	(1,347)
Dividends/Dividend reinvestment plan	13	1,803	–	–	–	(17,875)	(16,072)	–	(16,072)
Debentures conversion	14	100	–	–	–	–	100	–	100
Stock options	16	2	–	402	–	–	404	–	404
Shares repurchased and reserved for restricted share awards	16	(25)	–	91	–	–	66	–	66
Deferred share units	16	786	–	1,633	–	–	2,419	–	2,419
Balance at June 30, 2019		**$ 1,201,678**	**$ (13,057)**	**$ 19,594**	**$ 19,255**	**$ 371,193**	**$ 1,598,663**	**$ 8,088**	**$ 1,606,751**
Balance at January 1, 2018		**$ 713,553**	**$ –**	**$ 16,754**	**$ 19,184**	**$ 167,849**	**$ 917,340**	**$ 10,955**	**$ 928,295**
Net income		–	–	–	–	139,254	139,254	(22)	139,232
Cumulative translation reserve		–	–	–	152	–	152	–	152
Distributions to non-controlling interest		–	–	–	–	–	–	(1,246)	(1,246)
Dividends/Dividend reinvestment plan	13	4,487	–	–	–	(14,361)	(9,874)	–	(9,874)
Repurchase of common shares	14	(2,310)	–	–	–	(1,423)	(3,733)	–	(3,733)
Debentures conversion	14	6	–	–	–	–	6	–	6
Stock options	16	470	–	553	–	–	1,023	–	1,023
Deferred share units	16	1,279	–	166	–	–	1,445	–	1,445
Balance at June 30, 2018		**$ 717,485**	**$ –**	**$ 17,473**	**$ 19,336**	**$ 291,319**	**$ 1,045,613**	**$ 9,687**	**$ 1,055,300**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of U.S. dollars)

For the six months ended	Notes	June 30, 2019	June 30, 2018
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income		$ 36,419	$ 139,232
Adjustments for non-cash items			
Amortization and depreciation expense	10, 11	3,104	2,482
Deferred income taxes	9	6,410	9,981
Long-term incentive plan	16	2,393	3,464
Annual incentive plan	16	7,444	8,969
Amortization of debentures discount and issuance costs	6	2,134	3,461
Accrued investment income – Tricon American Homes	5	(83,784)	(127,123)
Accrued investment income – Tricon Lifestyle Rentals	5	(7,888)	(3,564)
Accrued investment income – Tricon Housing Partners	5	(5,573)	(6,197)
Accrued investment income from discontinued operations – Tricon Lifestyle Communities	5	–	(21,170)
Net change in fair value of derivative financial instruments and other liability	8	(1,175)	(19,726)
Unrealized foreign exchange gain		(6,033)	(6,239)
Distributions to non-controlling interest		(1,347)	(1,246)
Advances made to investments	5	(97,912)	(110,905)
Distributions received from investments	5	74,151	43,825
		(71,657)	(84,756)
Changes in non-cash working capital items	21	25,938	4,157
Net cash (used in) provided by operating activities from continuing operations		**(45,719)**	**(80,599)**
Advances made to investments held for sale	5	–	(304)
Proceeds from disposal of investments held for sale	5	–	78,000
Net cash (used in) provided by operating activities from discontinued operations		**–**	**77,696**
Net cash (used in) provided by operating activities		**(45,719)**	**(2,903)**
Investing activities			
Purchase of building, furniture, office and computer equipment, and leasehold improvements	11	(1,500)	(4,461)
Placement fees	10	–	(5,000)
Net cash (used in) provided by investing activities		**(1,500)**	**(9,461)**
Financing activities			
Lease payments	12, 22	(85)	(15)
Repurchase of common shares	14	–	(3,733)
Equity issuance costs	4, 14	(223)	–
Debt financing, net	6, 22	57,707	32,976
Dividends paid	13	(13,061)	(9,835)
Net cash (used in) provided by financing activities		**44,338**	**19,393**
Effect of foreign exchange rate difference on cash		**19**	**(50)**
Change in cash during the period		**(2,862)**	**6,979**
Cash – beginning of period		**7,773**	**14,813**
Cash – end of period		**$ 4,911**	**$ 21,792**
Supplementary information			
Cash paid on			
Income taxes		**$ 540**	**$ 2,125**
Interest		**$ 12,866**	**$ 12,470**

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

1. NATURE OF BUSINESS

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

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

These condensed interim consolidated financial statements were approved for issue on August 6, 2019 by the Board of Directors of Tricon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies applied in the preparation of these condensed interim consolidated financial statements.

Basis of preparation and measurement

The condensed interim consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is also the Company's functional currency. All financial information is presented in thousands of U.S. dollars except where otherwise indicated.

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

The Company presents its condensed interim consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the condensed interim consolidated financial statements provide information on the Company's current assets and current liabilities (Note 19). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

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

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

3. INVESTMENTS

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

Investments – Tricon Lifestyle Rentals ("TLR") are investments in multi-family rental properties, including development assets and existing income-producing assets in Canada and the United States. TLR Canada's investment objective is to add value through the development and construction process and ultimately generate stable cash flow from its portfolio of rental apartment buildings. TLR U.S. invests in and operates multi-family rental apartments, with a current focus largely on Class A garden-style apartments in the U.S. Sun Belt.

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, which owned a portfolio of 23 garden-style multi-family properties totalling 7,289 suites located primarily in the U.S. Sun Belt (see Note 4).

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

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

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

	June 30, 2019			December 31, 2018		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – TAH						
TAH wholly-owned	$ –	$ 1,184,570	$ 1,184,570	$ –	$ 1,099,086	$ 1,099,086
TAH JV-1	–	78,001	78,001	–	46,135	46,135
	–	1,262,571	1,262,571	–	1,145,221	1,145,221
Investments – TLR						
TLR U.S.	–	420,828	420,828	–	–	–
TLR Canada	–	80,580	80,580	–	70,199	70,199
Assets held for sale within TLR	–	15,735	15,735	–	59,639	59,639
	–	517,143	517,143	–	129,838	129,838
Investments – THP						
Commingled funds	–	121,574	121,574	–	118,931	118,931
Direct investments	–	135,289	135,289	–	111,342	111,342
Separate accounts and side-cars	17,464	55,302	72,766	18,874	58,417	77,291
	17,464	312,165	329,629	18,874	288,690	307,564
Total	**$ 17,464**	**$ 2,091,879**	**$ 2,109,343**	**$ 18,874**	**$ 1,563,749**	**$ 1,582,623**

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

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has provided specific guarantees to the lenders of the TAH warehouse facilities, the TLR Canada land loans and the TLR construction loans, on a non-recourse basis subject only to specific carved-out events in the case of TAH guarantees.

The following tables summarize the balances in the investment funds that are managed by Tricon in connection with THP, presented in the functional currency of the fund:

(in thousands of dollars) THP investments	Currency	Tricon commitment	Advances[1]	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investments at fair value[2]
As at June 30, 2019[3]								
Total USD investments	USD	$ 470,025	$ 498,483	$ 27,960	$ 33,894	$ 325,983	$ 359,877	$ 322,516
Total CAD investments	CAD	20,000	12,462	7,538	–	8,977	8,977	7,113
Investments – THP								**$ 329,629**
As at December 31, 2018[3]								
Total USD investments	USD	$ 444,973	$ 471,674	$ 29,682	$ 30,680	$ 315,663	$ 346,343	$ 300,965
Total CAD investments	CAD	20,000	12,462	7,538	–	8,977	8,977	6,599
Investments – THP								**$ 307,564**

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

(2) Investments at fair value as of June 30, 2019 and December 31, 2018 are shown in thousands of U.S. dollars.

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

4. ACQUISITION OF STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Multi-Family Core Portfolio") by acquiring, among other things, all of the issued and outstanding limited partnership units of the Multi-Family Core Portfolio by issuing 50,779,311 Tricon common shares at $7.99 (C$10.60) per share, totalling $405,714, in an all-share transaction (the "Transaction"). In connection with the Transaction, the Company indirectly acquired the Multi-Family Core Portfolio's 23 core-plus multi-family properties that were valued at approximately $1.3 billion and also assumed approximately $920,000 of the Multi-Family Core Portfolio's existing debt upon closing (Note 5).

The acquisition established a new U.S multi-family platform for Tricon with predictable income streams that is complementary to the Company's other U.S. verticals. The business targets the middle market demographic by providing affordable, high-quality housing that is attractive to the broader workforce. The acquired properties are primarily garden-style apartment complexes featuring resort-style amenities and are predominantly located in desirable suburban neighbourhoods within U.S. Sun Belt states.

The Company incurred $25,815 of transaction costs in relation to the acquisition, of which $25,592 were expensed (comprised of investment banking, consulting and other transitional services, legal, finance and tax, due diligence and other fees) and $223 were charged directly to share capital in connection with the issuance of Tricon's common shares. As at June 30, 2019, transaction costs of $13,770 remained payable (Note 7).

As part of the Transaction, the Company entered into a put and call agreement with certain former unitholders of Starlight U.S. Multi-Family (No. 5) Core Fund ("Option Holders") for an aggregate of 1,634,217 Tricon common shares. Under the terms of this agreement, the Company has the right during the period commencing on the six-month anniversary of the Transaction date to purchase from the Option Holders, as applicable, all or a portion of the put/call shares for an aggregate purchase price equal to the put/call price, which must be equal to or greater than C$11.49 per share. Similarly, the Option Holders have the right during the 20-business-day period commencing one year from the Transaction date to sell to the Company an amount of Tricon common shares equal in aggregate to the put/call shares for an aggregate purchase price equal to the put/call price. The put/call price per share is defined as the quoted market price of a Tricon common share on the put/call date.

On the Transaction date, the Company recognized a put liability measured at the fair value of its common shares of $7.99 (C$10.60) multiplied by the number of Tricon common shares that are subject to the put right noted above, totalling $13,057. The put liability is classified as other liability and the corresponding share capital has been designated as a share capital reserve in the consolidated balance sheet in accordance with IAS 32, Financial Instruments: Presentation. The change in the value of the put liability is measured as the change during the period in the quoted market price of the Company's common shares that are subject to the put right, and is recorded in the consolidated statement of comprehensive income (Note 8).

5. FAIR VALUE ESTIMATION

In the fair value hierarchy, the level in which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. Assessing the significance of a particular input to the fair value measurement requires judgment, considering factors specific to the asset or liability.

The following describes the categories within the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table provides information about financial assets and liabilities measured at fair value on the balance sheet and categorized by level according to the significance of the inputs used in making the measurements:

	June 30, 2019			December 31, 2018		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – TAH						
TAH wholly-owned	$ –	$ –	$ 1,184,570	$ –	$ –	$ 1,099,086
TAH JV-1	–	–	78,001	–	–	46,135
	–	–	1,262,571	–	–	1,145,221
Investments – TLR						
TLR U.S.	–	–	420,828	–	–	–
TLR Canada	–	–	80,580	–	–	70,199
Assets held for sale within TLR	–	–	15,735	–	–	59,639
	–	–	517,143	–	–	129,838
Investments – THP	–	–	329,629	–	–	307,564
	$ –	**$ –**	**$ 2,109,343**	**$ –**	**$ –**	**$ 1,582,623**
Financial liabilities						
Derivative financial instruments (Note 8)	$ –	$ 3,332	$ –	$ –	$ 3,936	$ –

There have been no transfers between levels for the six months ended June 30, 2019.

Financial assets valuation methodologies

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

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

Investments – Tricon American Homes

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

The table below represents 100% of the assets and liabilities of TAH entities wholly-owned by the Company as well as TAH JV-1 operating entities. The third-party investors' 66.3% ownership interest in the TAH JV-1 operating entities is deducted as part of other net liabilities to arrive at the Company's investment in TAH.

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Fair value of managed homes	$ 3,737,241	$ 3,327,404
Debt	(2,236,552)	(2,046,433)
Other net liabilities[1,2]	(238,118)	(135,750)
Investments – TAH	**$ 1,262,571**	**$ 1,145,221**

(1) Other net liabilities include working capital of Tricon SF Home Rental ULC and its wholly-owned subsidiaries as well as TAH JV-1 working capital, partner-level debt and third-party investor interests.

(2) Other net liabilities include a floating-rate partner-level subscription loan (the "TAH JV-1 subscription loan"). The loan has a balance of $146,800 at June 30, 2019 (2018 – $119,500) and a maturity date of August 2021. Tricon's proportionate share of the TAH JV-1 subscription loan balance at June 30, 2019 is $49,423 (2018 – $40,232).

Fair value of managed homes

Home values typically do not change materially in the short term, and capital expenditures generally do not significantly impact values in the first three to six months after purchase. As a result, homes acquired in the last two quarters are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to April 1, 2019 were valued at May 31, 2019. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at June 30, 2019.

As of June 30, 2019, TAH managed 19,080 homes, of which 15,535 were wholly-owned rental properties. During the six months ended June 30, 2019, homes were valued using a combination of the Home Price Index ("HPI") and Broker Price Opinion ("BPO") valuation methodologies. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past twelve months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties. The data used to fair value the rental properties is specific to the zip code in which the property is located. The HPI increase during the quarter was 0.8% compared to a 1.7% increase in the second quarter of 2018.

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

If the prices of single-family rental properties managed by TAH were to increase or decrease by 1% (December 31, 2018 – 1%), the impact on investments in TAH fair value at June 30, 2019 would be $33,147 and ($33,147), respectively (December 31, 2018 – $30,987 and ($30,987)).

The weighted average of the quarterly HPI change was 0.8%. If the change in the quarterly HPI increased or decreased by 0.5%, the impact on investments in TAH fair value at June 30, 2019 would be $14,954 and ($14,954), respectively (December 31, 2018 – $13,542 and ($13,542)).

Debt

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

A summary of TAH's debt outstanding as of June 30, 2019 is as follows:

(in thousands of U.S. dollars)	Effective interest rates	Maturity dates	Debt balance[3] June 30, 2019	Debt balance[3] December 31, 2018
Warehouse credit facility[1]	LIBOR+2.65%	November 2019	$ 123,660	$ 100,546
TAH JV-1 warehouse credit facility[2]	LIBOR+2.50%	October 2020	265,709	95,832
Securitization loan, TAH 2016-1	3.59%	November 2021	359,431	361,440
Securitization loan, TAH 2017-1	3.50%	September 2022	462,004	462,594
Term loan	LIBOR+2.00%	October 2022	347,309	347,582
Securitization loan, TAH 2017-2	3.58%	January 2024	364,574	364,574
Securitization loan, TAH 2018-1	3.86%	May 2025	313,865	313,865
Total debt at operating entities[3]			**$ 2,236,552**	**$ 2,046,433**

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

(2) The TAH JV-1 warehouse credit facility has a maximum borrowing capacity of $300,000 and a one-year extension option. Tricon's proportionate share of the TAH JV-1 warehouse credit facility balance at June 30, 2019 is $89,455 (2018 – $32,263).

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

As of June 30, 2019, TAH, and the Company where applicable as its sponsor, were in compliance with the financial covenants and other undertakings outlined in the loan agreements. The one-month LIBOR during the six months ended June 30, 2019 ranged from 2.43% to 2.51%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the six months ended June 30, 2019 would have been $1,301 (2018 – $1,489) higher. If interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the six months ended June 30, 2019 would have been $459 (2018 – $1,408) lower. TAH has interest rate caps on its floating-rate debt that limit exposure to interest rate increases.

Investments – Tricon Lifestyle Rentals

The Company's investment in TLR U.S. is held through two wholly-owned subsidiaries, TLR Saturn Master LP and Tricon SLR US Multifamily LLC. Its investment in TLR Canada is held through a wholly-owned subsidiary, Tricon Lifestyle Rentals Investment LP. The Company's subsidiaries carry their investments at fair value. The fair values of the investments in TLR are estimated based on the subsidiaries' proportionate share of the net assets of TLR limited partnerships. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Tricon Lifestyle Rentals U.S.

The table below represents 100% of the assets and liabilities of the stabilized U.S. multi-family rental portfolio which is wholly-owned by Tricon.

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Fair value of properties	$ 1,339,161	$ –
Debt	(918,840)	–
Other net assets[1]	507	–
Investments – TLR U.S.	**$ 420,828**	**$ –**

(1) Other net assets include working capital of TLR Saturn Master LP and its wholly-owned subsidiaries.

As discussed in Note 4, the Company completed its acquisition of the Multi-Family Core Portfolio on June 11, 2019. TLR U.S. now holds a portfolio of 23 garden-style multi-family properties that are valued at approximately $1.3 billion. The fair value of the Multi-Family Core Portfolio's properties at June 30, 2019 approximates the fair value at the time of acquisition given the proximity of the acquisition to the valuation date.

A summary of the TLR U.S. debt outstanding as of June 30, 2019 is as follows:

(in thousands of U.S. dollars)	Effective interest rates	Maturity dates	Debt balance[1] June 30, 2019	Debt balance[1] December 31, 2018
Credit facility	LIBOR+3.75%	December 2020	$ 118,390	$ –
Portfolio mortgage – Tranche A	LIBOR+1.15%	November 2023	160,090	–
Portfolio mortgage – Tranche B	3.92%	November 2024	400,225	–
Portfolio mortgage – Tranche C	3.95%	November 2025	240,135	–
Total debt at operating entities			**$ 918,840**	**$ –**

(1) The fair value of debt at TLR U.S. approximates cost.

Tricon Lifestyle Rentals Canada

The table below represents 100% of the assets and liabilities of TLR Canada entities, including those project partnership entities not wholly-owned by Tricon. The third-party investors' ownership interests in the project partnerships is deducted as part of other net liabilities to arrive at Tricon's investment in TLR Canada.

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Fair value of properties	$ 544,514	$ 448,968
Debt	(186,851)	(137,831)
Other net liabilities[1]	(277,083)	(240,938)
Investments – TLR Canada	**$ 80,580**	**$ 70,199**

(1) Other net liabilities include working capital of Tricon Lifestyle Rentals Investment LP and its wholly-owned subsidiaries as well as project-level working capital and third-party investor interests.

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

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

Description	Valuation technique(s)	Significant unobservable input	June 30, 2019 Range of inputs	June 30, 2019 Weighted average of inputs	December 31, 2018 Range of inputs	December 31, 2018 Weighted average of inputs	Other inputs and key information
TLR Canada	Waterfall distribution model Net asset value, determined using income approach	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	6.0% 1 – 2 years	6.0% 1.5 years	6.0% 1 – 2 years	6.0% 1.5 years	Construction risk and leasing risk are taken into account in determining the discount rate. Price per square foot, timing of project funding requirements and distributions, stabilized net operating income.

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

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

(3) On an annual basis, the Company obtains external valuations dated December 31 for certain TLR Canada investments. As at December 31, 2018, the external valuations for Tricon's interest in two TLR Canada investments totalled $55,957. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant inputs within the appraised value are stabilized revenues and expenses, discount rates and the value of land per square foot. Management has assessed whether any significant market changes have occurred subsequent to the date of valuation and has determined that the value remained unchanged at June 30, 2019.

For those investments valued using appraised values, an increase of 5% in the appraised land value per square foot would result in an increase in fair value of $894, and a decrease of 5% in the appraised land value per square foot would result in a decrease in fair value of $894 (December 31, 2018 – $860 and ($860), respectively).

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

Assets held for sale within TLR

Quantitative information about fair value measurements of the investment assets held for sale uses the following significant unobservable inputs (Level 3):

			June 30, 2019		December 31, 2018		
Description	Valuation technique(s)	Significant unobservable input	Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs	Other inputs and key information
Investment assets held for sale	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	12.5% 0.4 years	12.5% 0.4 years	12.0% – 13.0% 1 – 2 years	12.5% 1.7 years	Entitlement risk, leasing risk and construction risk are taken into account in determining the discount rate. Discounted at expected return for the project, subsequently adjusted downward as development risk is mitigated over project life.

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

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

On April 15, 2019, TLR completed the sale of its 90% interest in The McKenzie, a 183-unit purpose-built rental building in Dallas, Texas. TLR is on track to liquidate its last active U.S. development project, The Maxwell, in an orderly manner as part of the disposition plan of its existing TLR U.S. development holdings.

Investments – Tricon Housing Partners

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

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

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

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

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

			June 30, 2019		December 31, 2018		
Description	Valuation technique(s)	Significant unobservable input	Range of inputs	Weighted average of inputs	Range of inputs	Weighted average of inputs	Other inputs and key information
Debt investments	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	10.0% – 12.0% 2 – 6 years	11.3% 4.3 years	10.0% – 12.0% 2 – 6 years	11.3% 5.1 years	Estimated probability of default
Equity investments Commingled funds	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]					Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate.
U.S. funds			12.5% – 20.0% 1 – 9 years	14.6% 2.6 years	12.5% – 20.0% 1 – 10 years	14.6% 2.1 years	**U.S. funds:** Lower of 20% and the expected return for the project, subsequently adjusted downward as development risk is mitigated over project life.
Canadian funds			8.0% – 18.0% 1 – 8 years	10.1% 0.6 years	8.0% – 18.0% 1 – 8 years	10.1% 1.2 years	**Canadian funds:** Discounted at contractual interest rate; may include contingent interest cash flows (received when developers' project returns exceed the underlying contractual interest), which are discounted using the same method as U.S. funds.
Separate accounts, side-cars and direct investments	Waterfall distribution model	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	12.5% – 24.0% 1 – 16 years	N/A[3] 13.5 years	15.0% – 24.0% 1 – 17 years	N/A[3] 13.6 years	Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. Price per acre of land, timing of project funding requirements and distributions.

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

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

(3) On an annual basis, the Company obtains external valuations for its separate account equity and side-car investments excluding THP US SP1 LP and THP US SP2 LP. As at December 31, 2018, the external valuations for Tricon's interest in eight separate account equity and side-car investments totalled $45,645. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. Management has assessed whether any significant market changes have occurred subsequent to the date of valuation and has determined that the value remained largely unchanged at June 30, 2019.

Sensitivity

If the discount rates increase or decrease by 1% (December 31, 2018 – 1%), the impact on the fair value of Investments – Tricon Housing Partners at June 30, 2019 would be ($3,367) and $3,532, respectively (December 31, 2018 – ($3,856) and $3,879).

Disposition of investments – Tricon Lifestyle Communities

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

On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172,500. The net proceeds to Tricon were $85,186, which included $83,548 in proceeds from the disposal and $1,638 in reimbursement of expenses.

Continuity of investments

The following presents the changes in Level 3 instruments for the six months ended June 30, 2019 and for the year ended December 31, 2018:

TAH

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Opening balance	$ 1,145,221	$ 884,115
Advances made to investments	47,566	170,174
Distributions received from investments	(14,000)	(128,000)
Investment income	83,784	218,932
Ending balance	**$ 1,262,571**	**$ 1,145,221**
Unrealized fair value gain included in net income on investments still held	83,784	218,932

TLR

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Opening balance	$ 129,838	$ 89,225
Non-cash acquisition of the Multi-Family Core Portfolio (Note 4)	405,714	–
Advances made to investments	23,537	25,974
Distributions received from investments	(49,834)	(767)
Investment income	7,888	15,406
Ending balance	**$ 517,143**	**$ 129,838**
Unrealized fair value gain included in net income on investments still held	7,888	15,406

THP

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Opening balance	$ 307,564	$ 306,637
Advances made to investments	26,809	8,938
Distributions received from investments	(10,317)	(19,460)
Investment income	5,573	11,449
Ending balance	**$ 329,629**	**$ 307,564**
Unrealized fair value gain included in net income on investments still held	5,573	11,449

Financial liabilities valuation methodologies

The Company's financial liabilities measured at FVTPL include derivative financial instruments related to conversion/redemption options on its convertible debentures. Derivative financial instruments related to the conversion and redemption features of the convertible debentures are valued using model calibration, as discussed in Note 8. Inputs to the valuation models are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

The put liability is classified as other liability and is measured at the present value of the redemption amount, which equates to the quoted market price of Tricon's common shares as at the valuation date, as discussed in Note 8.

Quantitative information about fair value measurements (Level 2) using significant observable inputs other than quoted prices included in Level 1 is as follows:

2022 convertible debentures	June 30, 2019	December 31, 2018
Risk-free rate[1]	1.76%	2.60%
Implied volatility[2]	21.30%	22.35%
Dividend yield[3]	2.80%	2.89%

(1) Risk-free rates were from the U.S. dollar swap curves matching the terms to maturity of the debentures.

(2) Implied volatility was computed from the trading volatility of the Company's stock over a comparable term to maturity and the volatility of USD/CAD exchange rates.

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

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

6. DEBT

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Revolving term credit facility	$ 267,000	$ 209,250
Convertible debentures (Note 8)	159,146	157,112
Mortgage	7,376	7,150
Lease obligation (Note 12)	1,152	1,204
Total debt	**$ 434,674**	**$ 374,716**

Revolving term credit facility

The Company has access to a $365,000 revolving term credit facility (the "Facility"). The Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The Facility has a maturity date of June 30, 2020. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company. As part of the Facility, the Company has designated $15,000 to issue letters of credit as security against contingent obligations related to its TLR Canada investments. As at June 30, 2019, the letters of credit outstanding were $6,253 (C$8,184), which expire on January 25, 2020.

During the six months ended June 30, 2019, the minimum balance drawn on the Facility was $209,250, and the maximum amount drawn was $271,250.

Advances under the Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 2.25% to 3.00% above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 3.25% to 4.00% above the respective reference rate. Standby fees ranging from 81.25 basis points to 1.00% of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. Total interest expense incurred under the Facility for the six months ended June 30, 2019 amounted to $7,797 (2018 – $6,183), which includes standby charges of $244 (2018 – $634). The weighted average interest rate during the six months ended June 30, 2019 was 5.96% (2018 – 5.16%).

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

The Facility was amended and restated on July 31, 2019 (Note 23).

Convertible debentures

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Principal amount outstanding[1]	$ 172,400	$ 172,500
Less: Transaction costs (net of amortization)	(4,650)	(5,454)
Liability component on initial recognition	167,750	167,046
Debentures discount (net of amortization)	(8,604)	(9,934)
2022 convertible debentures	**$ 159,146**	**$ 157,112**

(1) In the first six months of 2019, $100 principal amount of 2022 convertible debentures was converted into 9,560 common shares.

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. The fair value of the host liability component of the 2022 convertible debentures was $171,999 as of June 30, 2019 and $168,994 as of December 31, 2018. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market interest rate for debt with similar terms.

Mortgage

The Company obtained a mortgage loan to purchase a commercial condominium, which serves as the Company's head office in Toronto. The mortgage carries a fixed interest rate of 4.38% compounded semi-annually and matures on November 22, 2024. Total interest expense incurred on the mortgage for the six months ended June 30, 2019 was $157 (2018 – $162). As at June 30, 2019, the outstanding principal amount was $7,376 (C$9,653). The Company was in compliance with the covenants and other undertakings outlined in the loan agreement.

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

				Debt balance	
(in thousands of U.S. dollars)	Coupon/stated interest rates	Effective interest rates	Maturity dates	June 30, 2019	December 31, 2018
Fixed rate					
2022 convertible debentures	5.75%	6.85%	2022	$ 159,146	$ 157,112
Mortgage	4.38%	4.43%	2024	7,376	7,150
Lease obligation	N/A	5.60%	2026	1,152	1,204
Total fixed-rate debt	**5.65%**	**6.73%**		**$ 167,674**	**$ 165,466**
Variable rate					
Revolving term credit facility	LIBOR+3.50%	5.96%	2020	267,000	209,250
Total debt				**$ 434,674**	**$ 374,716**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Mortgage	Lease obligation	Total
2019	$ –	$ –	$ 106	$ 63	$ 169
2020	267,000	–	190	135	267,325
2021	–	–	198	148	346
2022	–	172,400	206	163	172,769
2023	–	–	215	179	394
2024 and thereafter	–	–	6,461	464	6,925
	267,000	172,400	7,376	1,152	447,928
Transaction costs (net of amortization)					(4,650)
Debentures discount (net of amortization)					(8,604)
Total debt					**$ 434,674**

Interest expense

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

	For the three months ended June 30		For the six months ended June 30	
(in thousands of U.S. dollars)	2019	2018	2019	2018
Credit facility interest	$ 4,056	$ 3,361	$ 7,797	$ 6,183
Debentures interest	2,875	3,902	5,721	7,785
Debentures discount amortization	683	1,245	1,330	2,420
Interest on lease obligation	15	17	33	17
Mortgage interest	79	78	157	162
Total interest expense	**$ 7,708**	**$ 8,603**	**$ 15,038**	**$ 16,567**

7. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Trade payables and accrued liabilities[1]	$ 17,398	$ 1,898
AIP liability (Note 16)	6,876	1,227
Income taxes payable	777	59
Interest payable	3,300	3,245
Total amounts payable and accrued liabilities	**$ 28,351**	**$ 6,429**

(1) Trade payables and accrued liabilities include $13,770 of transaction costs payable in relation to the acquisition of the Multi-Family Core Portfolio (Note 4).

8. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER LIABILITY

The conversion and redemption features of the convertible debentures are combined pursuant to IFRS 9, Financial Instruments: Recognition and Measurement, and are measured at fair value at each reporting period using model calibration. The conversion and redemption components were valued using a binomial pricing model and then the valued amount was calibrated to the traded price of the underlying debentures. The valuation model uses market-based inputs, including the spot price of the underlying equity, implied volatility of the equity and USD/CAD foreign exchange rates, risk-free rates from the U.S. dollar swap curves and dividend yields related to the equity. The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

The put liability is measured at the present value of the redemption amount, which equates to the quoted market price of Tricon's common shares as at the valuation date.

The value attributed to the derivative financial instruments and other liability is shown below:

(in thousands of U.S. dollars)	Derivative financial instruments	Other liability[1]	Total
June 30, 2019			
Financial liabilities measured at FVTPL – beginning of period	$ 3,936	$ –	$ 3,936
Put liability recognized	–	13,057	13,057
Fair value changes (based on market price)	(604)	(571)	(1,175)
Financial liabilities measured at FVTPL – end of period	**$ 3,332**	**$ 12,486**	**$ 15,818**

(1) On June 11, 2019, the put liability of $13,057 (C$17,323) was recognized in connection with the put right on common shares issued to acquire Starlight U.S. Multi-Family (No. 5) Core Fund (Note 4). The put liability ending balance of C$16,342 was translated to U.S. dollars at the period-end exchange rate.

For the six months ended June 30, 2019, the fair value of the embedded derivative payable on the 2022 convertible debentures decreased by $604 and the fair value of the put liability decreased by $571, which is reflected as income to the Company. The decrease in the value of the conversion option on the 2022 convertible debentures was primarily driven by a reduction in the time remaining until option expiration, among other things. The decrease in the fair value of the put right was mainly because of the decrease in the Company's share price between the issuance date of June 11, 2019 and the valuation date of June 30, 2019.

The assumed conversion of the 2022 convertible debentures was anti-dilutive (Note 15); as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the six months ended June 30, 2019. The comparative period in 2018 included the impact of the assumed conversion of the 2020 and 2022 convertible debentures because the fair value impact of the embedded derivatives was dilutive.

9. INCOME TAXES

	For the three months ended June 30		For the six months ended June 30	
(in thousands of U.S. dollars)	2019	2018	2019	2018
Income tax expense (recovery) – current	$ 576	$ (298)	$ 2,089	$ 683
Income tax expense – deferred	2,680	3,353	6,410	11,938
Income tax expense from continuing operations	**$ 3,256**	**$ 3,055**	**$ 8,499**	**$ 12,621**
Income tax recovery from discontinued operations	**–**	**–**	**–**	**(1,957)**
Income tax expense	**$ 3,256**	**$ 3,055**	**$ 8,499**	**$ 10,664**

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

	For the three months ended June 30		For the six months ended June 30	
(in thousands of U.S. dollars)	2019	2018	2019	2018
Income before income taxes from continuing operations	$ 15,612	$ 23,216	$ 44,918	$ 128,726
Combined statutory federal and provincial income tax rate	26.50%	26.50%	26.50%	26.50%
Expected income tax expense	4,137	6,152	11,903	34,112
Non-taxable gains on investments	(5,286)	(5,488)	(11,288)	(16,654)
Non-taxable (gains) losses on derivative financial instruments	(2,136)	2,524	(311)	(5,228)
Foreign tax rate differential	(37)	(265)	(144)	(345)
Other, including permanent differences[1]	6,578	132	8,339	736
Income tax expense from continuing operations	**$ 3,256**	**$ 3,055**	**$ 8,499**	**$ 12,621**

(1) Other permanent differences are comprised of non-deductible share compensation, non-deductible debentures discount amortization and reserves provided against the transaction costs deduction in relation to the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund.

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	$ 39,234	$ 34,109
Deferred income tax assets to be recovered within 12 months	3,018	2,026
Total deferred income tax assets	**$ 42,252**	**$ 36,135**
Deferred income tax liabilities		
Deferred income tax liabilities reversing after more than 12 months	$ 92,149	$ 80,189
Deferred income tax liabilities reversing within 12 months	1,001	1,037
Total deferred income tax liabilities	**$ 93,150**	**$ 81,226**

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Change in net deferred income tax liabilities		
Net deferred income tax liabilities – beginning of period	$ 45,091	$ 23,990
Charge to the statement of comprehensive income	6,410	20,161
Other	(603)	940
Net deferred income tax liabilities – end of period	**$ 50,898**	**$ 45,091**

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

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred income tax assets					
At December 31, 2018	$ 5,944	$ 1,930	$ 26,379	$ 1,882	$ 36,135
Addition/(reversal)	572	(432)	5,577	400	6,117
At June 30, 2019	**$ 6,516**	**$ 1,498**	**$ 31,956**	**$ 2,282**	**$ 42,252**

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
Deferred income tax liabilities					
At December 31, 2018	$ 79,747	$ 182	$ 1,297	$ –	$ 81,226
Addition/(reversal)	12,046	(2)	(120)	–	11,924
At June 30, 2019	**$ 91,793**	**$ 180**	**$ 1,177**	**$ –**	**$ 93,150**

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

10. INTANGIBLE ASSETS

The intangible assets are as follows:

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Placement fees	$ 5,243	$ 5,735
Rights to performance fees	32	65
Customer relationship intangible	3,987	4,245
Contractual development fees	9,294	10,688
Total intangible assets	**$ 18,556**	**$ 20,733**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to receive over the life of the investments that the Company manages. They are amortized by investment over the estimated periods that the Company expects to collect these fees, which range from 2 to 13 years. Amortization expense for the six months ended June 30, 2019 was $2,177 (2018 – $2,092).

There were no impairments to placement fees and rights to performance fees for the six months ended June 30, 2019 and June 30, 2018.

11. OTHER ASSETS

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Building	$ 16,078	$ 15,540
Furniture, computer and office equipment	4,390	4,247
Right-of-use asset (Note 12)	1,066	1,140
Leasehold improvements	465	499
Goodwill	219	219
Total other assets	**$ 22,218**	**$ 21,645**

Depreciation expense for the six months ended June 30, 2019 was $927 (2018 – $390).

12. LEASE OBLIGATION

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

As at June 30, 2019, the carrying value of the Company's lease obligation was $1,152 (December 31, 2018 – $1,204) and the carrying value of the right-of-use asset was $1,066. During the six months ended June 30, 2019, the Company incurred interest expense of $33 (2018 – $17) related to the lease obligation and depreciation expense of $74 (2018 – $39) on the right-of-use asset.

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

(in thousands of U.S. dollars)	
2019	$ 94
2020	192
2021	198
2022	204
2023	210
2024 and thereafter	495
Minimum lease payments obligation	1,393
Imputed interest included in minimum lease payments	(241)
Lease obligation	**$ 1,152**

Note: The portion of the lease obligation payable in 2019 is $63.

13. DIVIDENDS

(in thousands of dollars, except per share amounts)			Common shares	Dividend amount per share		Total dividend amount		Dividend reinvestment plan ("DRIP")	
Date of declaration	Record date	Payment date	outstanding	CAD	USD[1]	CAD	USD[1]	CAD	USD[2]
February 25, 2019	March 31, 2019	April 15, 2019	143,442,251	$ 0.070	$ 0.052	$ 10,041	$ 7,514	$ 1,159	$ 870
May 6, 2019	June 30, 2019	July 15, 2019	194,389,386	0.070	0.053	13,607	10,398	1,097	842
						$ 23,648	**$ 17,912**	**$ 2,256**	**$ 1,712**
February 27, 2018	March 31, 2018	April 16, 2018	133,556,334	$ 0.070	$ 0.054	$ 9,349	$ 7,246	$ 2,597	$ 2,061
May 9, 2018	June 30, 2018	July 16, 2018	133,849,419	0.070	0.053	9,369	7,115	3,046	2,319
August 8, 2018	September 30, 2018	October 15, 2018	138,744,258	0.070	0.054	9,712	7,446	3,043	2,332
November 6, 2018	December 31, 2018	January 15, 2019	143,246,968	0.070	0.051	10,027	7,350	1,273	933
						$ 38,457	**$ 29,157**	**$ 9,959**	**$ 7,645**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts recorded in equity are translated to U.S. dollars using the daily exchange rate on the date of record. Dividends payable of $10,398 recorded on the Company's balance sheet are translated to U.S. dollars using the period-end exchange rate and include $13 related to restricted shares.

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

The Company has a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders may elect to have their cash dividends automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased in the open market) at a discount, in the case of treasury issuances, of up to 5% (1% in the current quarter) of the Average Market Price, as defined under the DRIP, of the common shares as of the dividend payment date. If common shares are purchased in the open market, they are priced at the average weighted cost to the Company of the shares purchased.

Brokerage, commissions and service fees are not charged to shareholders for purchases or withdrawals of the Company's shares under the DRIP, and all DRIP administrative costs are assumed by the Company.

For the six months ended June 30, 2019, 236,323 common shares were issued under the DRIP (2018 – 560,196) for a total amount of $1,803 (2018 – $4,487).

14. SHARE CAPITAL

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

As of June 30, 2019, there were 194,389,386 common shares issued by the Company (December 31, 2018 – 143,246,968), of which 194,150,407 were outstanding (December 31, 2018 – 143,011,130) and 238,979 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan (Note 16).

	June 30, 2019			December 31, 2018		
	Number of shares issued	Share capital		Number of shares issued	Share capital	
(in thousands of dollars)	(repurchased)	USD	CAD	(repurchased)	USD	CAD
Beginning balance	143,011,130	$ 793,521	$ 988,711	133,472,861	$ 713,553	$ 885,310
Shares issued to acquire Starlight U.S. Multi-Family (No. 5) Core Fund[1]	50,779,311	405,491	537,967	–	–	–
Shares issued under DRIP[2]	236,323	1,803	2,432	1,147,704	9,138	11,720
Stock options exercised[3]	860	2	2	70,320	470	593
Normal course issuer bid (NCIB)	–	–	–	(431,931)	(2,310)	(2,865)
Deferred share units exercised[4]	116,364	786	1,034	292,475	2,268	2,962
Debentures conversion	9,560	100	135	8,695,539	72,125	93,301
Shares repurchased and reserved for restricted share awards[5]	(3,141)	(25)	(33)	(235,838)	(1,723)	(2,310)
Ending balance	**194,150,407**	**$ 1,201,678**	**$ 1,530,248**	**143,011,130**	**$ 793,521**	**$ 988,711**

(1) On June 11, 2019, 50,779,311 common shares were issued at a price of $7.99 (C$10.60) to fund the acquisition of all of the issued and outstanding limited partnership units of Starlight U.S. Multi-Family (No. 5) Core Fund (Note 4). The total share capital issued was offset by $223 of equity issuance costs.

(2) In the first six months of 2019, 236,323 common shares were issued under the DRIP at an average price of $7.63 (C$10.29) per share.

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

(4) In the first six months of 2019, 116,364 common shares were issued for deferred share units (DSUs) redeemed at an average price of $6.75 (C$8.89) per share.

(5) In the first six months of 2019, 3,141 shares were reserved at $7.96 (C$10.51) per share in accordance with the DRIP with respect to restricted share awards granted to employees in 2018. The restricted shares will vest on the 12th anniversary of the grant date.

On July 10, 2019, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid to repurchase up to two million of its common shares during the twelve-month period ending July 14, 2020.

15. EARNINGS PER SHARE

Basic

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

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Net income attributable to shareholders of Tricon from continuing operations	$ 11,932	$ 19,925	$ 35,848	$ 116,127
Net income attributable to shareholders of Tricon from discontinued operations	–	19,602	–	23,127
Net income attributable to shareholders of Tricon	$ 11,932	$ 39,527	$ 35,848	$ 139,254
Weighted average number of common shares outstanding	154,603,312	133,790,266	148,880,160	133,652,085
Adjustments for vested units	1,183,834	737,804	1,183,834	737,804
Weighted average number of common shares outstanding for basic earnings per share	155,787,146	134,528,070	150,063,994	134,389,889
Basic earnings per share				
Continuing operations	$ 0.08	$ 0.15	$ 0.24	$ 0.87
Discontinued operations	–	0.14	–	0.17
Basic earnings per share	**$ 0.08**	**$ 0.29**	**$ 0.24**	**$ 1.04**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has four categories of potentially dilutive shares: stock options, restricted shares (Note 16), deferred share units (Note 16) and convertible debentures (Note 8). For the stock options, restricted shares and deferred share units, the number of dilutive shares is based on the number of shares that could have been acquired at fair value with the assumed proceeds, if any, from their exercise (determined using the average market price of the Company's shares for the period then ended). For the convertible debentures, the number of dilutive shares is based on the number of common shares into which the elected amount would then be convertible. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock options, restricted shares and deferred share units

For the three months ended June 30, 2019, the Company's stock compensation plans resulted in 1,858,091 dilutive share units (2018 – 1,866,005) as the exercise price of the potential share units is below the average market share price of $7.93 (C$10.61) for the period.

For the six months ended June 30, 2019, the Company's stock compensation plans resulted in 1,872,863 dilutive shares (2018 – 1,867,357), given that it would be advantageous to the holders to exercise their conversion rights, as the exercise prices of these potential shares are below the Company's average market share price of $7.99 (C$10.66) for the period.

Convertible debentures

For the three months ended June 30, 2019, the Company's 2022 convertible debentures were dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in decreased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the three months ended June 30, 2019, the impact of the 2022 convertible debentures was included (2018 – the 2020 and 2022 convertible debentures were excluded).

For the six months ended June 30, 2019, the Company's 2022 convertible debentures were anti-dilutive, as debentures interest expense, net of tax, and the net change in fair value of derivative financial instruments would result in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the six months ended June 30, 2019, the impact of the 2022 convertible debentures was excluded (2018 – the 2020 and 2022 convertible debentures were included).

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Net income attributable to shareholders of Tricon from continuing operations	$ 11,932	$ 19,925	$ 35,848	$ 116,127
Adjustment for convertible debentures interest expense – net of tax	2,795	–	–	7,501
Net change in fair value of financial instruments through profit or loss	(7,489)	–	–	(19,726)
Adjusted net income attributable to shareholders of Tricon from continuing operations	7,238	19,925	35,848	103,902
Net income attributable to shareholders of Tricon from discontinued operations	–	19,602	–	23,127
Adjusted net income attributable to shareholders of Tricon	$ 7,238	$ 39,527	$ 35,848	$ 127,029
Weighted average number of common shares outstanding	155,787,146	134,528,070	150,063,994	134,389,889
Adjustments for stock compensation	1,858,091	1,866,005	1,872,863	1,867,357
Adjustments for convertible debentures	16,487,930	–	–	25,235,490
Weighted average number of common shares outstanding for diluted earnings per share	174,133,167	136,394,075	151,936,857	161,492,736
Diluted earnings per share				
Continuing operations	$ 0.04	$ 0.15	$ 0.24	$ 0.65
Discontinued operations	–	0.14	–	0.14
Diluted earnings per share	**$ 0.04**	**$ 0.29**	**$ 0.24**	**$ 0.79**

16. COMPENSATION EXPENSE

The breakdown of compensation expense, including the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements, is set out below. AIP awards include both short-term (cash and one-year DSUs) and long-term (three-year DSUs, stock options, restricted shares, and PSUs) incentives.

	For the three months ended June 30		For the six months ended June 30	
(in thousands of U.S. dollars)	2019	2018	2019	2018
Salaries and benefits	$ 5,261	$ 3,637	$ 9,539	$ 7,245
Annual incentive plan ("AIP")	3,433	4,920	7,444	8,969
Long-term incentive plan ("LTIP")	1,983	1,398	2,393	3,464
Total compensation expense	**$ 10,677**	**$ 9,955**	**$ 19,376**	**$ 19,678**

For the three months ended June 30	2019		2018	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash component	$ 2,400	$ 1,508	$ 3,981	$ 760
Share units	1,072	272	904	285
Stock options	47	153	–	300
DRIP and revaluation loss[1]	(86)	50	35	53
Total AIP and LTIP expenses	**$ 3,433**	**$ 1,983**	**$ 4,920**	**$ 1,398**

For the six months ended June 30	2019		2018	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash component	$ 5,042	$ 1,451	$ 6,375	$ 2,092
Restricted shares and share units	2,142	528	2,500	620
Stock options	83	307	–	616
DRIP and revaluation loss[1]	177	107	94	136
Total AIP and LTIP expenses	**$ 7,444**	**$ 2,393**	**$ 8,969**	**$ 3,464**

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

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

Cash component

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

For the six months ended June 30, 2019, the Company recognized $7,267 (2018 – $8,875) in relation to the AIP expense, of which $5,042 will be settled in cash in December 2019.

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

For the six months ended June 30, 2019, the Company increased its accrual related to cash-component LTIP by $1,451 (2018 – increase of $2,092) as a result of an increase in expected future performance fees from Investment Vehicles that will be paid to management when cash is received from each investment over time.

Restricted shares and share units

AIP – For the six months ended June 30, 2019, the Company recognized $2,142 in equity-based AIP expense (2018 – $2,500), of which $1,519 will be granted in performance share units (PSUs), deferred share units (DSUs) and stock options in December 2019. The remaining $623 relates to the amortization of PSUs and DSUs granted in the prior year. PSUs are revalued at each reporting date as the total liability amount is dependent on the Company's share price.

LTIP – For the six months ended June 30, 2019, the Company accrued $528 in LTIP expense (2018 – $620) relating to investment income from THP1 US that is paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. On May 6, 2019, the LTIP was amended to reduce the vesting period applicable to future LTIP DSU awards to three years. Compensation expense related to the grants is recognized on a graded vesting basis and for the six months ended June 30, 2019 is comprised of $188 relating to the current year entitlements and $340 relating to the prior year entitlements.

Stock option plan

For the six months ended June 30, 2019, no stock options were granted (2018 – nil), and 2,750 stock options were exercised (2018 – 92,500) (Note 14). For the six months ended June 30, 2019, the Company recorded a stock option expense of $390 (2018 – $616).

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

	For the three months ended June 30, 2019		For the year ended December 31, 2018	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Opening balance – outstanding	4,823,960	$ 9.18	4,491,001	$ 9.08
Granted	–	–	426,959	9.81
Exercised	(2,750)	7.29	(92,500)	7.50
Forfeited	(1,500)	10.57	(1,500)	10.57
Ending balance – outstanding	**4,819,710**	**$ 9.18**	**4,823,960**	**$ 9.18**

		June 30, 2019		
Grant date	Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (CAD)
May 19, 2010	May 19, 2020	521,000	521,000	$ 6.00
August 3, 2010	August 3, 2020	49,000	49,000	5.26
November 22, 2011	November 22, 2020	20,000	20,000	4.16
May 17, 2013	May 17, 2020	589,000	589,000	6.81
November 25, 2013	November 25, 2020	146,917	146,917	7.74
March 16, 2015	March 16, 2020	530,166	530,166	10.57
November 17, 2015	November 17, 2020	756,668	756,668	10.03
November 14, 2016	November 14, 2023	790,000	513,332	8.85
December 15, 2017	December 15, 2024	990,000	329,994	11.35
December 17, 2017	December 17, 2025	426,959	–	9.81
Total		**4,819,710**	**3,456,077**	**$ 9.18**

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Amounts payable and accrued liabilities (Note 7)	$ 6,876	$ 1,227
Equity – contributed surplus	6,818	5,319
Total AIP	**$ 13,694**	**$ 6,546**

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
LTIP – liability	$ 22,875	$ 21,407
Equity – contributed surplus	11,642	11,031
Total LTIP	**$ 34,517**	**$ 32,438**

17. SEGMENTED INFORMATION

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

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

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

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

(in thousands of U.S. dollars)

For the three months ended June 30, 2019	TAH	TLR	THP	PF&A	Corporate	Total
Revenue	$ –	$ –	$ –	$ 9,367	$ –	$ 9,367
Investment income	40,231	2,501	3,346	–	–	46,078
	40,231	2,501	3,346	9,367	–	55,445
Compensation and general and administration expense	–	–	–	–	(13,894)	(13,894)
Interest expense	–	–	–	–	(7,708)	(7,708)
Realized and unrealized foreign exchange gain	–	–	–	–	159	159
Other expenses[1]	–	–	–	–	(18,390)	(18,390)
Income tax expense	–	–	–	–	(3,256)	(3,256)
Net income	**$ 40,231**	**$ 2,501**	**$ 3,346**	**$ 9,367**	**$ (43,089)**	**$ 12,356**

(in thousands of U.S. dollars)

For the three months ended June 30, 2018	TAH	TLR	THP	PF&A	Corporate	Total
Revenue	$ –	$ –	$ –	$ 7,474	$ –	$ 7,474
Investment income	40,681	2,547	3,312	–	–	46,540
	40,681	2,547	3,312	7,474	–	54,014
Compensation and general and administration expense	–	–	–	–	(12,626)	(12,626)
Interest expense	–	–	–	–	(8,603)	(8,603)
Realized and unrealized foreign exchange gain	–	–	–	–	1,289	1,289
Other expenses[1]	–	–	–	–	(10,858)	(10,858)
Income tax expense	–	–	–	–	(3,055)	(3,055)
Net income from continuing operations	40,681	2,547	3,312	7,474	(33,853)	20,161
Net income from discontinued operations[2]	–	–	–	–	–	19,602
Net income	**$ 40,681**	**$ 2,547**	**$ 3,312**	**$ 7,474**	**$ (33,853)**	**$ 39,763**

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

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

(in thousands of U.S. dollars)

For the six months ended June 30, 2019	TAH	TLR	THP	PF&A	Corporate	Total
Revenue	$ –	$ –	$ –	$ 16,856	$ –	$ 16,856
Investment income	83,784	7,888	5,573	–	–	97,245
	83,784	7,888	5,573	16,856	–	114,101
Compensation and general and administration expense	–	–	–	–	(25,384)	(25,384)
Interest expense	–	–	–	–	(15,038)	(15,038)
Realized and unrealized foreign exchange expense	–	–	–	–	(21)	(21)
Other expenses[1]	–	–	–	–	(28,740)	(28,740)
Income tax expense	–	–	–	–	(8,499)	(8,499)
Net income	**$ 83,784**	**$ 7,888**	**$ 5,573**	**$ 16,856**	**$ (77,682)**	**$ 36,419**

(in thousands of U.S. dollars)

For the six months ended June 30, 2018	TAH	TLR	THP	PF&A	Corporate	Total
Revenue	$ –	$ –	$ –	$ 13,041	$ –	$ 13,041
Investment income	127,123	3,564	6,197	–	–	136,884
	127,123	3,564	6,197	13,041	–	149,925
Compensation and general and administration expense	–	–	–	–	(24,673)	(24,673)
Interest expense	–	–	–	–	(16,567)	(16,567)
Realized and unrealized foreign exchange gain	–	–	–	–	2,977	2,977
Other income[1]	–	–	–	–	17,064	17,064
Income tax expense	–	–	–	–	(12,621)	(12,621)
Net income from continuing operations	127,123	3,564	6,197	13,041	(33,820)	116,105
Net income from discontinued operations[2]	–	–	–	–	–	23,127
Net income	**$ 127,123**	**$ 3,564**	**$ 6,197**	**$ 13,041**	**$ (33,820)**	**$ 139,232**

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

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

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

	For the three months ended June 30		For the six months ended June 30	
(in thousands of U.S. dollars)	2019	2018	2019	2018
Contractual fees	$ 7,402	$ 6,283	$ 14,438	$ 11,486
General partner distributions	267	353	517	709
Performance fees	1,698	838	1,901	846
Total revenue	**$ 9,367**	**$ 7,474**	**$ 16,856**	**$ 13,041**
Investment income – Tricon American Homes	$ 40,231	$ 40,681	$ 83,784	$ 127,123
Investment income – Tricon Lifestyle Rentals	2,501	2,547	7,888	3,564
Investment income – Tricon Housing Partners	3,346	3,312	5,573	6,197
Total investment income from continuing operations	**$ 46,078**	**$ 46,540**	**$ 97,245**	**$ 136,884**
Investment income from discontinued operations and gain from disposal of investments held for sale – Tricon Lifestyle Communities	**$ –**	**$ 19,602**	**$ –**	**$ 21,170**

Balances arising from transactions with related parties

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

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Receivables from related parties included in amounts receivable		
Contractual fees and other receivables from investments managed	$ 8,055	$ 6,784
Employee relocation housing loans[1]	2,627	2,483
Proceeds from disposal of investments held for sale	–	4,242
Loan receivables from investments in associates and joint ventures	17,464	18,874
Annual incentive plan	13,694	6,546
Long-term incentive plan	34,517	32,438
Dividends payable	532	329
Other payables to related parties included in amounts payable and accrued liabilities	61	42

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

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at June 30, 2019 (December 31, 2018 – nil).

19. FINANCIAL RISK MANAGEMENT

Liquidity risk

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

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

(in thousands of U.S. dollars) As at June 30, 2019	Due on demand and within the year	From 1 to 2 years	From 3 to 4 years	From 5 years and later	Total
Liabilities					
Amounts payable and accrued liabilities	$ 18,384	$ 7,886	$ 2,081	$ –	$ 28,351
Dividends payable	10,398	–	–	–	10,398
Revolving term credit facility	–	267,000	–	–	267,000
Debentures payable	–	–	172,400	–	172,400
Mortgage	106	388	421	6,461	7,376
Lease obligation	63	283	342	464	1,152
Derivative financial instruments	–	–	3,332	–	3,332
Other liability	–	12,486	–	–	12,486
Total	**$ 28,951**	**$ 288,043**	**$ 178,576**	**$ 6,925**	**$ 502,495**

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

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

(in thousands of U.S. dollars) As at June 30, 2019	Within the year	From 1 to 2 years	From 3 to 4 years	From 5 years and later	Total
Principal					
2022 convertible debentures	$ –	$ –	$ 172,400	$ –	$ 172,400
Mortgage[1]	106	388	421	6,461	7,376
Lease obligation	63	283	342	464	1,152
Interest					
2022 convertible debentures	4,959	19,838	4,959	–	29,756
Mortgage[1]	186	615	581	231	1,613
Lease obligation	31	107	72	31	241
Total	**$ 5,345**	**$ 21,231**	**$ 178,775**	**$ 7,187**	**$ 212,538**

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

The details of the net current (liabilities) assets are shown below:

(in thousands of U.S. dollars)	June 30, 2019	December 31, 2018
Cash	$ 4,911	$ 7,773
Amounts receivable	14,276	17,934
Prepaid expenses and deposits	461	819
Current assets	19,648	26,526
Amounts payable and accrued liabilities	18,384	6,429
Dividends payable	10,398	7,350
Mortgage	106	174
Lease obligation	63	122
Net current (liabilities) assets	**$ (9,303)**	**$ 12,451**

During the six months ended June 30, 2019, the change in the Company's liquidity resulted in a working capital deficit of $9,303 (December 31, 2018 – surplus of $12,451). Immediately subsequent to quarter-end, the Company received a distribution of $9,750 from THP, which resolved the Company's working capital deficit.

As of June 30, 2019, the outstanding amount under the credit facility was $267,000 (December 31, 2018 – $209,250) and $98,000 of the credit facility remained available to the Company. During the six months ended June 30, 2019, the Company received distributions of $74,151 (2018 – $43,825) from its investments.

20. CAPITAL MANAGEMENT

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

As of June 30, 2019, the Company was in compliance with all financial covenants (Note 6).

21. WORKING CAPITAL CHANGES

(in thousands of U.S. dollars)

For the six months ended June 30	2019	2018
Amounts receivable	$ 3,658	$ (4,151)
Prepaid expenses and deposits	358	143
Amounts payable and accruals	21,922	8,165
	$ 25,938	**$ 4,157**

22. FINANCING ACTIVITIES

			Non-cash changes				
(in thousands of U.S. dollars)	As at December 31, 2018	Cash flows	Foreign exchange movement	Fair value changes	Addition	Other[1]	As at June 30, 2019
Revolving term credit facility	$ 209,250	$ 57,750	$ –	$ –	$ –	$ –	$ 267,000
2022 convertible debentures	157,112	–	–	–	–	2,034	159,146
Derivative financial instruments	3,936	–	–	(604)	–	–	3,332
Other liability	–	–	–	(571)	13,057	–	12,486
Mortgage	7,150	(43)	269	–	–	–	7,376
Lease obligation	1,204	(85)	–	–	–	33	1,152
Total liabilities from financing activities	**$ 378,652**	**$ 57,622**	**$ 269**	**$ (1,175)**	**$ 13,057**	**$ 2,067**	**$ 450,492**

(1) Includes conversion of $100 principal amount of 2022 convertible debentures into common shares, amortization of debentures discount and issuance costs and interest on lease obligation.

23. SUBSEQUENT EVENTS

On July 31, 2019, the Company and its syndicate of lenders completed an amendment and restatement of Tricon's corporate revolving credit facility (the "Credit Facility Amendment"), increasing the total available credit facility by $135,000 to $500,000. The Credit Facility Amendment includes extending the maturity of the Facility to July 31, 2022, reducing interest rates by up to 50 basis points and reducing standby fees by up to 21.25 basis points. The remaining key terms of the Facility remain substantially unchanged.

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

Subsequent to quarter-end, the Company repurchased 389,802 of its common shares for C$3,895 as part of its NCIB program approved by the TSX (Note 14).

CELEBRATING **30 YEARS**

7 St. Thomas Street, Suite 801 Toronto, Ontario M5S 2B7
T 416 925 7228 **F** 416 925 7964 www.triconcapital.com