Rethinking Residential Real Estate

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Three and Six Months Ended June 30, 2019

TRICON

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NON-IFRS MEASURES AND FORWARD-LOOKING STATEMENTS

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

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

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

This MD&A includes forward-looking statements pertaining to: anticipated investment performance including, in particular, project plans and timelines and sales/rental expectations, projected development costs, projected Internal Rate of Return ("IRR"), Returns on Investment ("ROI"), expected performance fees, future cash flows and development yields; anticipated demand for homebuilding, lots, single-family rental homes and rental apartments; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home's ("TAH") underwriting model; the anticipated growth of the TAH joint venture ("TAH JV-1") portfolio; value-add opportunities in the Tricon Lifestyle Rentals ("TLR") U.S. portfolio; the intention to internalize management of the TLR U.S. portfolio; the intentions to build portfolios and attract investment in TAH and TLR; and the Company's investment horizon and exit strategy for each investment vertical. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's Annual Information Form dated February 25, 2019 (the "AIF") and its 2018 annual MD&A, both of which are available on SEDAR at www.sedar.com.

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

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

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

1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of August 6, 2019, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon", "us", "we" or the "Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2019.

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

The Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019 were prepared using International Financial Reporting Standards ("IFRS") accounting policies consistent with the Company's audited annual consolidated financial statements for the year ended December 31, 2018.

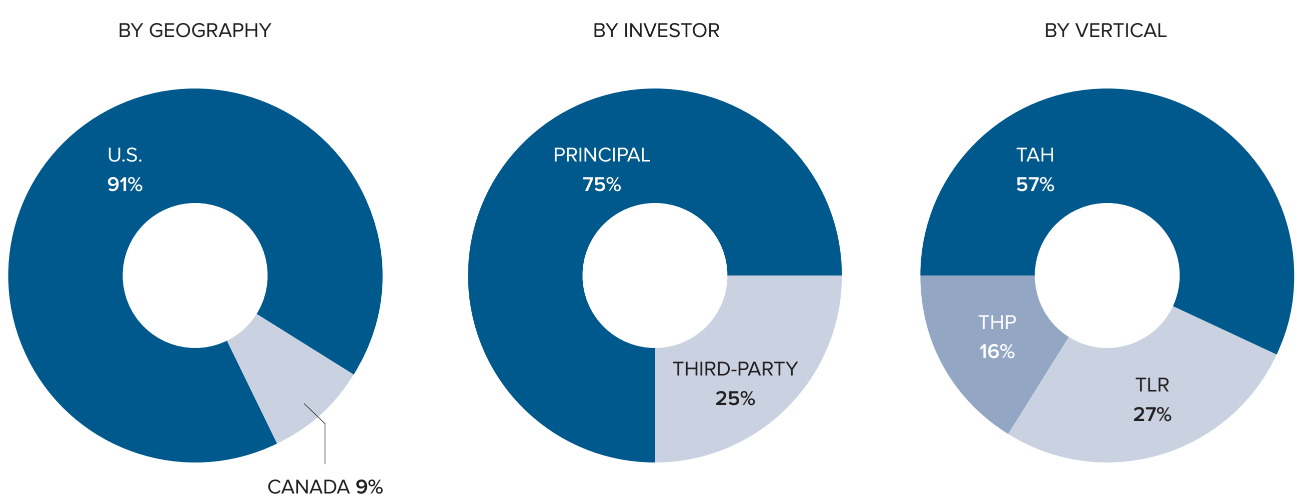
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a residential real estate company primarily focused on rental housing in North America, with approximately $7.3 billion (C$9.6 billion) of assets under management as of June 30, 2019. 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. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $22 billion.

$7.3 BILLION

Assets Under Management (AUM)



TAH: Single-family rental homes
TLR: Multi-family rental apartments
THP: For-sale housing

1. Principal Investments

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

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

(ii) Tricon Lifestyle Rentals ("TLR") – Investment in multi-family rental properties, including development assets and existing income-producing assets.

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

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

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

2. Private Funds and Advisory

Tricon manages third-party capital across its TAH, TLR and THP investments through private commingled funds, separate accounts, syndicated investments and joint ventures ("Investment Vehicles"). Tricon manages capital on behalf of Canadian, American and international institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. The Company's business objective in its Private Funds and Advisory business is to earn income through:

(i) Asset management of third-party capital invested through private Investment Vehicles. The Company's asset management business includes investments in each of its three investment verticals.

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

(ii) Development management and related advisory services for master-planned communities through Tricon's 50.1% investment in The Johnson Companies LP ("Johnson") and development management fee revenue generated by TLR Canada projects, for which a Tricon entity acts as the developer.

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

- Tricon Housing Partners US LP ("THP1 US")
- Tricon Housing Partners US II LP ("THP2 US")
- Tricon Housing Partners Canada LP ("THP1 Canada")
- Tricon Housing Partners Canada II LP ("THP2 Canada")
- Tricon Housing Partners Canada III LP ("THP3 Canada")
- Separate accounts include:
  - THP – Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian, Tricon Housing Partners US Syndicated Pool I LP ("THP US SP1") and Tricon Housing Partners US Syndicated Pool II LP ("THP US SP2")
  - TLR Canada – The Selby, The Taylor, The James, Shops of Summerhill, West Don Lands, 8 Gloucester and 7 Labatt
  - TAH – Tricon American Homes Joint Venture-1 ("TAH JV-1")
- U.S. side-cars include THP investments Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills
- Canadian syndicated THP investments include 5 St. Joseph, Heritage Valley and Mahogany

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

1.2 How we invest and create value

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

Tricon American Homes

Tricon American Homes, the Company's single-family rental home investment vertical, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 500 employees that oversee all aspects of TAH's day-to-day business activities.

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

TAH is focused on providing high-quality rental homes to the broad middle market demographic, which management defines as working class households earning between $60,000 and $100,000 per year, with stable jobs and who may face difficulties in buying a home for a variety of reasons. TAH offers these middle market families a compelling value proposition of living in a high-quality, renovated home at a fixed monthly price without other costly overhead expenses such as maintenance and property taxes and with a high level of customer service. Targeting qualified middle market families who are likely to be long-term renters generally results in lower turnover rates, thereby reducing turn costs and providing stable cash flow for TAH.

Since its launch in 2012, TAH has grown its portfolio of U.S. single-family rental homes under management to 19,080 homes in 18 markets across ten states as of June 30, 2019. In June 2018, the Company entered into a joint venture arrangement with two leading institutional investors to assemble a portfolio of single-family rental homes which will be acquired and managed by TAH. The joint venture is funded by a total equity commitment of $750 million and approximately $2 billion of buying power, when taking into account leverage, and is projected to acquire 10,000–12,000 homes over its three-year investment period.

Tricon Lifestyle Rentals

Tricon Lifestyle Rentals, the Company's multi-family investment vertical, is focused on investing in, developing and operating multi-family rental apartments in the United States and Canada.

In the U.S., TLR invests in and operates multi-family rental apartments, with a current focus on garden-style apartments in the Sun Belt. TLR U.S. targets the middle market demographic by providing an affordable, high-quality housing solution that is attractive to the broader workforce. TLR U.S.' active portfolio includes 23 properties totalling 7,289 suites in eleven major markets following the completion of the Company's acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Multi-Family Core Portfolio") on June 11, 2019 (see Section 4.2).

TLR U.S. also has legacy investments in multi-family developments. Tricon previously announced that it will be pursuing an orderly exit from its existing U.S. multi-family development business by divesting its two remaining development projects following their completion. During the second quarter of 2019, TLR U.S. successfully completed the sale of its 90% interest in The McKenzie project partnership and used a portion of the proceeds to repay a portion of Tricon's revolving term credit facility. TLR U.S. 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 TLR U.S. development holdings. Thereafter, TLR U.S. will focus on managing and enhancing the existing stabilized portfolio by applying property management best practices from TAH, including various technologies and resident experience practices.

Tricon's longer-term U.S. multi-family strategy is to build on the current portfolio of existing assets and add additional core, core-plus and value-add properties as attractive acquisition opportunities present themselves. The U.S. multi-family rental market is a four trillion dollar asset class (source: National Multifamily Housing Council) – by far the largest "investable" institutional asset class in the U.S. – that produces relatively stable, predictable income which is compelling for both public and private institutional investors and is highly complementary to Tricon's other U.S. verticals. Similar to the Company's approach to the single-family rental business, management plans to establish a strong operating platform in its U.S. multi-family business and then ultimately raise third-party capital around it to drive scale, generate recurring fee income and increase shareholders' return on equity.

In Canada, TLR's investment objective is to add value through the development and construction process and ultimately generate stable cash flow from its portfolio of rental apartment buildings. TLR's strategy is to assemble a portfolio of well-located, purpose-built multi-family rental properties which are near major job nodes and/or transit routes. TLR targets markets that are underpinned by strong economic fundamentals, including robust job and population growth and attractive supply and demand fundamentals that support long-term growth.

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

Tricon Housing Partners

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

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

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

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

Tricon Lifestyle Communities was launched in 2014 and focused on acquiring and managing existing three- to four-star manufactured housing communities in the U.S. Sun Belt. On June 29, 2018, TLC completed the sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million (refer to Section 3.2).

It is management's intention to remain focused on its housing-centric investment strategy and invest only in sectors where Tricon can achieve sufficient scale and industry leadership. Tricon believes that its U.S. businesses are well-positioned to capitalize on the large millennial cohort (those born between 1980 and 2000) who are in the early stages of forming families, having children and ultimately moving to the suburbs where they can find relatively affordable single-family or multi-family housing and good schools. The more affluent are likely to continue to buy homes, benefiting Tricon's for-sale housing investments in THP, whereas the workforce may be more likely to rent single-family homes or multi-family apartments from institutional landlords such as TAH and TLR.

In Canada, TLR's build-to-core multi-family strategy is focused on one of the country's fastest growing cities – Toronto. TLR is a first mover in providing new high-quality professionally managed rental apartments, a form of housing that is in high demand and has been structurally under-built. The millennial cohort, the largest universe of renters, continues to grow meaningfully and represents 22.8% of the overall population in Toronto compared to 20.4% for all of Canada (source: Statistics Canada, RBC Economics Research). Further, Toronto continues to add high-quality jobs and was ranked among the top five fastest growing technology job markets in North America in 2018 (source: CBRE Group, Inc). TLR believes that the confluence of urbanization trends, strong population growth, a robust and diversified economy, and major housing affordability issues will support very attractive rental fundamentals in Toronto, and that its high-quality, service-oriented rental offerings are well-positioned to capitalize on these compelling factors.

1.3 How we integrate Environmental, Social and Governance priorities

Since its inception in 1988, the Company has been conscious of key Environmental, Social and Governance ("ESG") expectations of, and opportunities for, its residential investment verticals and corporate activities. In many instances, the Company's ESG approach has created significant competitive advantages, such as the provision of relatively affordable quality housing for working class families and the development of environmentally conscious master-planned communities.

To further advance the Company's integration of ESG priorities in its businesses, a formal ESG strategy is being implemented commencing in 2019. This strategy builds on the Company's principles which include:

- Value creation through community focus
- Employee excellence
- Client commitment
- Business integrity

As stated in these principles, the Company's investments should not only be financially profitable but should also improve the way people live, work and interact. The Company works closely with best-in-class local teams and partners who have strong ties to their communities and practice sustainable development. Employees are valued and empowered to engage in longer-term thinking and continuous improvement. Investors and residents are the Company's lifeblood, and long-term success depends on serving them respectfully. Sound governance practices, built on trust and transparency, are imperative to achieving the Company's strategic and operational goals.

Prudent risk management, another of the Company's principles, also has important ESG dimensions. Recognizing the unique environmental and social pressures within residential real estate, the Company undertakes comprehensive due diligence for all investments and business relationships. In turn, the Company actively supports the ongoing ESG due diligence requirements of its shareholders, investors and other important stakeholders.

Additional details on the "Principles in Action" ESG strategy will be formally unveiled later in 2019.

2. HIGHLIGHTS

Financial highlights

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

	Three months		Six months	
For the periods ended June 30	2019	2018	2019	2018
Total revenue and investment income from continuing operations	$ 55,445	$ 54,014	$ 114,101	$ 149,925
Total investment income from discontinued operations	–	19,602	–	21,170
Net income	12,356	39,763	36,419	139,232
Basic earnings per share from:				
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 earnings per share from:				
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
Dividends per share	C$ 0.07	C$ 0.07	C$ 0.14	C$ 0.14
Non-IFRS measures[1]				
Adjusted net income	$ 30,917	$ 60,134	$ 66,726	$ 136,510
Adjusted EBITDA	65,961	92,927	135,831	208,236
Less:				
Fair value gain included in investment income – TAH	23,511	37,265	53,329	113,361
Adjusted EBITDA from discontinued operations – TLC	–	23,212	–	31,394
Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA	42,450	32,450	82,502	63,481
Adjusted basic EPS attributable to shareholders of Tricon	0.20	0.45	0.44	1.02
Adjusted diluted EPS attributable to shareholders of Tricon	0.19	0.39	0.42	0.88

As at June 30	2019	2018
Total assets	$ 2,212,017	$ 1,597,820
Total liabilities	605,266	542,520
Investments (including investments held for sale)	2,109,343	1,483,941
Debt	434,674	417,659
Assets under management (AUM)[2]	$ 7,297,456	$ 5,637,580

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

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

Investment highlights by vertical

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

For the periods ended June 30 (in thousands of U.S. dollars, except for percentages and units)	Three months		Six months	
	2019	2018	2019	2018
TRICON AMERICAN HOMES				
(Refer to Sections 3.1, 3.2 and 4.1)				
Investments – TAH			**$ 1,262,571**	**$ 1,064,140**
Investment income – TAH	**$ 40,231**	**$ 40,681**	**83,784**	**127,123**
Fair value gain included in investment income – TAH	23,511	37,265	53,329	113,361
Net operating income (NOI)	47,115	36,521	90,765	72,101
Net operating income (NOI) margin	65.1%	62.0%	64.9%	62.4%
Core funds from operations	19,585	11,349	35,865	24,055
Total homes managed			19,080	15,995
Occupancy			93.9%	95.2%
Stabilized occupancy			97.3%	97.1%
Total number of homes in same home portfolio			14,466	14,466
Same home net operating income (NOI)	38,646	34,628	76,329	69,192
Same home net operating income (NOI) growth	11.6%	N/A	10.3%	N/A
Same home net operating income (NOI) margin	65.6%	62.2%	65.4%	62.6%
TRICON LIFESTYLE RENTALS				
(Refer to Sections 3.1, 3.2, 4.2 and 4.3)				
Investments – TLR			**$ 517,143**	**$ 107,074**
Investment income – TLR	**$ 2,501**	**$ 2,547**	**7,888**	**3,564**
TLR U.S.[1]				
Net operating income (NOI)[2]	3,818	–	3,818	–
Net operating income (NOI) margin[2]	59.4%	–	59.4%	–
Core funds from operations[2]	1,573	–	1,573	–
Total suites managed			7,289	–
Occupancy			94.3%	–
TLR Canada				
Units under development or lease-up			3,228	2,700
TRICON HOUSING PARTNERS				
(Refer to Sections 3.1, 3.2 and 4.4)				
Investments – THP			**$ 329,629**	**$ 312,727**
Investment income – THP	**$ 3,346**	**$ 3,312**	**5,573**	**6,197**
TRICON LIFESTYLE COMMUNITIES				
(Refer to Section 3.1)				
Investments held for sale – TLC			**$ –**	**$ –**
Investment income from discontinued operations – TLC	**$ –**	**$ 19,602**	**–**	**21,170**
PRIVATE FUNDS AND ADVISORY				
(Refer to Sections 3.1 and 4.5)				
Third-party assets under management			$ 1,842,502	$ 1,777,363
Contractual fees and GP distributions	**$ 7,669**	**$ 6,636**	**14,955**	**12,195**
Performance fees	**1,698**	**838**	**1,901**	**846**

(1) Excludes TLR U.S. development properties held for sale (refer to Section 1.2).

(2) NOI, NOI margin and core funds from operations represent Tricon's results for the ownership period of the Multi-Family Core Portfolio from June 11, 2019 to June 30, 2019.

The presentation of TAH operating metrics above reflects the performance of the entire portfolio under management, including the TAH JV-1 portfolio, which is managed by a TAH subsidiary.

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

3. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2019.

3.1 Review of income statements

Consolidated statements of income

For the periods ended June 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months			Six months		
	2019	2018	Variance	2019	2018	Variance
Revenue						
Contractual fees	$ 7,402	$ 6,283	$ 1,119	$ 14,438	$ 11,486	$ 2,952
General partner distributions	267	353	(86)	517	709	(192)
Performance fees	1,698	838	860	1,901	846	1,055
	9,367	7,474	1,893	16,856	13,041	3,815
Investment income						
Investment income – Tricon American Homes	40,231	40,681	(450)	83,784	127,123	(43,339)
Investment income – Tricon Lifestyle Rentals	2,501	2,547	(46)	7,888	3,564	4,324
Investment income – Tricon Housing Partners	3,346	3,312	34	5,573	6,197	(624)
	46,078	46,540	(462)	97,245	136,884	(39,639)
Total revenue and investment income	**$ 55,445**	**$ 54,014**	**$ 1,431**	**$ 114,101**	**$ 149,925**	**$ (35,824)**
Expenses						
Compensation expense	10,677	9,955	(722)	19,376	19,678	302
General and administration expense	3,217	2,671	(546)	6,008	4,995	(1,013)
Interest expense	7,708	8,603	895	15,038	16,567	1,529
Other expenses (income)	18,390	10,858	(7,532)	28,740	(17,064)	(45,804)
Realized and unrealized foreign exchange (gain) expense	(159)	(1,289)	(1,130)	21	(2,977)	(2,998)
	39,833	30,798	(9,035)	69,183	21,199	(47,984)
Income before income taxes	**15,612**	**23,216**	**(7,604)**	**44,918**	**128,726**	**(83,808)**
Income tax (expense) recovery – current	(576)	298	(874)	(2,089)	(683)	(1,406)
Income tax expense – deferred	(2,680)	(3,353)	673	(6,410)	(11,938)	5,528
Net income from continuing operations	**12,356**	**20,161**	**(7,805)**	**36,419**	**116,105**	**(79,686)**
Net income from discontinued operations	**–**	**19,602**	**(19,602)**	**–**	**23,127**	**(23,127)**
Net income	**$ 12,356**	**$ 39,763**	**$ (27,407)**	**$ 36,419**	**$ 139,232**	**$ (102,813)**
Attributable to:						
Shareholders of Tricon	$ 11,932	$ 39,527	$ (27,595)	$ 35,848	$ 139,254	$ (103,406)
Non-controlling interest	424	236	188	571	(22)	593
Net income	**$ 12,356**	**$ 39,763**	**$ (27,407)**	**$ 36,419**	**$ 139,232**	**$ (102,813)**
Basic EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.08	$ 0.15	$ (0.07)	$ 0.24	$ 0.87	$ (0.63)
Discontinued operations	–	0.14	(0.14)	–	0.17	(0.17)
Basic EPS attributable to shareholders of Tricon	**$ 0.08**	**$ 0.29**	**$ (0.21)**	**$ 0.24**	**$ 1.04**	**$ (0.80)**
Diluted EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.04	$ 0.15	$ (0.11)	$ 0.24	$ 0.65	$ (0.41)
Discontinued operations	–	0.14	(0.14)	–	0.14	(0.14)
Diluted EPS attributable to shareholders of Tricon	**$ 0.04**	**$ 0.29**	**$ (0.25)**	**$ 0.24**	**$ 0.79**	**$ (0.55)**
Weighted average shares outstanding – basic	**155,787,146**	**134,528,070**	**21,259,076**	**150,063,994**	**134,389,889**	**15,674,105**
Weighted average shares outstanding – diluted[1]	**174,133,167**	**136,394,075**	**37,739,092**	**151,936,857**	**161,492,736**	**(9,555,879)**

(1) 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 convertible debentures and the 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 convertible debentures and the 2022 convertible debentures were included).

Contractual fees

The following table provides further details regarding contractual fees for the three and six months ended June 30, 2019.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Management fees – private Investment Vehicles	$ 3,625	$ 3,017	$ 608	$ 7,404	$ 5,928	$ 1,476
Development fees – TLR Canada projects	541	533	8	1,086	1,067	19
Development fees – Johnson	3,236	2,733	503	5,948	4,491	1,457
Contractual fees	**$ 7,402**	**$ 6,283**	**$ 1,119**	**$ 14,438**	**$ 11,486**	**$ 2,952**

Contractual fees for the three months ended June 30, 2019 totalled $7.4 million, an increase of $1.1 million from the same period in the prior year. The increase is attributable to:

- An increase in management fees of $0.6 million as a result of management fees earned from TAH JV-1 of $0.9 million, partially offset by a decrease of $0.3 million in fees from commingled funds, separate accounts and side-cars as distributions from these Investment Vehicles resulted in lower investment balances.
- An increase of $0.5 million in Johnson development fees which was mainly driven by higher lot closings at Johnson communities this quarter compared to the same period in the prior year (see Section 4.5).

Contractual fees for the six months ended June 30, 2019 totalled $14.4 million, an increase of $3.0 million from the same period in the prior year. The increase is primarily attributable to the same reasons as noted above as well as an increase in development fees driven by improved performance in Johnson communities in Texas.

Investment income – Tricon American Homes

The following table provides details regarding the components of investment income from TAH for the three and six months ended June 30, 2019. The table below represents 100% of the operating portfolio managed by TAH and adjusts for third-party investor interests to reconcile to the investment income that is attributable to the Company.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Total revenue	$ 72,350	$ 58,896	$ 13,454	$ 139,771	$ 115,581	$ 24,190
Total operating expenses	(25,235)	(22,375)	(2,860)	(49,006)	(43,480)	(5,526)
Net operating income (NOI)[1,2]	**$ 47,115**	**$ 36,521**	**$ 10,594**	**$ 90,765**	**$ 72,101**	**$ 18,664**
Fair value gain[2]	23,511	37,265	(13,754)	53,329	113,361	(60,032)
Other expenses[2,3]	(7,807)	(14,018)	6,211	(17,264)	(20,783)	3,519
Interest expense[2]	(22,594)	(19,087)	(3,507)	(43,878)	(37,556)	(6,322)
Third-party investor interests[2]	6	–	6	832	–	832
Investment income – TAH	**$ 40,231**	**$ 40,681**	**$ (450)**	**$ 83,784**	**$ 127,123**	**$ (43,339)**

(1) KPI measure; see Section 8.1.

(2) TAH's NOI, fair value gain, other expenses and interest expense represent the results of the entire operating portfolio managed by TAH, and the portion not attributable to the Company's ownership is adjusted for as third-party investor interests below NOI. TAH's investment income reflects only the Company's ownership share in TAH JV-1 (see Section 4.1).

(3) Other expenses are comprised of:

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Corporate overhead[4]	$ (4,936)	$ (6,085)	$ 1,149	$ (11,022)	$ (10,490)	$ (532)
Transaction costs and non-recurring items	(142)	(7,422)	7,280	(559)	(8,371)	7,812
Depreciation and non-cash items[4]	(1,016)	(511)	(505)	(2,301)	(1,924)	(377)
Deferred tax recovery	4	–	4	116	2	114
TAH JV-1 partner-level expenses[5]	(1,717)	–	(1,717)	(3,498)	–	(3,498)
Other expenses	**$ (7,807)**	**$ (14,018)**	**$ 6,211**	**$ (17,264)**	**$ (20,783)**	**$ 3,519**

(4) The comparative period has been reclassified to conform with the current period presentation. No changes to total other expenses were made as a result of this reclassification.

(5) These expenses represent 100% of TAH JV-1 costs that are not incurred at the operational level and include professional fees and interest expense on partner-level debt. The portion of these expenses not attributable to the Company's ownership is adjusted for as Third-party investor interests in the first table above.

TAH's investment income was $40.2 million for the three months ended June 30, 2019, a decrease of $0.5 million compared to the same period in 2018. The variance in investment income is attributable to:

- A TAH fair value gain of $23.5 million in the quarter compared to $37.3 million in the same period in 2018, a decrease of $13.8 million. Consistent with previous quarters, fair value gain is determined by using Broker Price Opinions ("BPOs") and the Home Price Index ("HPI") methodology on the remaining homes not subject to BPOs (see Section 9.1), net of capital expenditures. The HPI increase this quarter was 0.8% (3.2% annualized) compared to a 1.7% HPI increase in the second quarter of 2018 (6.8% annualized). No homes were valued using the BPO method in the second quarter of 2019 compared to 519 homes valued using this method in the same period in 2018.
- An increase of $10.6 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description; see also footnote 2 in the table above) as a result of a larger leased portfolio, strong rent growth and operational cost efficiencies, in particular in the repairs and maintenance function (see Section 4.1).
- An increase of $3.5 million in interest expense attributable to a higher outstanding debt balance necessary to finance additional homes in the growing TAH JV-1 rental portfolio, combined with an increase in the portfolio weighted average interest rate (3.9% for Q2 2019 versus 3.7% for Q2 2018). The higher interest rate was driven by a 43 basis point increase in LIBOR over the last twelve months, which serves as the base rate for TAH's floating rate debt instruments. TAH currently has approximately 67% of its total debt locked in with fixed-rate financing, thereby reducing its exposure to LIBOR fluctuations.
- A decrease of $6.2 million in other expenses primarily as a result of lower transaction costs and non-recurring items. There were immaterial transaction costs and non-recurring items in the second quarter of 2019 compared to $7.4 million of financing costs associated with the 2018-1 securitization debt incurred in the second quarter of 2018.

TAH's investment income for the six months ended June 30, 2019 was $83.8 million compared to $127.1 million for the same period in 2018, a decrease of $43.3 million. The variance is primarily attributable to a decrease in fair value gain of $60.0 million as well as higher interest expense on incremental debt, partially offset by additional NOI contribution from a larger leased portfolio, an increase in NOI margin (see Section 4.1), as well as lower transaction costs.

Investment income – Tricon Lifestyle Rentals

The following table provides details regarding investment income from TLR for the three and six months ended June 30, 2019.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Investment income – TLR U.S.	$ 1,276	$ –	$ 1,276	$ 1,276	$ –	$ 1,276
Investment income (loss) – TLR Canada	1,864	(713)	2,577	2,410	(1,566)	3,976
(Loss) gain on investments held for sale within TLR	(639)	3,260	(3,899)	4,202	5,130	(928)
Total investment income – TLR	**$ 2,501**	**$ 2,547**	**$ (46)**	**$ 7,888**	**$ 3,564**	**$ 4,324**

Investment income – Tricon Lifestyle Rentals U.S.

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Multi-Family Core Portfolio") (see Section 4.2). The following table provides details regarding investment income generated by TLR U.S. from the Multi-Family Core Portfolio's properties for the period from June 11, 2019 to June 30, 2019.

For the period from June 11 to June 30 (in thousands of U.S. dollars)	2019
Total revenue	$ 6,424
Total operating expenses	2,606
Net operating income (NOI)	**$ 3,818**
Fair value gain	–
Other expenses[1]	(420)
Interest expense	(2,122)
Investment income – TLR U.S.	**$ 1,276**

(1) Other expenses are comprised of:

For the period from June 11 to June 30 (in thousands of U.S. dollars)	2019
Corporate overhead[2]	$ (123)
Income tax expense	(297)
Other expenses	**$ (420)**

(2) Corporate overhead includes $67 of corporate-level insurance and $56 of asset management fees.

TLR U.S. generated investment income of $1.3 million for the 20-day period from June 11, 2019 to June 30, 2019. The composition of investment income is as follows:

- Net operating income ("NOI") (KPI measure; refer to Section 8.1) of $3.8 million representing rental revenue of $6.4 million at a 94.3% occupancy rate and average monthly rent of $1,240 less operating expenses of $2.6 million mainly comprised of property taxes, property management and other direct costs.
- An offsetting interest expense of $2.1 million resulting from interest on the outstanding credit facility and mortgages payable at a weighted average interest rate of 4.2%.

Investment income – Tricon Lifestyle Rentals Canada

The following table provides details regarding investment income from TLR Canada for the three and six months ended June 30, 2019.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Operating income during development and lease-up[1]	$ 296	$ 124	$ 172	$ 456	$ 334	$ 122
Other gains (expenses)[1,2]	1,757	(731)	2,488	2,283	(1,764)	4,047
Interest expense[1]	(189)	(106)	(83)	(329)	(136)	(193)
Investment income (loss) – TLR Canada	**$ 1,864**	**$ (713)**	**$ 2,577**	**$ 2,410**	**$ (1,566)**	**$ 3,976**

(1) The comparative periods have been reclassified to conform with the current period presentation. There is no impact on investment income (loss) as a result of this reclassification.

(2) Other gains (expenses) are comprised of:

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Translation adjustment	$ 1,649	$ (681)	$ 2,330	$ 3,046	$ (1,652)	$ 4,698
Other income net of corporate overhead	103	(60)	163	(57)	(74)	17
Income tax expense	–	11	(11)	–	(32)	32
Transaction costs and non-recurring costs	5	(1)	6	(706)	(6)	(700)
Other gains (expenses)	**$ 1,757**	**$ (731)**	**$ 2,488**	**$ 2,283**	**$ (1,764)**	**$ 4,047**

TLR Canada's investment income was $1.9 million for the three months ended June 30, 2019, an increase of $2.6 million compared to a loss of $0.7 million for the same period in 2018. The variance is mainly attributable to:

- An increase of $2.5 million in other gains, primarily driven by an increase of $2.3 million in foreign exchange gain as the Canadian dollar strengthened during the quarter.
- An increase of $0.2 million in operating income during development and lease-up mainly resulting from leasing progress at The Selby.
- An offsetting increase of $0.1 million in interest expense as The Selby has shifted from the development phase to the lease-up phase and thus interest expense is no longer capitalized as part of development costs.

TLR Canada's investment income was $2.4 million for the six months ended June 30, 2019, an increase of $4.0 million compared to a loss of $1.6 million for the same period in 2018. The variance is mainly attributable to:

- An increase of $4.0 million in other gains, primarily driven by an increase of $4.7 million in foreign exchange gain as the Canadian dollar strengthened during the period, partially offset by higher non-recurring transaction costs of $0.7 million relating to TLR's share of land transfer tax paid on the acquisition of 7 Labatt in the first quarter of 2019.
- An increase of $0.1 million in operating income partially offset by an increase of $0.2 million in interest expense, for the reasons discussed above.

Gain (loss) on investments held for sale within TLR

For the three months ended June 30, 2019, the loss on TLR U.S. investments held for sale was $0.6 million, a decrease of $3.9 million compared to a gain of $3.3 million for the same period in 2018. This decrease is attributable to an operating loss generated at The Maxwell during its initial lease-up phase compared to fair value gains at both The Maxwell and The McKenzie (the latter of which was sold during the quarter as discussed below) in the same period of the prior year.

On April 15, 2019, TLR completed the sale of its 90% interest in The McKenzie, generating an IRR and ROI of 18% and 1.6x, respectively, on the investment.

At The Maxwell in Frisco, Texas, lease-up continued during the quarter, and the building was 74% leased as of quarter-end with average in-place rent per square foot largely in line with underwriting. TLR is on track to sell its 90% interest in The Maxwell in an orderly process upon stabilization.

For the six months ended June 30, 2019, the gain on TLR investments held for sale was $4.2 million, a decrease of $0.9 million compared to $5.1 million for the same period in 2018. The decrease is attributable to operating losses incurred during initial lease-up at both U.S. properties, which commenced in the latter half of 2018.

Investment income – Tricon Housing Partners

The following table summarizes investment income from THP for the three and six months ended June 30, 2019.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Investment income – THP	**$ 3,346**	**$ 3,312**	**$ 34**	**$ 5,573**	**$ 6,197**	**$ (624)**

Investment income for the three months ended June 30, 2019 was $3.3 million, remaining largely unchanged from the same period in 2018.

Investment income for the six months ended June 30, 2019 was $5.6 million, a decrease of $0.6 million compared to $6.2 million for the same period in 2018. The variance is mainly attributable to a loss from direct investments, partially offset by gains on the Company's investments in commingled funds.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Salaries and benefits	$ 5,261	$ 3,637	$ (1,624)	$ 9,539	$ 7,245	$ (2,294)
Annual incentive plan ("AIP")	3,433	4,920	1,487	7,444	8,969	1,525
Long-term incentive plan ("LTIP")	1,983	1,398	(585)	2,393	3,464	1,071
Total compensation expense	**$ 10,677**	**$ 9,955**	**$ (722)**	**$ 19,376**	**$ 19,678**	**$ 302**

Compensation expense for the three months ended June 30, 2019 increased by $0.7 million compared to the same period in the prior year. The variance is attributable to:

- An increase of $1.6 million in payroll costs due to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments.
- A decrease of $1.5 million in AIP expense which was accrued in accordance with the AIP framework described in Section 9.6. In 2018, a greater portion of AIP expense was accrued during the first three quarters, resulting in an accrual adjustment in the fourth quarter when performance-based payments were finalized.
- An increase of $0.6 million in LTIP expense as a result of an increase in estimated performance fee-related LTIP accrued during the quarter.

Compensation expense for the six months ended June 30, 2019 decreased by $0.3 million compared to the same period in the prior year. The variance is attributable to a decrease of $1.1 million in LTIP expense corresponding to an overall decrease in investment income, along with a $1.5 million decrease in AIP expense, offset by a $2.3 million increase in payroll costs, for the reasons discussed above.

General and administration expense

General and administration expense for the three and six months ended June 30, 2019 increased by $0.5 million and $1.0 million, respectively, compared to the same periods in the prior year, generally as a result of the Company's growth. Contributing to the increases were the implementation of ESG initiatives and investor outreach-related expenditures.

Interest expense

The table below provides a summary of interest expense.

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Credit facility interest	$ 4,056	$ 3,361	$ (695)	$ 7,797	$ 6,183	$ (1,614)
Debentures interest	2,875	3,902	1,027	5,721	7,785	2,064
Debentures discount amortization	683	1,245	562	1,330	2,420	1,090
Mortgage interest	79	78	(1)	157	162	5
Interest on lease obligation	15	17	2	33	17	(16)
Total interest expense	**$ 7,708**	**$ 8,603**	**$ 895**	**$ 15,038**	**$ 16,567**	**$ 1,529**

Interest expense was $7.7 million for the three months ended June 30, 2019 compared to $8.6 million for the same period last year, a decrease of $0.9 million. The decrease was primarily driven by a reduction in debentures interest and debentures discount amortization from the previously-outstanding 5.60% convertible unsecured subordinated debentures (the "2020 convertible debentures") which were redeemed in full on October 9, 2018. The decrease was partially offset by an increase in credit facility interest as a result of a higher outstanding credit facility balance as well as a higher weighted average interest rate.

Interest expense was $15.0 million for the six months ended June 30, 2019 compared to $16.6 million for the same period last year, a decrease of $1.5 million. The variance is mainly attributable to the reasons described above.

Other expenses (income)

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

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Six months 2019	Six months 2018	Six months Variance
Net change in fair value of derivative financial instruments and other liability	$ (8,060)	$ 9,527	$ 17,587	$ (1,175)	$ (19,726)	$ (18,551)
Transaction costs	24,888	82	(24,806)	26,811	180	(26,631)
Amortization and depreciation expense	1,562	1,249	(313)	3,104	2,482	(622)
Total other expenses (income)	**$ 18,390**	**$ 10,858**	**$ (7,532)**	**$ 28,740**	**$(17,064)**	**$(45,804)**

In the three months ended June 30, 2019, the fair value of derivative financial instruments and other liability decreased by $8.1 million (2018 – increase of $9.5 million), which is reflected as income of the Company (2018 – expense). The decrease in the Company's derivative and other liability is primarily a result of an overall decrease (2018 – increase) in the Company's share price on the Toronto Stock Exchange ("TSX") from March 31, 2019 to June 30, 2019.

As part of the acquisition of the Multi-Family Core Portfolio, the Company entered into a put and call agreement with certain former unitholders of the Multi-Family Core Portfolio ("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 acquisition date to purchase from the Option Holders, as applicable, up to 1,634,217 Tricon common shares in aggregate for a price equal to the quoted market price of a Tricon common share on the call date, 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 acquisition date to sell to the Company up to 1,634,217 Tricon common shares in aggregate for a price equal to the quoted market price of a Tricon common share on the put date. The Company has recognized a put liability (classified as other liability on the balance sheet) in relation to the put right described above.

In the six months ended June 30, 2019, the fair value of derivative financial instruments and other liability decreased by $1.2 million (2018 – decrease of $19.7 million), which is reflected as income of the Company (2018 – income). The net decrease is attributable to (i) a $0.6 million decrease in the fair value of the embedded derivative payable on the Company's 2022 convertible debentures primarily driven by a reduction in the time remaining until conversion option expiration, and (ii) a $0.6 million decrease in the fair value of the put liability as a result 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.

For the three and six months ended June 30, 2019, transaction costs were $24.9 million and $26.8 million, respectively, an increase of $24.8 million and $26.6 million compared to the same periods in the prior year. The change in both periods was driven primarily by transaction costs totalling $25.8 million related to the acquisition of the Multi-Family Core Portfolio of which $25.6 million were expensed (comprised of investment banking, consulting and other transitional services, legal, finance and tax, due diligence and other fees) and $0.2 million were charged directly to share capital in connection with the issuance of Tricon common shares as part of the acquisition. As at June 30, 2019, transaction costs of $13.8 million remained payable.

Income tax expense

For the three months ended June 30, 2019, income tax expense increased by $0.2 million compared to the same period in the prior year. This marginal increase was a result of an increase in the current tax expense of $0.9 million, partially offset by a decrease in the deferred tax expense of $0.7 million. The increase in current income tax expense reflects the growth in contractual fees, whereas the decrease in deferred tax expense was primarily the result of lower fair value gain and investment income at TAH.

For the six months ended June 30, 2019, income tax expense was lower than the same period in the prior year as a result of a significant decrease in the deferred tax expense of $5.5 million, partially offset by an increase in the current tax expense of $1.4 million, which was driven by the reasons discussed above.

Disposition of Tricon Lifestyle Communities

For the three and six months ended June 30, 2019, net income from the discontinued operations of TLC was nil (2018 – $19.6 million and $23.1 million, respectively). On June 29, 2018, TLC completed the sale of its portfolio of 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million.

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Assets						
Cash	$ 4,911	$ 13,292	$ 7,773	$ 6,720	$ 21,792	$ 11,809
Amounts receivable	14,276	13,063	17,934	17,257	17,657	13,465
Prepaid expenses and deposits	461	419	819	970	479	674
Investments – Tricon American Homes	1,262,571	1,207,137	1,145,221	1,107,962	1,064,140	1,012,757
Investments – Tricon Lifestyle Rentals	517,143	142,058	129,838	116,243	107,074	90,759
Investments – Tricon Housing Partners	329,629	328,425	307,564	318,187	312,727	309,273
Investments held for sale – Tricon Lifestyle Communities	–	–	–	–	–	63,946
Intangible assets	18,556	19,638	20,733	21,829	22,924	18,893
Deferred income tax assets	42,252	38,937	36,135	33,732	29,950	26,787
Other assets	22,218	21,941	21,645	21,829	21,077	17,033
Total assets	**$ 2,212,017**	**$ 1,784,910**	**$ 1,687,662**	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**
Liabilities						
Amounts payable and accrued liabilities	$ 28,351	$ 8,079	$ 6,429	$ 14,532	$ 19,438	$ 6,432
Dividends payable	10,398	7,514	7,350	7,503	7,115	7,251
Long-term incentive plan	22,875	21,720	21,407	16,492	16,154	16,145
Debt	434,674	437,846	374,716	396,545	417,659	448,738
Deferred income tax liabilities	93,150	87,487	81,226	71,404	64,386	57,647
Derivative financial instruments	3,332	10,821	3,936	14,162	17,768	8,241
Other liability	12,486	–	–	–	–	–
Total liabilities	**605,266**	**573,467**	**495,064**	**520,638**	**542,520**	**544,454**
Equity						
Share capital	1,201,678	794,857	793,521	758,830	717,485	715,288
Share capital reserve	(13,057)	–	–	–	–	–
Contributed surplus	19,594	18,422	17,468	19,096	17,473	16,426
Cumulative translation adjustment	19,255	19,507	19,525	19,189	19,336	20,420
Retained earnings	371,193	369,646	353,220	317,472	291,319	258,907
Total shareholders' equity	1,598,663	1,202,432	1,183,734	1,114,587	1,045,613	1,011,041
Non-controlling interest	8,088	9,011	8,864	9,504	9,687	9,901
Total equity	**1,606,751**	**1,211,443**	**1,192,598**	**1,124,091**	**1,055,300**	**1,020,942**
Total liabilities and equity	**$ 2,212,017**	**$ 1,784,910**	**$ 1,687,662**	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**

Investments – Tricon American Homes

Investments in TAH increased by $117.4 million to $1.3 billion as at June 30, 2019, from $1.1 billion as at December 31, 2018. The increase was driven by:

- Investment income of $83.8 million consisting of $90.8 million of NOI and $53.3 million of fair value gains, offset by $43.9 million of interest expense and $16.4 million of overhead and other expenses, net of third-party investor interests;
- Advances of $47.6 million primarily for the acquisition and renovation of rental homes, including a $32.3 million contribution to TAH JV-1; and
- Offsetting cash distributions of $14.0 million to Tricon.

(in thousands of U.S. dollars)	As at December 31, 2018	Advances	Investment income	Distributions	As at June 30, 2019
Investments – TAH	**$ 1,145,221**	**$ 47,566**	**$ 83,784**	**$ (14,000)**	**$ 1,262,571**

Investments – Tricon Lifestyle Rentals

Investments in TLR increased by $387.3 million to $517.1 million as at June 30, 2019, from $129.8 million as at December 31, 2018. The increase was predominantly related to total advances of $429.3 million (comprised of equity consideration of $405.7 million for the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund and cash advances of $23.5 million to various Investment Vehicles) along with investment income of $7.9 million, partially offset by distributions of $49.8 million from the sale of The McKenzie, a U.S. development asset that was sold in the second quarter of 2019.

(in thousands of U.S. dollars)	As at December 31, 2018	Advances	Investment income	Distributions	As at June 30, 2019
Investments – TLR U.S.[1]	$ –	$ 419,552	$ 1,276	$ –	$ 420,828
Investments – TLR Canada	70,199	7,971	2,410	–	80,580
Assets held for sale within TLR	59,639	1,728	4,202	(49,834)	15,735
Investments – TLR	**$ 129,838**	**$ 429,251**	**$ 7,888**	**$ (49,834)**	**$ 517,143**

(1) Advances of $419,552 to TLR U.S. include $405,714 pertaining to equity issuance and $13,838 of subsequent cash advances in relation to the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund.

Investments – Tricon Housing Partners

Investments in THP increased by $22.1 million to $329.6 million as at June 30, 2019, from $307.6 million as at December 31, 2018. The increase was primarily attributable to advances of $26.8 million (including the acquisition of a direct investment in a master-planned community in Austin, Texas) and investment income of $5.6 million primarily from THP1 US, partially offset by distributions of $10.3 million to Tricon.

(in thousands of U.S. dollars)	As at December 31, 2018	Advances	Investment income	Distributions	As at June 30, 2019
Investments – THP	**$ 307,564**	**$ 26,812**	**$ 5,573**	**$ (10,320)**	**$ 329,629**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total principal amount	Maturity date	Interest rate terms	June 30, 2019	December 31, 2018
Revolving term credit facility	USD	$ 365,000	June 2020	LIBOR+3.50%	$ 267,000	$ 209,250
2022 convertible debentures	USD	$ 172,400	March 2022	5.75%	159,146	157,112
Mortgage	CAD	$ 9,653	November 2024	4.38%	7,376	7,150
Lease obligation	USD	$ 1,152	March 2026	5.60%	1,152	1,204
					$ 434,674	**$ 374,716**

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other expenses (income)). The mortgage is denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at June 30, 2019: 1.3087 and at December 31, 2018: 1.3642.

The Company has access to a $365.0 million corporate revolving credit facility provided by a syndicate of lenders. As of June 30, 2019, $267.0 million was drawn from the facility, and the Company had a cash balance of $4.9 million.

On July 31, 2019, the Company entered into an amended and restated credit facility agreement (see Section 3.4).

As of June 30, 2019, there was $172.4 million in outstanding aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Company (the "2022 convertible debentures"). The 2022 convertible debentures bear interest at 5.75% per annum and are convertible into 16,481,837 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$13.69 as of June 30, 2019). In the first six months of 2019, $0.1 million principal amount was converted into 9,560 common shares.

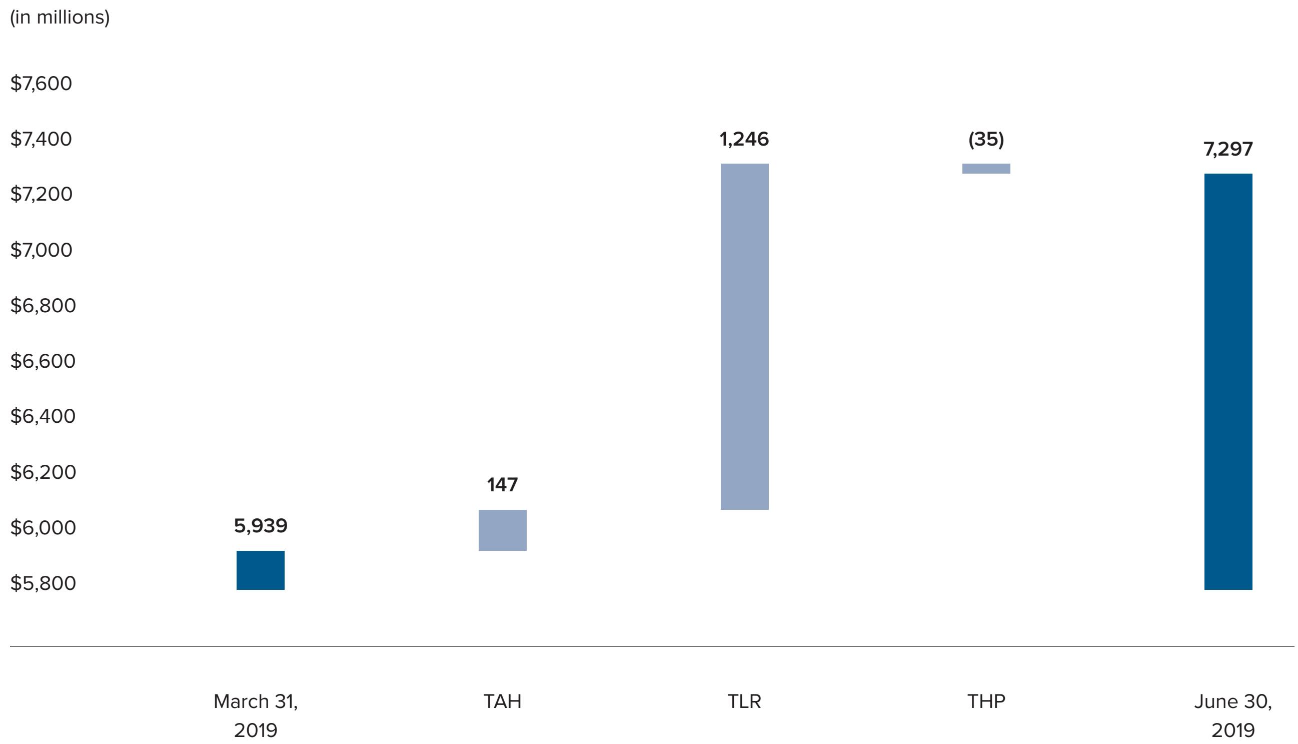
As of June 30, 2019, the Company had an outstanding mortgage loan of $7.4 million (C$9.7 million), which was used to finance the acquisition of the Company's head office in Toronto. The mortgage carries a fixed interest rate of 4.38% per annum compounded semi-annually and matures on November 22, 2024.

On April 1, 2018, the Company entered into an agreement to lease office space at 260 California Street, San Francisco, with an expiration date of March 2026. The initial lease obligation recognized was $1.2 million, and the carrying value was $1.2 million as at June 30, 2019.

3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $7.3 billion as at June 30, 2019, representing an increase of $1.4 billion since March 31, 2019. Refer to Section 8.2 for a detailed description of AUM.

CHANGES IN ASSETS UNDER MANAGEMENT



As shown in the chart above, which summarizes the changes in AUM over the period on a vertical-by-vertical basis, the changes in AUM since March 31, 2019 were:

- An increase of $146.9 million in TAH AUM driven primarily by home acquisitions and renovations for the TAH wholly-owned and TAH JV-1 portfolios, as well as $25.2 million of fair value adjustments (excluding projected future disposition fees) related to home price appreciation (see Section 4.1).
- An increase of $1.2 billion in TLR AUM from the $1.3 billion acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, construction expenditures at other projects during the quarter, as well as a favourable adjustment in foreign exchange rates, offset by a $116.6 million reduction from the disposal of The McKenzie.
- A decrease of $34.5 million in THP AUM predominantly as a result of $22.7 million of distributions from THP2 US and $11.0 million of distributions from THP US SP1.

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

(in thousands of U.S. dollars)	June 30, 2019[1]	March 31, 2019[1]	December 31, 2018[1]	September 30, 2018[1]	June 30, 2018[1]	March 31, 2018[1]
PRINCIPAL INVESTMENTS[2]						
Tricon American Homes	**$ 3,518,844**	**$ 3,435,719**	**$ 3,333,773**	**$ 3,267,062**	**$ 3,247,512**	**$ 2,866,838**
Tricon Lifestyle Rentals						
U.S.	1,339,161	–	–	–	–	–
Canada	177,272	172,222	141,871	134,846	119,314	71,290
Assets held for sale	56,328	173,264	163,545	154,284	139,738	119,697
Tricon Lifestyle Rentals	**1,572,761**	**345,486**	**305,416**	**289,130**	**259,052**	**190,987**
Tricon Housing Partners						
Commingled funds	138,815	138,629	136,874	147,157	147,567	149,444
Direct investments	142,427	143,264	117,643	114,014	111,545	107,882
Separate accounts and side-cars	82,107	84,293	88,255	92,736	94,541	95,020
Tricon Housing Partners	**363,349**	**366,186**	**342,772**	**353,907**	**353,653**	**352,346**
Tricon Lifestyle Communities[3]	**–**	**–**	**–**	**–**	**–**	**146,000**
Principal investments	**$ 5,454,954**	**$ 4,147,391**	**$ 3,981,961**	**$ 3,910,099**	**$ 3,860,217**	**$ 3,556,171**
PRIVATE FUNDS AND ADVISORY						
Tricon American Homes	**$ 673,754**	**$ 609,957**	**$ 561,069**	**$ 497,500**	**$ 497,500**	**$ –**
Tricon Lifestyle Rentals	**364,062**	**345,576**	**274,528**	**275,918**	**268,364**	**178,555**
Tricon Housing Partners						
Commingled funds	197,520	216,176	254,397	331,100	346,552	356,395
Separate accounts and side-cars	591,515	604,827	616,941	629,809	643,977	643,977
Syndicated investments	15,651	15,327	15,014	19,945	20,970	22,301
Tricon Housing Partners	**804,686**	**836,330**	**886,352**	**980,854**	**1,011,499**	**1,022,673**
Private Funds and Advisory	**$ 1,842,502**	**$ 1,791,863**	**$ 1,721,949**	**$ 1,754,272**	**$ 1,777,363**	**$ 1,201,228**
Total assets under management	**$ 7,297,456**	**$ 5,939,254**	**$ 5,703,910**	**$ 5,664,371**	**$ 5,637,580**	**$ 4,757,399**

(1) USD/CAD exchange rates used at each balance sheet date are: at June 30, 2019: 1.3087; March 31, 2019: 1.3363; December 31, 2018: 1.3642; September 30, 2018: 1.2945; June 30, 2018: 1.3168; March 31, 2018: 1.2894.

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

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

3.4 Subsequent events

On 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. Subsequent to quarter-end, the Company repurchased 389,802 of its common shares for C$3.9 million as part of its NCIB program approved by the TSX.

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 million to $500 million. 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.

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

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

4.1 Tricon American Homes

TAH delivered strong operating performance during the quarter resulting from solid rent growth, lower resident turnover and ongoing cost savings from its increasingly internalized repairs and maintenance function. Highlights for the quarter for the consolidated portfolio include a 65.1% NOI margin, 6.2% blended rent growth and a 28.0% annualized turnover rate. Highlights for the same home portfolio for the quarter include a 65.6% NOI margin, 11.6% year-over-year NOI growth, 6.4% blended rent growth and 97.3% leased occupancy.

The discussion and presentation of TAH operating metrics throughout this section reflect the performance of the entire portfolio under management, including the TAH JV-1 portfolio, which is managed by a TAH subsidiary.

TAH purchased 977 homes during the quarter in its TAH JV-1 portfolio, which represents the highest volume of acquisition activities for the joint venture and is reflective of the seasonality of its organic acquisition program, with typically stronger buying opportunities in the spring/summer months and a seasonal slowdown in the winter months. As of June 30, 2019, TAH managed a portfolio of 19,016 rental homes (19,080 total homes, including 64 homes held for sale), of which 3,545 were owned by TAH JV-1. TAH plans to continue growing its portfolio of homes through organic acquisitions and is on track to manage over 20,000 homes by year-end.

TAH's stabilized occupancy rate (which excludes homes that were recently acquired and not yet leased) was 97.3% at June 30, 2019, reflecting strong market demand for high-quality rental homes. The overall leased portfolio occupancy rate was 93.9% at June 30, 2019, down from 94.8% at March 31, 2019, as a result of the acquisition volume in the quarter and higher number of homes still in the initial renovation and leasing process.

During the quarter, TAH realized strong average rent growth of 6.2% on its consolidated portfolio, comprised of 9.6% growth on new leases and 4.7% on renewals, a testament to consumer appetite for well-located and professionally-managed rental homes. In addition, the turnover rate was 28.0% during the second quarter of 2019, a decrease from 30.9% recorded in the same period in 2018.

The tables in this section provide a summary of certain operating metrics for TAH's rental home portfolio that management uses to evaluate the performance of TAH over time and relative to industry peers. These metrics reflect the performance of all homes managed by TAH, comprised of homes owned by TAH JV-1 and homes wholly-owned by TAH. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
TAH wholly-owned homes	15,535	15,563	15,439	15,547	15,995	15,584
TAH JV-1 homes	3,545	2,568	2,003	1,219	–	–
Total homes managed	19,080	18,131	17,442	16,766	15,995	15,584
Less homes held for sale	64	37	28	147	47	89
Rental homes	19,016	18,094	17,414	16,619	15,948	15,495
Homes acquired	977	730	802	810	505	396
Less homes disposed	(28)	(41)	(126)	(39)	(94)	(30)
Net homes acquired during the quarter[1]	949	689	676	771	411	366
Occupancy	93.9%	94.8%	92.4%	93.1%	95.2%	95.3%
Stabilized occupancy	97.3%	97.4%	96.2%	96.3%	97.1%	96.9%
Annualized turnover rate	28.0%	20.8%	23.6%	27.7%	30.9%	24.9%
Average monthly rent	$ 1,383	$ 1,364	$ 1,350	$ 1,336	$ 1,315	$ 1,296
Average quarterly rent growth – renewal	4.7%	4.7%	5.6%	5.4%	4.8%	4.3%
Average quarterly rent growth – new move-in	9.6%	7.6%	7.9%	9.4%	9.4%	6.3%
Average quarterly rent growth – blended	6.2%	5.7%	6.4%	6.7%	6.4%	5.0%

(1) Of the net homes acquired during the quarter, 977 were acquired by TAH JV-1 and 28 TAH wholly-owned homes were disposed.

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

For the periods ended June 30 (in thousands of U.S. dollars)	Three months 2019	% of revenue	2018	% of revenue	Variance	Six months 2019	% of revenue	2018	% of revenue	Variance
Total revenue[1]	$ 72,350	100%	$ 58,896	100%	$ 13,454	$139,771	100%	$ 115,581	100%	$ 24,190
Property taxes	11,694	16%	8,798	15%	(2,896)	22,749	16%	17,894	15%	(4,855)
Repairs, maintenance and turnover	5,186	7%	6,746	11%	1,560	10,025	7%	12,141	11%	2,116
Property management fees	5,165	7%	4,125	7%	(1,040)	9,929	7%	8,152	7%	(1,777)
Property insurance	1,125	2%	972	2%	(153)	2,210	2%	1,939	2%	(271)
Homeowners' association (HOA) costs	866	1%	721	1%	(145)	1,656	1%	1,462	1%	(194)
Other direct expenses	1,199	2%	1,013	2%	(186)	2,437	2%	1,892	2%	(545)
Total operating expenses	25,235		22,375		(2,860)	49,006		43,480		(5,526)
Net operating income (NOI)	**$ 47,115**		**$ 36,521**		**$ 10,594**	**$ 90,765**		**$ 72,101**		**$ 18,664**
Net operating income (NOI) margin	**65.1%**		**62.0%**			**64.9%**		**62.4%**		
Fair value gain	23,511		37,265		(13,754)	53,329		113,361		(60,032)
Other expenses[2]	(7,807)		(14,018)		6,211	(17,264)		(20,783)		3,519
Interest expense[2]	(22,594)		(19,087)		(3,507)	(43,878)		(37,556)		(6,322)
Third-party investor interests	6		–		6	832		–		832
Investment income – TAH (per Tricon income statement)	**$ 40,231**		**$ 40,681**		**$ (450)**	**$ 83,784**		**$ 127,123**		**$ (43,339)**

	Three months 2019	2018	Variance	Six months 2019	2018	Variance
Warehouse credit facility interest	$ 1,670	$ 1,494	$ (176)	$ 3,096	$ 3,867	$ 771
Securitization debt 2016-1 interest	3,361	3,373	12	6,727	6,747	20
Securitization debt 2017-1 interest	4,164	4,168	4	8,333	8,337	4
Securitization debt 2017-2 interest	3,432	3,435	3	6,864	6,859	(5)
Securitization debt 2018-1 interest	3,158	2,553	(605)	6,310	2,553	(3,757)
Silver Bay acquisition warehouse facility interest	–	578	578	–	2,485	2,485
Term loan interest	3,897	3,486	(411)	7,880	6,708	(1,172)
TAH JV-1 warehouse credit facility interest	2,912	–	(2,912)	4,668	–	(4,668)
Interest expense	$ 22,594	$ 19,087	$ (3,507)	$ 43,878	$ 37,556	$ (6,322)
Weighted average interest rate	3.9%	3.7%		3.8%	3.7%	

(1) Includes bad debt expense of $578 (2018 – $460) and $1,123 (2018 – $899), respectively, for the three and six months ended June 30, 2019.

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

Total portfolio

The following discussion provides a summary of certain operating metrics for all homes managed by TAH, including homes owned by TAH JV-1 and homes wholly-owned by TAH.

During the second quarter of 2019, revenue for the portfolio increased by $13.5 million or 23% to $72.4 million compared to $58.9 million in the same period in 2018. The increase is attributable to (i) a growing average leased portfolio (17,856 homes for Q2 2019 versus 15,182 in Q2 2018) resulting from continued acquisition and leasing activities, (ii) higher in-place rents achieved across the entire portfolio (average monthly rent of $1,383 in Q2 2019 versus $1,315 in Q2 2018), and (iii) higher ancillary revenue from late fees, early termination fees and renters insurance recoveries, offset by (iv) lower in-place occupancy of approximately 130 basis points.

The increase in operating expenses this quarter was primarily attributable to operating a larger portfolio in addition to increases in property tax expense driven by higher home values. While most operating expenses increased as a result of managing a growing portfolio, the repairs, maintenance and turnover expense decreased by $1.6 million or 23% to $5.2 million in the second quarter of 2019 compared to $6.7 million in the same period in 2018. TAH realized material savings from (i) the internalization of its repairs and maintenance function as it completed nearly 60% more work orders in-house (year-over-year), which resulted in labour savings of up to 50%, and (ii) reduced turn costs as a result of the lower turnover rate (28.0% in Q2 2019 compared to 30.9% in Q2 2018). As revenue growth outpaced the growth in expenses, TAH's NOI margin increased to 65.1% for the second quarter of 2019 compared to 62.0% for the same period in the prior year.

The significant revenue growth for the quarter, partly offset by a smaller increase in operating expenses, contributed to a $10.6 million or 29% net increase in NOI to $47.1 million in the second quarter of 2019 compared to $36.5 million in the same period in 2018.

TAH's fair value gain in the three months ended June 30, 2019 was $23.5 million compared to $37.3 million in the three months ended June 30, 2018. The HPI increase this quarter was 0.8% (3.2% annualized) compared to a 1.7% HPI increase in the second quarter of 2018 (6.8% annualized). The current quarter fair value gain is in line with management's expected national home price appreciation for 2019, which has moderated over the past several quarters, although it remains in line with long-term historical trends.

Funds from operations and core funds from operations

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

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Investment income – TAH	$ 40,231	$ 40,681	$ (450)	$ 83,784	$ 127,123	$ (43,339)
Fair value gain[1]	(23,511)	(37,265)	13,754	(53,329)	(113,361)	60,032
Depreciation and non-cash items[2]	1,016	511	505	2,301	1,924	377
Deferred tax recovery	(4)	–	(4)	(116)	(2)	(114)
TAH JV-1 partner-level expenses	1,717	–	1,717	3,498	–	3,498
Third-party investor interests	(6)	–	(6)	(832)	–	(832)
Funds from operations (FFO)	**$ 19,443**	**$ 3,927**	**$ 15,516**	**$ 35,306**	**$ 15,684**	**$ 19,622**
Transaction costs and non-recurring items[3]	142	7,422	(7,280)	559	8,371	(7,812)
Core funds from operations (Core FFO)[4]	**$ 19,585**	**$ 11,349**	**$ 8,236**	**$ 35,865**	**$ 24,055**	**$ 11,810**

(1) Fair value gain is presented net of change in projected future disposition fees and illustrates the gain on all rental homes managed by TAH.

(2) The comparative period has been reclassified to conform with the current period presentation. No changes to total FFO or Core FFO were made as a result of this reclassification.

(3) Results for the six months ended June 30, 2019 include loan facility financing costs of $433 and other non-recurring costs of $126. Results for the six months ended June 30, 2018 include loan facility issuance costs of $7,570, Silver Bay integration-related expenses of $778 and other non-recurring costs of $23.

(4) Tricon's share of Core FFO for the three and six months ended June 30, 2019 was $18,188 and $33,630, respectively.

For the second quarter of 2019, Core FFO increased by $8.2 million or 73% to $19.6 million compared to $11.3 million in the same period in the prior year. This significant improvement was primarily attributable to the growth in NOI (as noted above), partly offset by higher interest expense on a larger outstanding debt balance as well as an increase in the portfolio weighted average interest rate (see Section 3.1).

FFO increased by $15.5 million or 395% to $19.4 million in the second quarter of 2019 compared to $3.9 million in the same period in 2018 for the reasons discussed above as well as a decrease in transaction costs and non-recurring items. TAH incurred $7.4 million of financing costs associated with the 2018-1 securitization debt in the second quarter of 2018.

Same home portfolio

"Same home" or "same home portfolio" includes homes that were stabilized 90 days prior to the first day of the prior-year comparative period as per the guidelines of the National Rental Home Council. It excludes homes that have been sold and homes that have been designated for sale. This same home portfolio is defined on January 1 of each reporting year. Based on this definition, any home included in the same home portfolio will have satisfied the conditions described above prior to September 30, 2017, and those homes are held in operations throughout the full periods presented in both 2018 and 2019.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars, except per home data)	2019	2018	Variance	2019	2018	Variance
Operating metrics – same home						
Rental homes	14,466	14,466	–	14,466	14,466	–
Occupancy	97.3%	97.0%	0.3%	97.3%	97.0%	0.3%
Annualized turnover rate	29.3%	31.9%	2.6%	25.9%	28.7%	2.8%
Average monthly rent	$ 1,384	$ 1,321	$ 63	$ 1,384	$ 1,321	$ 63
Average quarterly rent growth – renewal	4.8%	4.8%	–	4.7%	4.5%	0.2%
Average quarterly rent growth – new move-in	9.8%	9.4%	0.4%	8.7%	7.8%	0.9%
Average quarterly rent growth – blended	6.4%	6.4%	–	6.0%	5.6%	0.4%

For the 14,466 homes comprising the same home portfolio, rent growth for the quarter was 6.4% (including 9.8% on new leases), accompanied by a 0.3% increase in occupancy to 97.3% from 97.0% recorded in the same period in 2018. The same home portfolio's annualized turnover decreased by 260 basis points to 29.3% for the three months ended June 30, 2019 compared to 31.9% in the same period in 2018.

For the periods ended June 30	Three months					Six months				
(in thousands of U.S. dollars)	2019	% of revenue	2018	% of revenue	Variance	2019	% of revenue	2018	% of revenue	Variance
Income statement – same home										
Rental revenue	$ 57,465		$ 54,482		$ 2,983	$ 113,800		$ 107,955		$ 5,845
Fees and other revenue	1,887		1,612		275	3,766		3,361		405
Bad debt	(475)		(419)		(56)	(941)		(849)		(92)
Total revenue	58,877	100%	55,675	100%	3,202	116,625	100%	110,467	100%	6,158
Revenue growth					5.8%					5.6%
Property taxes	9,220	16%	8,333	15%	(887)	18,483	16%	17,101	15%	(1,382)
Repairs, maintenance and turnover	4,481	8%	6,418	12%	1,937	8,835	8%	11,568	10%	2,733
Property management fees	4,142	7%	3,899	7%	(243)	8,216	7%	7,793	7%	(423)
Property insurance	971	2%	920	2%	(51)	1,937	2%	1,849	2%	(88)
Homeowners' association (HOA) costs	635	1%	690	1%	55	1,285	1%	1,411	1%	126
Other direct expenses	782	1%	787	1%	5	1,540	1%	1,553	1%	13
Total operating expenses	20,231		21,047		816	40,296		41,275		979
Operating expense variance					3.9%					2.4%
Net operating income (NOI)	**$ 38,646**		**$ 34,628**		**$ 4,018**	**$ 76,329**		**$ 69,192**		**$ 7,137**
Net operating income (NOI) growth					**11.6%**					**10.3%**
Net operating income (NOI) margin	**65.6%**		**62.2%**			**65.4%**		**62.6%**		

Total revenue for the same home portfolio increased by $3.2 million or 6% to $58.9 million in the second quarter of 2019 compared to $55.7 million for the same period in the prior year. The increase in revenue is primarily a result of higher average monthly rent and higher ancillary revenue from various property management fee streams and renters insurance recoveries.

Same home operating expenses decreased by $0.8 million or 4% to $20.2 million in the second quarter of 2019 from $21.0 million in the same period in 2018. This variance is largely attributable to favourable reductions in repairs, maintenance and turnover costs, partly offset by increases in property taxes. The following is a description of these key expenses:

- **Repairs, maintenance and turnover** – TAH achieved a $1.9 million or 30% decrease in repairs, maintenance and turnover costs to $4.5 million attributable to (i) lower resident turnover, (ii) a lower cost per turn resulting from a continued refinement of processes and technology, enabling better visibility, oversight and discipline regarding expense management, and (iii) operating efficiencies achieved from the increased internalization of the repairs and maintenance function. For example, during the second quarter of 2019, TAH increased the volume of work orders performed in-house by 45% compared to the same period in the prior year (6,849 in Q2 2019 versus 4,729 in Q2 2018), realizing labour cost savings of approximately 50% in the process.
- **Property taxes** – Higher property taxes were accrued in the current quarter as home prices have appreciated in TAH's target markets, increasing the expense by $0.9 million or 11% to $9.2 million. These accruals are in line with the same period in the prior year and TAH continues to work with a property tax consultant to monitor tax assessments and appeals throughout the year.

With strong revenue growth and nominally lower expenses, same home NOI increased by 11.6% year-over-year to $38.6 million in the second quarter of 2019 compared to $34.6 million in the second quarter of 2018. Same home NOI margin increased to 65.6% in the second quarter of 2019 from 62.2% in the same period in the prior year.

The table below presents market-level NOI details for the same home portfolio:

(in thousands of U.S. dollars)		NOI			NOI margin		
Geography	Homes	Q2 2019	Q2 2018	Change	Q2 2019	Q2 2018	Change
Atlanta	3,426	$ 8,492	$ 7,273	16.8%	67.4%	61.3%	6.1%
Phoenix	1,762	5,017	4,254	17.9%	74.6%	66.7%	7.9%
Tampa	1,436	3,937	3,693	6.6%	61.4%	60.7%	0.7%
Charlotte	1,337	3,402	3,174	7.2%	70.6%	68.6%	2.0%
Dallas	1,087	2,570	2,355	9.1%	55.9%	53.7%	2.2%
Northern California	996	3,773	3,491	8.1%	72.1%	71.3%	0.8%
Houston	826	1,845	1,776	3.9%	56.0%	57.1%	(1.1%)
Southeast Florida	703	1,922	1,614	19.1%	54.5%	49.6%	4.9%
Las Vegas	584	1,843	1,633	12.9%	77.9%	72.3%	5.6%
Jacksonville	431	1,093	975	12.1%	64.6%	60.4%	4.2%
Orlando	428	1,130	1,011	11.8%	62.2%	58.5%	3.7%
Columbia	396	677	653	3.7%	53.5%	53.6%	(0.1%)
Indianapolis	373	822	783	5.0%	61.1%	60.9%	0.2%
Reno	247	885	878	0.8%	74.4%	78.5%	(4.1%)
Southern California	238	853	698	22.2%	68.4%	60.7%	7.7%
San Antonio	196	385	367	4.9%	52.5%	52.1%	0.4%
Total/Weighted average	**14,466**	**$ 38,646**	**$ 34,628**	**11.6%**	**65.6%**	**62.2%**	**3.4%**

Assets under management and investment balance

TAH's principal investment AUM (KPI measure; refer to Section 8.2) is based on TAH's share of the fair value of the homes in the portfolio under management, which is determined via the HPI or BPO methodologies discussed in Section 9.1, plus its own unfunded equity commitment to TAH JV-1.

	TAH principal investments			
(in thousands of U.S. dollars)	TAH's share of investment vehicle	Fair value of homes A	Unfunded equity commitment B	Principal investment AUM A + B
TAH wholly-owned	100.0%	$ 3,132,194	$ –	$ 3,132,194
TAH JV-1	33.7%	214,466	172,184	386,650
Total		**$ 3,346,660**	**$ 172,184**	**$ 3,518,844**

The table below represents 100% of the assets and liabilities of TAH entities wholly-owned by Tricon as well as TAH JV-1 operating entities. The third-party investors' 66.3% ownership interest in the TAH JV-1 operating entities is then deducted to arrive at Tricon's investment in TAH as shown on Tricon's balance sheet.

(in thousands of U.S. dollars)		Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Purchase price of homes		$ 2,808,561	$ 2,639,801	$ 2,510,590	$ 2,378,431	$ 2,259,951	$ 2,180,878
Cumulative capital expenditures[1]		331,515	303,541	278,629	252,218	234,301	220,058
Total cost basis of rental homes		$ 3,140,076	$ 2,943,342	$ 2,789,219	$ 2,630,649	$ 2,494,252	$ 2,400,936
Cost of homes held for sale		5,743	3,585	2,863	15,816	4,078	11,904
Cumulative fair value adjustment[2]		623,402	598,230	565,885	540,698	496,682	453,998
Portfolio home price appreciation during the quarter		0.8%	0.9%	1.4%	1.5%	1.7%	1.5%
Fair value of managed homes		**$ 3,769,221**	**$ 3,545,157**	**$ 3,357,967**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**
Less projected future disposition fees		31,980	31,307	30,563	30,340	30,713	29,303
Fair value of managed homes, net	A	3,737,241	3,513,850	3,327,404	3,156,823	2,964,299	2,837,535
Add:							
Other net assets (liabilities)[3]	B	(84,029)	(46,020)	(44,837)	(29,784)	76,729	83,689
Less:							
Warehouse credit facility (LIBOR+2.65%)		123,660	123,660	100,546	74,443	99,687	216,251
Securitization debt 2016-1 (3.59% fixed)		359,431	361,168	361,440	361,906	362,234	362,470
Securitization debt 2017-1 (3.50% fixed)		462,004	462,105	462,594	462,594	462,594	462,594
Securitization debt 2017-2 (3.58% fixed)		364,574	364,574	364,574	364,819	365,000	365,000
Securitization debt 2018-1 (3.86% fixed)		313,865	313,865	313,865	313,865	313,865	–
Silver Bay acquisition warehouse facility (LIBOR+3.26% blended)		–	–	–	22,602	25,926	154,570
Term loan (LIBOR+2.00%)		347,309	347,582	347,582	347,582	347,582	347,582
TAH JV-1 warehouse credit facility (LIBOR+2.50%)		265,709	169,533	95,832	–	–	–
Total debt	C	2,236,552	2,142,487	2,046,433	1,947,811	1,976,888	1,908,467
Third-party investor interests[4]	D	154,089	118,206	90,913	71,266	–	–
Investments – TAH (per Tricon balance sheet)	A + B – C – D	**$ 1,262,571**	**$ 1,207,137**	**$ 1,145,221**	**$ 1,107,962**	**$ 1,064,140**	**$ 1,012,757**
Fair value of TAH wholly-owned homes	E	$ 3,132,194	$ 3,093,189	$ 3,013,157	$ 2,983,297	$ 2,995,012	$ 2,866,838
Fair value of TAH JV-1 homes	F	637,027	451,968	344,810	203,866	–	–
Fair value of managed homes	G = E + F	**$ 3,769,221**	**$ 3,545,157**	**$ 3,357,967**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**
Tricon's ownership interest of total fair value	(E +33.7% of F)/G	88.8%	91.5%	93.2%	95.8%	100.0%	100.0%
Cash		81,553	77,502	82,214	79,992	84,142	84,499
Debt-to-cost (net of cash)		68.5%	70.1%	70.3%	70.6%	75.8%	75.6%
Debt-to-value (net of cash)		57.2%	58.2%	58.5%	58.6%	63.2%	63.6%

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

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

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

(4) The portion of the fair value of homes, debt and other net assets (liabilities) not attributable to the Company is adjusted for as third-party investor interests.

The following table summarizes the debt structure as at June 30, 2019:

(in thousands of U.S. dollars) Debt structure	Balance	% of total	Weighted average interest rate	Weighted average years to maturity
Fixed	$ 1,499,874	67.1%	3.5%	3.6
Floating	736,678	32.9%	4.8%	2.8
Total/Weighted average	**$ 2,236,552**	**100.0%**	**3.9%**	**3.4**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars) Year	Warehouse credit facility	TAH JV-1 warehouse credit facility	Securitization debt 2016-1	Securitization debt 2017-1	Term loan	Securitization debt 2017-2	Securitization debt 2018-1	Total	% of total
2019	$ 123,660	$ –	$ –	$ –	$ –	$ –	$ –	$ 123,660	5.6%
2020	–	265,709	–	–	–	–	–	265,709	11.9%
2021	–	–	359,431	–	–	–	–	359,431	16.1%
2022	–	–	–	462,004	347,309	–	–	809,313	36.2%
2023	–	–	–	–	–	–	–	–	–
Thereafter	–	–	–	–	–	364,574	313,865	678,439	30.2%
Total/Weighted average	**$ 123,660**	**$ 265,709**	**$ 359,431**	**$ 462,004**	**$ 347,309**	**$ 364,574**	**$ 313,865**	**$ 2,236,552**	**100.0%**

The table below presents Tricon's share of the key operating metrics of TAH's total portfolio under management.

	Three months			Six months		
For the periods ended June 30, 2019 (in thousands of U.S. dollars)	Tricon's share	Total managed portfolio	Tricon's share (%)	Tricon's share	Total managed portfolio	Tricon's share (%)
Net operating income (NOI)	$ 43,057	$ 47,115	91.4%	$ 84,205	$ 90,765	92.8%
Core funds from operations (Core FFO)	18,188	19,585	92.9%	33,630	35,865	93.8%
Fair value of homes	3,346,660	3,769,221	88.8%	3,346,660	3,769,221	88.8%

As at June 30, 2019, TAH's rental portfolio is diversified across 18 target markets. Market-level details on all the homes managed by TAH are presented below.

(in thousands of U.S. dollars) Geography	Total homes managed[1]	Rental homes	Homes leased	Vacant homes under marketing, turn or renovation	Occupancy	Stabilized occupancy	NOI	NOI margin
Atlanta	4,578	4,571	4,306	265	94.2%	97.3%	$ 10,856	67.8%
Charlotte	2,085	2,063	1,911	152	92.6%	96.7%	4,936	70.6%
Phoenix	2,023	2,021	1,983	38	98.1%	98.4%	5,703	73.0%
Tampa	1,644	1,640	1,593	47	97.1%	98.4%	4,255	60.7%
Dallas	1,509	1,503	1,408	95	93.7%	96.2%	3,336	55.5%
Houston	1,267	1,267	1,150	117	90.8%	97.0%	2,532	55.3%
Northern California	1,009	1,008	988	20	98.0%	98.0%	3,809	72.1%
Columbia	867	855	730	125	85.4%	93.2%	1,454	56.6%
Indianapolis	737	736	632	104	85.9%	97.9%	1,359	61.4%
Southeast Florida	718	715	692	23	96.8%	96.8%	1,929	54.1%
Las Vegas	603	603	597	6	99.0%	99.0%	1,907	78.1%
Jacksonville	564	563	521	42	92.5%	97.3%	1,299	64.4%
Orlando	448	446	435	11	97.5%	97.7%	1,164	62.1%
San Antonio	400	397	344	53	86.6%	95.6%	670	52.6%
Southern California	279	279	276	3	98.9%	98.9%	966	67.5%
Reno	251	251	245	6	97.6%	97.6%	893	74.2%
Nashville	52	52	29	23	55.8%	100.0%	48	72.5%
Raleigh	46	46	11	35	23.9%	100.0%	(1)	N/A
Total/Weighted average	**19,080**	**19,016**	**17,851**	**1,165**	**93.9%**	**97.3%**	**$ 47,115**	**65.1%**

(1) Includes 64 homes held for sale.

Geography	Average purchase price per home	Average capital expenditures per home[1]	Average total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 132,000	$ 14,000	$ 146,000	1,772	$ 1,282	$ 0.72
Charlotte	135,000	20,000	155,000	1,594	1,269	0.80
Phoenix	172,000	8,000	180,000	1,688	1,301	0.77
Tampa	155,000	18,000	173,000	1,554	1,518	0.98
Dallas	142,000	17,000	159,000	1,571	1,454	0.93
Houston	129,000	23,000	152,000	1,610	1,375	0.85
Northern California	196,000	24,000	220,000	1,304	1,785	1.37
Columbia	109,000	20,000	129,000	1,510	1,219	0.81
Indianapolis	125,000	19,000	144,000	1,619	1,236	0.76
Southeast Florida	121,000	42,000	163,000	1,407	1,703	1.21
Las Vegas	165,000	13,000	178,000	1,648	1,353	0.82
Jacksonville	147,000	6,000	153,000	1,520	1,313	0.86
Orlando	171,000	6,000	177,000	1,495	1,417	0.95
San Antonio	123,000	27,000	150,000	1,616	1,340	0.83
Southern California	151,000	33,000	184,000	1,293	1,739	1.34
Reno	150,000	26,000	176,000	1,540	1,606	1.04
Nashville	240,000	5,000	245,000	1,648	1,685	1.02
Raleigh	188,000	6,000	194,000	1,599	1,384	0.87
Total/Weighted average	**$ 144,000**	**$ 17,000**	**$ 161,000**	**1,610**	**$ 1,383**	**$ 0.86**

(1) Average capital expenditures per home only reflects capital expenditures incurred by TAH and not by prior institutional owners, where applicable.

4.2 Tricon Lifestyle Rentals U.S.

TLR U.S. invests in and operates multi-family rental apartments in the United States, with a current focus on garden-style apartments in the Sun Belt. The business targets the middle market demographic by providing affordable, high-quality housing that is attractive to the broader workforce. The TLR U.S. active portfolio includes 23 properties totalling 7,289 suites in eleven major markets, with an average vintage of 2012 and average rent of $1,240 per month in the second quarter of 2019.

Tricon's longer-term U.S. multi-family strategy is to build on the current portfolio of assets and add additional core, core-plus and value-add properties as attractive acquisition opportunities present themselves. The U.S. multi-family rental sector is a four trillion dollar asset class (source: National Multifamily Housing Council) that produces relatively stable, predictable income which is compelling for both public and private institutional investors – it is by far the largest "investable" institutional and residential asset class in the United States and highly complementary to Tricon's other U.S. verticals. Similar to the Company's approach to single-family home rental, management plans to establish a strong operating platform in U.S. multi-family rental by internalizing many aspects of the business including asset and property management, and to raise third-party capital around the platform to drive scale, generate recurring fee income and enhance shareholders' return on equity.

The current TLR U.S. portfolio consists of Class A garden-style apartment complexes featuring resort-style amenities, including swimming pools and well-appointed fitness and common areas. The properties are located in desirable suburban neighbourhoods in cities that are typically experiencing strong employment and population growth. Even though the portfolio is relatively new, there are some value-add opportunities to drive rent growth going forward. Specifically, management believes that with a light value-add program of roughly $4,000 per suite on qualifying suites, select finishes can be upgraded (for example, new vinyl plank flooring, granite or quartz countertops, undermount sinks and/or stainless steel appliances), and monthly rents can be increased by $50 to $150 per suite, further driving performance and investment returns (forward-looking statements; refer to page 1).

Acquisition of the Multi-Family Core Portfolio

On June 11, 2019, the Company completed the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Multi-Family Core Portfolio") in an all-share transaction by issuing 50,779,311 Tricon common shares (the "Transaction"). The Multi-Family Core Portfolio owned 23 multi-family properties, which now comprise the active TLR U.S. portfolio described in this section. The acquisition included the assumption of approximately $920 million of existing debt, including $800 million of mortgage debt, with a weighted average interest rate of 3.9% and an average maturity of 5.4 years, and a $120 million credit facility which bears interest at LIBOR plus 375 basis points per annum.

As part of the Transaction, Tricon entered into a three-year transitional service agreement with Starlight Investments US AM Group LP ("Starlight"), which will continue to provide certain support services to the acquired portfolio. This agreement will ensure a smooth transition and allow Tricon to leverage Starlight's existing industry knowledge and asset-level expertise. Following the successful transition, the Company expects to take over asset management from Starlight in the next 12 to 18 months, leveraging its 30 years of asset management experience across various residential asset classes in the United States.

Portfolio results for current and historical periods

This section provides a summary of certain operating metrics for the U.S. multi-family rental portfolio that management uses to evaluate performance over time. Many of the metrics and financial information referenced in the tables below are KPI measures that were reported historically by the Multi-Family Core Portfolio (refer to Starlight U.S. Multi-Family (No. 5) Core Fund profile on SEDAR at www.sedar.com). However, some of the metrics presented are Tricon KPIs (as defined in Section 8.1) not previously reported by the Multi-Family Core Portfolio, and any differences are described in the notes to the tables below. In addition, the KPI measures presented in the two tables below represent full-quarter results to maintain comparability with prior periods, although Tricon did not own the portfolio prior to June 11, 2019. Management believes this information is useful in understanding the performance of the acquired portfolio. Additional operational information by market has been summarized and presented in market-level details at the end of this section.

	Q2 2019[1]	Q2 2018
Number of suites	7,289	7,289
Occupancy[2]	94.3%	92.6%
Annualized turnover rate[3]	53.5%	N/A
Average monthly rent	$ 1,240	$ 1,224
Average rent growth – renewals[3]	3.8%	N/A
Average rent growth – new move-in[3]	(0.7%)	N/A
Average rent growth – blended[3]	1.4%	N/A

(1) The KPI measures presented in Q2 2019 represent the full-quarter results to maintain comparability with prior periods.

(2) The occupancy rate for Q2 2019 represents physical occupancy (refer to Section 8.1 for Tricon's definition of this KPI) while the occupancy rate for Q2 2018 represents economic occupancy as previously reported by the Multi-Family Core Portfolio. Economic occupancy for Q2 2019 was 94.4% and was calculated by taking effective net rent after considering vacancy and concessions, divided by gross potential rent.

(3) These metrics are Tricon's KPIs and they were not previously disclosed by the Multi-Family Core Portfolio.

During the second quarter of 2019, there was a continued focus on driving a high level of occupancy and the Multi-Family Core Portfolio achieved an occupancy increase of 170 basis points to 94.3% compared to 92.6% for the same period in the prior year. While rent growth on renewals was healthy at 3.8%, new leases rent growth remained relatively flat in order to drive occupancy toward a target level of ~95%.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Total revenue[1]	$ 28,588	$ 27,551	$ 1,037	$ 56,803	$ 54,084	$ 2,719
Property operating costs[1]	7,015	7,299	284	13,852	14,222	370
Property taxes	4,991	4,548	(443)	9,652	9,022	(630)
Net operating income (NOI)	**$ 16,582**	**$ 15,704**	**$ 878**	**$ 33,299**	**$ 30,840**	**$ 2,459**
Net operating income (NOI) growth			**5.6%**			**8.0%**
Net operating income (NOI) margin	**58.0%**	**57.0%**		**58.6%**	**57.0%**	

Note: Given that the suite count did not change from 2018 to 2019, this should also be considered the "Same Property" portfolio. In addition, the metrics presented represent full-quarter results to maintain comparability with prior periods, although Tricon did not own the portfolio prior to June 11, 2019.

(1) For the three and six months ended June 30, 2019, bad debt expense of $245 and $488, respectively, was reclassified from property operating costs to total revenue to conform with Tricon's current period presentation; the Multi-Family Core Portfolio historically presented these balances in operating expenses. The classification change did not impact NOI but had a favourable impact on NOI margin of 50 basis points for both the three and six months ended June 30, 2019 compared to the 2018 comparative period presentation.

In the second quarter of 2019, the portfolio's total revenue increased by $1.0 million or 3.8% to $28.6 million compared to $27.6 million reported by the Multi-Family Core Portfolio in the same period in 2018. The increase is attributable to (i) higher in-place rents achieved across the portfolio (average monthly rent of $1,240 in Q2 2019 versus $1,224 in Q2 2018), (ii) increased occupancy in line with improved operations and strong market demand (94.3% occupancy achieved in Q2 2019 compared to 92.6% in Q2 2018), and (iii) higher ancillary revenue driven by new bundled service offerings rolled out over the past twelve months. These offerings include cable and valet trash services, which are provided to residents at discounted pricing as a result of bundled purchasing. Revenue growth was partially offset by an increase in property taxes (discussed below), contributing to a $0.9 million or 5.6% increase in NOI to $16.6 million in the second quarter of 2019 compared to $15.7 million reported by the Multi-Family Core Portfolio in the same period in 2018.

Property taxes increased by $0.4 million or 9.7% to $5.0 million compared to $4.5 million in the same period in 2018. Of the variance, approximately half relates to normal course property tax increases driven by higher property values, with the remainder attributable to the settlement of legacy property tax appeals made in the last two years. Operating expenses for the portfolio decreased by $0.3 million or 3.9% to $7.0 million in the second quarter of 2019 compared to $7.3 million in the same period in 2018 as a result of lower turnover, savings in the successful renegotiation of service contracts at favourable rates (trash removal and revenue management software) and disciplined management of on-site staff overtime billing.

Portfolio results under Tricon ownership

The operating metrics in the tables above are key drivers of the portfolio's revenue and ultimately its net operating income (KPI measure; refer to Section 8.1). Net operating income and fair value gains from asset appreciation are the main contributors to investment income – TLR U.S. (per Tricon's income statement).

The table below presents a breakdown of net operating income and a reconciliation to investment income on Tricon's income statement. The financial information presented in this table and throughout this section is an aggregation of all entities and balances within the TLR U.S. vertical on a standalone basis.

For the period from June 11, 2019 to June 30, 2019

(in thousands of U.S. dollars)	2019	% of revenue
Rental revenue[1]	$ 5,607	
Other revenue	817	
Total revenue	6,424	100%
Property taxes	1,042	16%
Repairs, maintenance and turnover	211	3%
Property management	667	10%
Utilities and other direct costs[2]	399	6%
Property insurance	95	2%
Marketing and leasing	85	1%
General and administration expenses	107	2%
Total operating expenses	2,606	
Net operating income (NOI)	**$ 3,818**	
Net operating income (NOI) margin	**59.4%**	
Fair value gain[3]	–	
Other expenses[4]	(420)	
Interest expense	(2,122)	
Investment income – TLR U.S. (per Section 3.1, Investment income – Tricon Lifestyle Rentals)	**$ 1,276**	

Interest on mortgage payable	$ 1,717
Interest and standby charges on credit facility	405
Interest expense	$ 2,122
Weighted average interest rate	4.2%

(1) Includes bad debt expense of $46.

(2) Utilities and other direct costs include $202 in water and sewer expense, $78 in trash expense, $68 in electricity and gas and $51 in cable contract costs.

(3) The portfolio was held at cost given the close proximity of the transaction date and the period-end date.

(4) Other expenses include deferred tax expense of $297, corporate-level insurance of $67 and asset management fees of $56.

Total and same property portfolio

During the period from June 11, 2019 to June 30, 2019, the total revenue generated by the U.S. multi-family rental portfolio was $6.4 million representing 20 days of activity following the acquisition of the Multi-Family Core Portfolio. Rental revenue of $5.6 million is largely attributable to the average monthly rent of $1,240 and occupancy of 94.3% across the portfolio of 7,289 suites. Other revenue of $0.8 million includes ancillary income from utilities, parking and other fees. In summary, the total portfolio and same home NOI for the 20 days was $3.8 million and the NOI margin was 59.4%. The NOI margin for the post-acquisition period was higher than the NOI margin for the quarter as a whole because the settlement of the legacy property tax appeals discussed above occurred in the pre-acquisition period.

Funds from operations

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

For the period from June 11, 2019 to June 30, 2019 (in thousands of U.S. dollars)	2019
Investment income – TLR U.S.	$ 1,276
Fair value gain	–
Non-cash items	–
Deferred tax adjustment	297
Funds from operations (FFO)	**$ 1,573**
Other non-recurring items	–
Core funds from operations (Core FFO)	**$ 1,573**

During the period from June 11, 2019 to June 30, 2019, Core FFO was $1.6 million and represents 20 days of activity following the acquisition of the Multi-Family Core Portfolio. Adjustments to investment income include deferred taxes and there were no fair value changes or other non-recurring items during the period.

Assets under management and investment balance

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)		Q2 2019
Purchase price of properties		$ 1,338,683
Cumulative capital expenditures		478
Total cost basis of rental properties		$ 1,339,161
Cumulative fair value adjustment[1]		–
Fair value of properties (AUM)	A	**$ 1,339,161**
Add:		
Other net assets[2]	B	507
Less:		
Credit facility (LIBOR+3.75%)		118,390
Portfolio mortgage – Tranche A (LIBOR+1.15%)		160,090
Portfolio mortgage – Tranche B (3.92% fixed)		400,225
Portfolio mortgage – Tranche C (3.95% fixed)		240,135
Total debt	C	918,840
Investments – TLR U.S. (per Section 3.2, Investments – Tricon Lifestyle Rentals)	A + B – C	**$ 420,828**
Cash		16,456
Debt-to-cost (net of cash)		67.4%
Debt-to-value (net of cash)		67.4%

(1) The portfolio was held at cost given the close proximity of the transaction date and the period-end date.

(2) Other net assets include working capital.

The following table summarizes the debt structure as at June 30, 2019:

(in thousands of U.S. dollars) Debt structure	Balance	% of total	Weighted average interest rate	Weighted average years to maturity
Fixed	$ 640,360	69.7%	3.9%	5.7
Floating	278,480	30.3%	4.7%	3.1
Total/Weighted average	**$ 918,840**	**100.0%**	**4.2%**	**4.9**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars) Year	Mortgage	Credit facility	Total	% of total	Weighted average interest rate of maturing debt
2019	$ –	$ 2,500	$ 2,500	0.3%	–
2020	–	115,890	115,890	12.6%	6.2%
2021	292	–	292	–	–
2022	3,463	–	3,463	0.4%	–
2023	157,269	–	157,269	17.1%	3.6%
Thereafter	639,426	–	639,426	69.6%	3.9%
Total/Weighted average	**$ 800,450**	**$ 118,390**	**$ 918,840**	**100.0%**	**4.2%**

The U.S. multi-family rental portfolio is diversified across 13 target markets. Market-level details on all the properties managed by the Company are presented below.

Geography	Properties	Suites	Occupancy	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Austin	4	1,454	95.1%	941	$ 1,156	$ 1.23
Orlando	4	1,215	94.1%	1,059	1,411	1.33
Houston	3	1,098	94.1%	942	1,153	1.22
Dallas	2	640	90.1%	922	1,207	1.31
Atlanta	2	607	94.8%	860	1,347	1.57
Charlotte	1	320	96.7%	973	1,175	1.21
Las Vegas	1	320	92.7%	1,042	1,196	1.15
Tampa	1	304	94.1%	998	1,314	1.32
Nashville	1	288	97.0%	1,085	1,206	1.11
San Antonio	1	276	95.7%	874	1,116	1.28
Phoenix	1	274	94.0%	966	1,193	1.23
Raleigh	1	265	95.0%	996	1,208	1.21
Denver	1	228	94.1%	930	1,445	1.55
Total/Weighted average	**23**	**7,289**	**94.3%**	**966**	**$ 1,240**	**$ 1.28**

Portfolio results by market for current and historical periods

The table below presents operating results and metrics by market for the full three months of each quarter shown (as previously reported by the Multi-Family Core Portfolio, where applicable).

(in thousands of U.S. dollars, except average monthly rents which are in U.S. dollars)		NOI			NOI margin[1]			Average monthly rent		
Geography	Suites	Q2 2019	Q2 2018	Change	Q2 2019	Q2 2018	Change	Q2 2019	Q2 2018	Change
Austin	1,454	$ 2,956	$ 2,704	9.3%	54.4%	51.2%	3.2%	$ 1,156	$ 1,150	0.5%
Orlando	1,215	3,385	3,350	1.0%	62.1%	63.1%	(1.0%)	1,411	1,415	(0.3%)
Houston	1,098	2,087	1,910	9.3%	52.9%	50.2%	2.7%	1,153	1,142	1.0%
Dallas	640	894	1,101	(18.8%)	40.4%	49.2%	(8.8%)	1,207	1,190	1.4%
Atlanta	607	1,493	1,428	4.6%	59.1%	58.5%	0.6%	1,347	1,332	1.1%
Charlotte	320	837	746	12.2%	67.1%	63.6%	3.5%	1,175	1,167	0.7%
Las Vegas	320	797	736	8.3%	67.7%	65.1%	2.6%	1,196	1,140	4.9%
Tampa	304	755	791	(4.6%)	60.2%	63.0%	(2.8%)	1,314	1,305	0.7%
Nashville	288	744	580	28.3%	66.2%	56.3%	9.9%	1,206	1,170	3.1%
San Antonio	276	537	461	16.5%	53.8%	49.0%	4.8%	1,116	1,106	0.9%
Phoenix	274	705	648	8.8%	66.4%	65.7%	0.7%	1,193	1,119	6.6%
Raleigh	265	656	549	19.5%	61.8%	58.4%	3.4%	1,208	1,190	1.5%
Denver	228	736	700	5.1%	67.4%	68.2%	(0.8%)	1,445	1,402	3.1%
Total/Weighted average	**7,289**	**$ 16,582**	**$ 15,704**	**5.6%**	**58.0%**	**57.0%**	**1.0%**	**$ 1,240**	**$ 1,224**	**1.3%**

(1) In Q2 2019, bad debt expense of $245 was reclassified from property operating costs to total revenue in line with Tricon's current period presentation. The classification change does not impact NOI but had a positive impact on the NOI margin of 50 basis points on average in Q2 2019 when compared to Q2 2018.

4.3 Tricon Lifestyle Rentals Canada

TLR Canada continues to execute on its strategy of establishing itself as the leading developer, owner and operator of Class A rental apartments in Toronto. During the quarter, development of TLR Canada's portfolio of approximately 3,000 rental units progressed according to business plans, and leasing is well underway at its first project, The Selby, which has now achieved 40% occupancy.

In June 2019, the Ontario government announced broad legislative and policy changes through the More Homes, More Choice Act which, among other things, seeks to encourage more rental development through the deferral of development charge payments for dedicated rental projects. This change, together with others included in the More Homes, More Choice Act, is expected to positively impact TLR Canada's active development projects and better positions the platform for future acquisitions.

Details pertaining to TLR Canada's projects are presented below:

(in thousands of U.S. dollars)	Location	TLR's share of Investment Vehicle	Projected rental units[1]	Estimated commercial area (sq. feet)[1]	Projected condominium units[1]	Projected total cost[1]	Cost to date	Projected remaining costs[1]
Projects in lease-up								
The Selby (592 Sherbourne)	Toronto, ON	15.0%	500	5,000	–	$ 153,000	$ 152,000	$ 1,000
Subtotal – Projects in lease-up			**500**	**5,000**	**–**	**153,000**	**152,000**	**1,000**
Projects under development/construction								
The Taylor (57 Spadina)	Toronto, ON	30.0%	286	44,000	–	124,000	51,000	73,000
The James (Scrivener Square)	Toronto, ON	50.0%	85	31,000	30	217,000	40,000	177,000
Shops of Summerhill	Toronto, ON	25.0%	–	31,000	–	N/A	N/A	N/A
West Don Lands (Blocks 8/20, 3/4/7)	Toronto, ON	33.3%	1,500	74,000	–	508,000	6,000	502,000
8 Gloucester	Toronto, ON	47.0%	232	3,000	–	102,000	26,000	76,000
7 Labatt	Toronto, ON	30.0%	300	65,000	295	265,000	56,000	209,000
Subtotal – Projects under development/construction			**2,403**	**248,000**	**325**	**1,216,000**	**179,000**	**1,037,000**
Total		**~30.0%**	**2,903**	**253,000**	**325**	**$ 1,369,000**	**$ 331,000**	**$ 1,038,000**

(1) Projected units, rentable area, costs and timelines are estimated based on current project plans which are subject to change. Refer to page 1, Non-IFRS measures and forward-looking statements.

	Estimated/Actual dates for[1]			As of June 30, 2019	
	Construction start	Initial occupancy	Construction completion[2]	% leased	% occupied
Projects in lease-up					
The Selby (592 Sherbourne)	Q1 2015	Q4 2018	Q2 2019	51.0%	40.0%
Projects under development/construction					
The Taylor (57 Spadina)	Q2 2018	Q3 2021	Q3 2021	–	–
The James (Scrivener Square)	Q4 2019	Q2 2022	Q2 2022	–	–
Shops of Summerhill	N/A	N/A	N/A	–	–
West Don Lands (Blocks 8/20, 3/4/7)	Q4 2019	Q3 2021	Q2 2022	–	–
8 Gloucester	Q3 2019	Q1 2022	Q1 2022	–	–
7 Labatt	Q2 2020	Q4 2023	Q3 2023	–	–

(1) Projected units, rentable area, costs and timelines are estimated based on current project plans which are subject to change. Refer to page 1, Non-IFRS measures and forward-looking statements.

(2) Stabilized operations are expected to occur one year following the completion of construction.

Operational highlights

Strong demand for new Class A rental units continues to drive leasing momentum at The Selby. During the quarter, The Selby achieved 50% lease-up and 40% occupancy, and reported 145 new leases signed; rental rates are tracking according to expectations and are well ahead of underwritten targets. As of quarter-end, all units in the building have been handed over to the operations team for leasing, and all amenities were subsequently opened and available to residents. TLR Canada is in the advanced stages of securing a permanent loan to replace the existing construction loan.

Below-grade construction continues to progress at The Taylor with forming well underway and progressing on schedule. Forming of the project's underground is expected to be completed in the coming months. Construction continues to progress largely on time, although the project is experiencing modest cost pressures (specifically related to mechanical, electrical and drywall contracts) in line with the overall market. Regardless, such cost pressures are currently being more than offset by rental appreciation in the Entertainment District submarket, resulting in strong projected returns for the project.

At The James, located in the upmarket Rosedale/Summerhill neighbourhood, zoning and design continue to advance. Final zoning approvals are expected in the coming months and demolition of existing buildings on-site is anticipated to commence in early 2020.

TLR Canada and its joint venture partners continue to advance the design and entitlements on Block 8/20, part of the first phase of the Ontario government's Affordable Housing Lands Program in the West Don Lands in Toronto. During the quarter, together with Canada Mortgage and Housing Corporation, the project announced that it has secured a C$357 million loan commitment as part of the rental construction financing initiative to finance the construction of the three residential buildings totalling 752 rental units comprising Block 8. Construction is anticipated to commence in the fourth quarter of 2019. On the next phase, Blocks 3/4/7, the joint venture partners are advancing preliminary design development.

During the quarter, TLR Canada retained SKYGRiD Construction as the construction manager for 8 Gloucester, a 232-unit project centrally located near Yonge and Bloor streets. The project is on track to commence demolition in the third quarter of 2019, with below-grade construction set to commence immediately thereafter.

Together with TAS Design Build, TLR Canada is advancing the architectural design at 7 Labatt in preparation for site plan approval. TLR Canada is targeting a sales launch in the first quarter of 2020 for the project's estimated 295 condominium units. Condominium sales launches in the immediate area have been well received by purchasers at pricing that is in line with expectations. The condominium units will be complemented by 300 rental units.

Assets under management and investment balance

A summary of TLR Canada's principal investments is presented below with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2).

	TLR principal investments				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
TLR Canada	$ 56,084	$ 81,963	$ 43,595	$ 51,714	$ 177,272

(1) Investments – TLR per Tricon's balance sheet of $517,143 includes investment in TLR Canada of $80,580 (see Section 3.2). In the table above, TLR Canada investment at fair value of $81,963 is shown before other net liabilities of $1,383.

4.4 Tricon Housing Partners

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

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining[2]
Commingled funds[3]	31.6%	$ 87,185	$ 121,574	$ 17,241	$ 138,815	$ 303,727	$ 290,059	$ 144,676
Direct investments[4]	100.0%	109,962	135,289	7,138	142,427	109,962	–	314,551
Separate accounts and side-cars[5]	11.0%	72,516	72,766	9,341	82,107	94,316	42,783	136,569
Total		**$ 269,663**	**$ 329,629**	**$ 33,720**	**$ 363,349**	**$ 508,005**	**$ 332,842**	**$ 595,796**

Adjusted EBITDA[2] – 2019 (3 months)	$ 2,118
As a % of invested capital at June 30, 2019	3%

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

(2) Adjusted EBITDA is a non-IFRS measure. Projected distributions are forward-looking information. Refer to page 1, Non-IFRS measures and forward-looking statements.

(3) Commingled funds include THP1 US, THP2 US and THP3 Canada.

(4) Direct investments include Trinity Falls and Bryson.

(5) Separate accounts and side-cars include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

For the three months ended June 30, 2019, THP Adjusted EBITDA of $2.1 million represented a 3% net return on outstanding invested capital at cost, which remains below management's target. As discussed in prior quarters, THP continued to experience higher construction costs and extended development timelines, driven by labour constraints, lengthened municipal permitting and approvals, as well as increased competition for active-adult housing. These challenges have generally pushed out development timelines and cash flows, resulting in lower fair value gains and in some cases fair value losses when discount rates are applied to determine the present value. Despite this, net cash flows across the aggregate portfolio remain largely unchanged.

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

Commingled funds

During the quarter, THP1 US distributed $2.8 million to investors, including $1.9 million to Tricon. THP1 US investment income increased year-over-year as the fund progressed in line with the revised business plan adopted at the close of the fourth quarter of 2018.

Direct investments

At the Trinity Falls master-planned community in Dallas-Fort Worth, Texas, lot and home sales continued to increase, with a total of 71 lots (Q2 2018 – 16 lots) sold to homebuilders and 73 homes (Q2 2018 – 55 homes) sold by homebuilders to end consumers.

At the Bryson master-planned community in Austin, Texas, lot and home sales continued during the quarter with a total of 13 lots sold to homebuilders and 40 homes sold by homebuilders to end consumers, in line with expectations.

THP is pursuing the syndication of majority interests in its direct investments to third-party investors as the Company continues to reduce its balance sheet exposure to this vertical.

Separate accounts and side-cars

The Cross Creek Ranch master-planned community in Houston, Texas distributed $13.7 million to its investors, including $1.4 million to Tricon. A total of 141 lots (Q2 2018 – 101 lots) were sold to homebuilders and 125 homes (Q2 2018 – 131 homes) were sold by homebuilders to end consumers in the second quarter of 2019. Cross Creek Ranch was again ranked among the "50 Top-Selling Master-Planned Communities" according to RCLCO in 2018, and remains in the top 50 for year-to-date sales.

The remaining separate accounts and side-car investments progressed in line with previously approved budgets.

4.5 Private Funds and Advisory

Tricon manages $1.8 billion of third-party capital across Tricon's TAH, TLR and THP investments through private commingled funds, separate accounts, syndicated investments and joint ventures. Tricon manages capital on behalf of Canadian, American and international institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. The Company's strategy is to continue raising and managing third-party capital in each of its investment verticals to scale its business faster, generate additional fee income and drive shareholder value. Tricon manages third-party capital for seven of the top 50 investors listed on the PERE 2018 Top 50 Global Investor report published in November 2018.

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

(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM as at June 30, 2019 A + B + C	Third-party AUM as at June 30, 2018	Change ($)	Change (%)
TAH[2]	$ 161,835	$ 273,631	$ 238,288	$ 673,754	$ 497,500	$ 176,254	35%
TLR Canada[3]	119,838	143,256	100,968	364,062	268,364	95,698	36%
THP[4]	684,655	–	120,031	804,686	1,011,499	(206,813)	(20%)
Total – Third-party AUM	**$ 966,328**	**$ 416,887**	**$ 459,287**	**$ 1,842,502**	**$ 1,777,363**	**$ 65,139**	**4%**

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

(2) TAH includes TAH JV-1. Third-party investors' share of the outstanding debt includes their share of the TAH JV-1 warehouse credit facility and the TAH JV-1 subscription loan, the latter of which is a substitute for invested capital and can be replaced by equity funding at management's discretion.

(3) TLR Canada includes The Selby, The Taylor, The James, Shops of Summerhill, West Don Lands, 8 Gloucester and 7 Labatt. Other than in respect of The Selby, The Taylor and 7 Labatt, TLR Canada has partnered with strategic partners that do not pay fees to the Company for any management of their invested capital.

(4) THP includes THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Heritage Valley, 5 St. Joseph, Mahogany, Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

Third-party AUM increased by $65.1 million or 4% to $1.8 billion as at June 30, 2019, from $1.8 billion as at June 30, 2018. This increase was driven by funded debt at TAH JV-1 to finance the acquisition of its portfolio of 3,545 homes, the formation of a new TLR Canada separate account for the acquisition of 7 Labatt, along with additional construction financing for TLR Canada development projects. These increases were partially offset by a reduction in THP third-party AUM as a result of significant distributions as projects matured.

During the second quarter of 2019, the Private Funds and Advisory business continued to generate contractual fees in its various investment verticals. Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, development fees earned from Johnson, and performance fees.

For the periods ended June 30	Three months			Six months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Tricon American Homes						
Management fees	$ 992	$ 44	$ 948	$ 1,973	$ 44	$ 1,929
Subtotal – TAH	**992**	**44**	**948**	**1,973**	**44**	**1,929**
Tricon Lifestyle Rentals						
Management fees	171	212	(41)	388	423	(35)
Development fees – TLR Canada projects	541	533	8	1,086	1,067	19
Subtotal – TLR	**712**	**745**	**(33)**	**1,474**	**1,490**	**(16)**
Tricon Housing Partners						
Management fees and general partner distributions	2,729	3,114	(385)	5,560	6,170	(610)
Development fees – Johnson	3,236	2,733	503	5,948	4,491	1,457
Performance fees	1,698	838	860	1,901	846	1,055
Subtotal – THP	**7,663**	**6,685**	**978**	**13,409**	**11,507**	**1,902**
Total revenue	**$ 9,367**	**$ 7,474**	**$ 1,893**	**$ 16,856**	**$ 13,041**	**$ 3,815**

Private Funds and Advisory revenue for the three months ended June 30, 2019 increased by $1.9 million compared to the same period in the prior year. The variance is primarily attributable to:

- An increase in management fees earned from TAH JV-1 of $0.9 million, which was launched during the second quarter of 2018.
- An increase in performance fees of $0.9 million from THP commingled funds and separate accounts.

Private Funds and Advisory revenue for the six months ended June 30, 2019 increased by $3.8 million compared to the same period in the prior year. The variance is primarily attributable to:

- An increase in management fees earned from TAH JV-1 of $1.9 million.
- An increase of $1.5 million in development fees which was mainly driven by increased land sales at Johnson communities.
- An increase in performance fees of $1.1 million from THP commingled funds and separate accounts.
- An offsetting decrease of $0.6 million in THP management fees as a result of distributions made during the period thereby reducing outstanding invested capital.

The table below provides a summary of projected returns for each Investment Vehicle along with projected performance fees that Tricon could earn over time based on current business plans (forward-looking information; see page 1). Projected returns and estimated performance fees are based on Tricon's analysis of projected cash flows over their expected life for existing investments in its Investment Vehicles. Projected cash flows are determined based on detailed quarterly and/or annual budgets prepared by management or third-party developers or in certain cases based on third-party appraisals performed in the fourth quarter. Net returns presented reflect all fees paid by investors; the net return to any given investor will vary depending on the individual investor's management fee and carried interest rate.

	Projected returns				Estimated performance fees to Tricon remaining
(in thousands of U.S. dollars)	Gross ROI	Gross IRR	Net ROI	Net IRR	
TAH[1]	2.1x	14%	2.0x	12%	$ 32,000
TLR Canada[2]	2.7x	13%	2.6x	13%	12,115
THP[3]	1.8x	12%	1.7x	10%	46,019
Total					**$ 90,134**

(1) TAH includes TAH JV-1.

(2) TLR Canada includes The Selby, The Taylor, The James, Shops of Summerhill, West Don Lands, 8 Gloucester and 7 Labatt. Performance fees may be earned only on The Selby, The Taylor and 7 Labatt.

(3) THP includes THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Heritage Valley, 5 St. Joseph, Mahogany, Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.

The Johnson Companies LP ("Johnson")

The following table provides a summary of Johnson's development advisory fees, as well as unit sales of lots and land parcels to homebuilders and commercial developers which generate fee revenue for Johnson. In addition, the table provides total third-party home sales at Johnson's active communities as an indicator of end-consumer demand, which should ultimately drive homebuilder demand for future lot inventory within Johnson communities. Johnson currently has 18 master-planned communities under development. Those communities reflect a combined 45,300 acres under development on which 78,900 residential units (64,600 single-family residential units and 14,300 multi-family residential units) and 16.7 million square feet of commercial space are planned. Note that the table below includes sales data for THP-owned projects, as well as those in which Tricon holds no ownership interest but does receive lot development and/or commercial brokerage fees resulting from its majority ownership interest in Johnson.

For the periods ended June 30 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months			Six months		
	2019	2018	Variance	2019	2018	Variance
Development fees – Johnson	$ 3,236	$ 2,733	$ 503	$ 5,948	$ 4,491	$ 1,457
Lot closings	753	574	179	1,114	1,029	85
Land sales (acres)	29	24	5	164	40	124
Third-party home sales	1,039	1,140	(101)	2,058	2,171	(113)

Development fees were $3.2 million for the three months ended June 30, 2019, an increase of $0.5 million from the same period in the prior year. The increase is primarily attributable to a significant increase in lot closings during the period as a result of record third-party home sales in 2018 which have driven the demand for lots in 2019 as homebuilders replenish inventories. Additionally, adverse weather conditions in the first quarter of 2019 delayed certain lot closings into the second quarter. The increased demand for lots is expected to enable Johnson to generate strong development fees across its portfolio.

Development fees for the six months ended June 30, 2019 were $5.9 million, an increase of $1.5 million from the same period in the prior year. The increase was mainly driven by additional lot closings as noted above as well as the bulk sale of a significant residential parcel to a national homebuilder at Cross Creek Ranch in the first quarter of 2019.

Johnson's reputation for developing high-quality master-planned communities is further evidenced by Johnson being the only master-planned community developer in the United States to have six MPCs ranked in the top 50 in the last two years according to RCLCO Real Estate Advisors and John Burns Real Estate Consulting; Johnson reported five MPCs in the top 50 based on year-to-date sales.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 Financing strategy

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

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

5.2 Liquidity

Tricon generates substantial liquidity through:

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

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

Working capital

As at June 30, 2019, Tricon had a net working capital deficit of $9.3 million, reflecting current assets of $19.6 million, offset by payables and accrued liabilities of $29.0 million. This working capital deficit was resolved subsequent to quarter-end by virtue of a distribution of $9.8 million received from THP.

5.3 Capital resources

Debt structure

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

The Company provides non-recourse guarantees for certain TAH indebtedness and provides limited financial guarantees for TLR Canada land loans and TLR construction loans.

As at June 30, 2019, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

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

On June 11, 2019, the Company issued 50,779,311 Tricon common shares in consideration for the acquisition of the Multi-Family Core Portfolio. The Tricon common shares issued to non-insider former unitholders of the Multi-Family Core Portfolio are subject to transfer restrictions ending, in equal tranches, on the six-, nine- and twelve-month anniversaries of closing.

As of June 30, 2019, there were 194,389,386 common shares issued by the Company, of which 194,150,407 were outstanding and 238,979 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan.

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 (the "NCIB") to repurchase up to two million of its common shares during the twelve-month period commencing July 15, 2019. To date, the Company has repurchased 389,802 of its common shares for C$3.9 million under the NCIB. Common shares that are purchased under the NCIB are cancelled by the Company.

6. NON-IFRS MEASURES

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

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

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

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

For the periods ended June 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months			Six months		
		2019	2018	Variance	2019	2018	Variance
TAH Adjusted EBITDA	A	$ 62,562	$ 67,650	$ (5,088)	$ 128,328	$ 174,635	$ (46,307)
TLR Adjusted EBITDA	B	3,883	3,263	620	10,408	5,329	5,079
THP Adjusted EBITDA	C	2,118	3,561	(1,443)	4,129	6,733	(2,604)
TLC Adjusted EBITDA	D	–	23,212	(23,212)	–	31,394	(31,394)
Fee income net of adjusted non-controlling interest	E	8,533	6,807	1,726	15,458	12,113	3,345
Adjusted EBITDA before corporate overhead		77,096	104,493	(27,397)	158,323	230,204	(71,881)
Adjusted compensation expense	F	(7,918)	(8,895)	977	(16,484)	(16,973)	489
General and administration expense		(3,217)	(2,671)	(546)	(6,008)	(4,995)	(1,013)
Adjusted EBITDA		**65,961**	**92,927**	**(26,966)**	**135,831**	**208,236**	**(72,405)**
Stock option expense		(200)	(300)	100	(390)	(616)	226
Adjusted interest expense	G	(30,921)	(27,316)	(3,605)	(59,232)	(53,401)	(5,831)
Adjusted amortization expense	H	(1,152)	(818)	(334)	(2,277)	(1,532)	(745)
Adjusted net income before taxes		**33,688**	**64,493**	**(30,805)**	**73,932**	**152,687**	**(78,755)**
Adjusted income tax expense	I	(2,771)	(4,359)	1,588	(7,206)	(16,177)	8,971
Adjusted net income		**$ 30,917**	**$ 60,134**	**$ (29,217)**	**$ 66,726**	**$ 136,510**	**$ (69,784)**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.20**	**$ 0.45**	**$ (0.25)**	**$ 0.44**	**$ 1.02**	**$ (0.58)**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.19**	**$ 0.39**	**$ (0.20)**	**$ 0.42**	**$ 0.88**	**$ (0.46)**
Weighted average shares outstanding – basic		**155,787,146**	**134,528,070**	**21,259,076**	**150,063,994**	**134,389,889**	**15,674,105**
Weighted average shares outstanding – diluted		**174,133,167**	**161,629,476**	**12,503,691**	**168,426,511**	**161,492,736**	**6,933,775**
TAH Adjusted EBITDA before fair value gain		39,051	30,385	8,666	74,999	61,274	13,725
TAH fair value gain		23,511	37,265	(13,754)	53,329	113,361	(60,032)
TAH Adjusted EBITDA		**$ 62,562**	**$ 67,650**	**$ (5,088)**	**$ 128,328**	**$ 174,635**	**$ (46,307)**
Adjusted EBITDA		65,961	92,927	(26,966)	135,831	208,236	(72,405)
Less:							
TAH fair value gain		23,511	37,265	(13,754)	53,329	113,361	(60,032)
TLC Adjusted EBITDA		–	23,212	(23,212)	–	31,394	(31,394)
Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA		**$ 42,450**	**$ 32,450**	**$ 10,000**	**$ 82,502**	**$ 63,481**	**$ 19,021**

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

- For the three months ended June 30, 2019, Adjusted EBITDA decreased by $27.0 million or 29% to $66.0 million compared to $92.9 million in the same period in the prior year. This decrease was mainly attributable to a reduction in TLC Adjusted EBITDA of $23.2 million as its portfolio of 14 manufactured housing communities was disposed of in June 2018. Further, TAH Adjusted EBITDA decreased by $5.1 million, which included a $13.8 million decrease in fair value gain offset by a $10.6 million increase in NOI as a result of a larger leased portfolio, strong rent growth and cost efficiency achieved in the repairs and maintenance function. Excluding TAH fair value gains and TLC Adjusted EBITDA, Adjusted EBITDA would have increased by $10.0 million or 31% to $42.5 million for the three months ended June 30, 2019 compared to $32.5 million in the same period in the prior year.
- For the six months ended June 30, 2019, Adjusted EBITDA decreased by $72.4 million or 35% to $135.8 million compared to $208.2 million in the same period in the prior year. This decrease was mainly attributable to a reduction in TAH Adjusted EBITDA, which included a $60.0 million decrease in fair value gain partially offset by an $18.7 million increase in NOI as a result of the reasons discussed above. Further, TLC Adjusted EBITDA decreased by $31.4 million. Excluding TAH fair value gains and TLC Adjusted EBITDA, Adjusted EBITDA would have increased by $19.0 million or 30% to $82.5 million for the six months ended June 30, 2019 compared to $63.5 million in the same period in the prior year.
- Adjusted net income, which excludes non-recurring items, decreased by $29.2 million or 49% to $30.9 million for the three months ended June 30, 2019 compared to $60.1 million for the same period in the prior year. The decrease is attributable to lower Adjusted EBITDA as discussed above, and higher Adjusted interest expense primarily attributable to interest expense on the newly acquired TLR U.S. properties and financing additional homes in the growing TAH JV-1 rental portfolio.
- Adjusted net income decreased by $69.8 million or 51% to $66.7 million for the six months ended June 30, 2019 compared to $136.5 million for the same period in the prior year. The decrease is attributable to the reasons discussed above, partially offset by a $9.0 million reduction in income tax expense corresponding to a decrease in investment income.
- Adjusted basic EPS decreased by $0.25 or 56% to $0.20 and decreased by $0.58 or 57% to $0.44 for the three and six months ended June 30, 2019, respectively, compared to $0.45 and $1.02 in the same periods in the prior year. Adjusted diluted EPS decreased by $0.20 or 51% to $0.19 and $0.46 or 52% to $0.42 for the three and six months ended June 30, 2019, respectively, compared to $0.39 and $0.88 in the same periods in the prior year. The decrease in Adjusted basic and diluted EPS is attributable to lower Adjusted net income for the reasons noted above, along with a higher weighted average share count as a result of the common shares issued on June 11, 2019 in connection with the acquisition of the Multi-Family Core Portfolio.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2019.

For the periods ended June 30	Three months		Six months	
(in thousands of U.S. dollars)	2019	2018	2019	2018
Net income	**$ 12,356**	**$ 39,763**	**$ 36,419**	**$ 139,232**
Non-recurring adjustments:				
Transaction costs	26,061	10,749	31,216	15,210
Non-cash adjustments:				
Non-controlling interest	(424)	(236)	(571)	22
Unrealized foreign exchange (gain) loss at investment level	(1,801)	875	(3,344)	2,104
Accrued LTIP and non-recurring expenses[1]	2,559	760	2,502	2,089
Debentures discount amortization	683	1,245	1,330	2,420
Net change in fair value of derivative financial instruments	(8,060)	9,527	(1,175)	(19,726)
Realized and unrealized foreign exchange (gain) expense	(159)	(1,289)	21	(2,977)
Tax (expense) recovery on non-recurring and non-cash expenses	(298)	(1,260)	328	(1,864)
Adjusted net income[2]	**$ 30,917**	**$ 60,134**	**$ 66,726**	**$ 136,510**
Add:				
Stock option expense	$ 200	$ 300	$ 390	$ 616
Adjusted interest expense[2]	30,921	27,316	59,232	53,401
Adjusted amortization expense[2]	1,152	818	2,277	1,532
Adjusted income tax expense[2]	2,771	4,359	7,206	16,177
Adjusted EBITDA[2]	**$ 65,961**	**$ 92,927**	**$ 135,831**	**$ 208,236**

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

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

For the periods ended June 30 (in thousands of U.S. dollars)		Three months 2019	Three months 2018	Six months 2019	Six months 2018
Investment income – TAH per financial statements		**$ 40,231**	**$ 40,681**	**$ 83,784**	**$ 127,123**
Interest expense		21,177	19,087	41,800	37,556
Transaction costs, non-recurring and non-cash expenses		1,158	7,882	2,860	9,958
Tax recovery		(4)	–	(116)	(2)
TAH Adjusted EBITDA[1]	A	**$ 62,562**	**$ 67,650**	**$ 128,328**	**$ 174,635**
Investment income – TLR per financial statements		**$ 2,501**	**$ 2,547**	**$ 7,888**	**$ 3,564**
Interest expense		2,719	45	3,724	75
Transaction costs, non-recurring and non-cash expenses		15	1	1,545	6
Translation adjustment		(1,649)	681	(3,046)	1,652
Tax expense (recovery)		297	(11)	297	32
TLR Adjusted EBITDA[1]	B	**$ 3,883**	**$ 3,263**	**$ 10,408**	**$ 5,329**
Investment income – THP per financial statements		**$ 3,346**	**$ 3,312**	**$ 5,573**	**$ 6,197**
Tax (recovery) expense		(1,076)	55	(1,146)	84
Unrealized foreign exchange (gain) loss		(152)	194	(298)	452
THP Adjusted EBITDA[1]	C	**$ 2,118**	**$ 3,561**	**$ 4,129**	**$ 6,733**
Net income from discontinued operations – TLC per financial statements		**$ –**	**$ 19,602**	**$ –**	**$ 23,127**
Interest expense		–	826	–	1,623
Transaction costs and non-cash expenses		–	2,784	–	5,066
Tax expense		–	–	–	1,578
TLC Adjusted EBITDA[1]	D	**$ –**	**$ 23,212**	**$ –**	**$ 31,394**
Contractual fees, GP distributions and performance fees per financial statements		**$ 9,367**	**$ 7,474**	**$ 16,856**	**$ 13,041**
NCI change per financial statements		**(424)**	**(236)**	**(571)**	**22**
NCI portion of amortization		(410)	(431)	(827)	(950)
Fee income net of adjusted non-controlling interest	E	**$ 8,533**	**$ 6,807**	**$ 15,458**	**$ 12,113**
Compensation expense per financial statements		**$ (10,677)**	**$ (9,955)**	**$ (19,376)**	**$ (19,678)**
Accrued LTIP and non-recurring expenses		2,559	760	2,502	2,089
Stock option expense		200	300	390	616
Adjusted compensation expense[1]	F	**$ (7,918)**	**$ (8,895)**	**$ (16,484)**	**$ (16,973)**
Interest expense per financial statements		**$ (7,708)**	**$ (8,603)**	**$ (15,038)**	**$ (16,567)**
TAH interest expense		(21,177)	(19,087)	(41,800)	(37,556)
TLR interest expense		(2,719)	(45)	(3,724)	(75)
TLC interest expense		–	(826)	–	(1,623)
Debentures discount amortization		683	1,245	1,330	2,420
Adjusted interest expense[1]	G	**$ (30,921)**	**$ (27,316)**	**$ (59,232)**	**$ (53,401)**
Amortization expense per financial statements		**$ (1,562)**	**$ (1,249)**	**$ (3,104)**	**$ (2,482)**
NCI portion of Johnson's amortization expense		410	431	827	950
Adjusted amortization expense[1]	H	**$ (1,152)**	**$ (818)**	**$ (2,277)**	**$ (1,532)**
Tax expense per financial statements		**$ (3,256)**	**$ (3,055)**	**$ (8,499)**	**$ (12,621)**
TAH tax recovery		4	–	116	2
TLR tax (expense) recovery		(297)	11	(297)	(32)
THP tax recovery (expense)		1,076	(55)	1,146	(84)
TLC tax expense		–	–	–	(1,578)
Tax (expense) recovery on non-recurring and non-cash expenses		(298)	(1,260)	328	(1,864)
Adjusted income tax expense[1]	I	**$ (2,771)**	**$ (4,359)**	**$ (7,206)**	**$ (16,177)**

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

8. OPERATIONAL KEY PERFORMANCE INDICATORS

8.1 Key performance indicators

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

Tricon American Homes

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

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

Tricon Lifestyle Rentals

- Development yield represents the estimated stabilized net operating income of a property following its completion as a percentage of its estimated total development cost.
- Net operating income (NOI) represents total rental revenue, less rental operating expenses and property management fees. NOI excludes other expenses (predominantly comprised of entity-level operating expenses), interest expense and non-core income or expenses such as gains or losses on the disposition of properties.
- Net operating income (NOI) margin represents net operating income as a percentage of total revenue. Management believes NOI and NOI margin are helpful to investors in understanding the core performance of TLR U.S.' operations.
- Occupancy rate represents the total number of days that suites were occupied during the measurement period, divided by the total number of days that the suites were owned during the measurement period.
- Annualized turnover rate represents the number (or percentage) of instances that a suite becomes unoccupied over a specified period of time, divided by the number of suites in that portfolio and annualized for a twelve-month period.
- Average monthly rent represents average expected monthly rental income per suite for occupied suites.

- Average rent growth during the period for any property represents the percentage difference between the monthly rent from an expiring lease and the monthly rent from the next lease. Leases are either renewal leases, where a current resident chooses to stay for a subsequent lease term, or a new lease, where a previous resident moves out and a new resident signs a lease to occupy the same suite. Management believes occupancy and TLR U.S.' ability to increase rent directly affect investment income available to Tricon and Tricon's shareholders.
- Funds from operations ("FFO") represents investment income – TLR U.S., excluding fair value gains and other non-cash items such as deferred taxes, periodic non-cash accrual adjustments, depreciation and deferred financing costs. Core funds from operations ("Core FFO") represents FFO less transaction costs, non-recurring items, and amortization of financing costs. Management believes these metrics are helpful to investors in understanding TLR U.S.' business and comparing its performance to industry peers.

Tricon Housing Partners

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

8.2 Assets under management

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

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

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

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

9.1 Revenue, investments and fair value determination

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

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

The Company manages third-party capital across its TAH, TLR and THP investments through private commingled funds, separate accounts, syndicated investments and joint ventures. Tricon manages capital on behalf of Canadian, American and international third-party institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. Our objective in our Private Funds and Advisory business is to earn:

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

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

Tricon American Homes ("TAH")
Investment income is comprised of: (i) realized rental income net of expenses from leasing single-family rental homes; (ii) property management fees, acquisition fees and construction management fees from assets managed on behalf of third-party investors; and (iii) investment income from changes in the fair value of single-family rental homes. The fair value of TAH homes is based on the Broker Price Opinion ("BPO") methodology and supplemented by the Home Price Index ("HPI") methodology. TAH typically obtains a BPO for a home once every three years or when a home is included in a new debt facility. Once a BPO is obtained, the fair value of the home is adjusted using the HPI on a quarterly basis until it is replaced by a more recent BPO. Refer to Note 5 in the financial statements for specific details of these valuation methodologies.

Tricon Lifestyle Rentals ("TLR")
Investment income is comprised of realized rental income net of expenses from leasing multi-family suites and investment income from changes in the fair value of the projects in which it invests. Fair value changes are based on the income approach, the direct comparison approach or the discounted cash flow methodology, depending on the stage of development and completion. For projects still in the development phase, and similar to THP (as described below), the discount rate is adjusted downwards as development and construction milestones are achieved and the project is de-risked under the discounted cash flow methodology. Refer to Note 5 in the financial statements for specific details of these valuation methodologies.

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

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

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

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

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

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

9.2 Accounting estimates and policies

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

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.

9.3 Controls and procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the period ended June 30, 2019. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the six months ended June 30, 2019, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 Transactions with related parties

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

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

9.5 Dividends

On August 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.

9.6 Compensation incentive plans

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

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.

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from Investment Vehicles, paid in cash when received; and (ii) 15% of THP1 US investment income, payable in DSUs which vest over a five-year period. On May 6, 2019, in order to more closely align the vesting period with the expected remaining life of THP1 US, the LTIP was amended by the Board of Directors to reduce the vesting period applicable to future LTIP DSU awards to three years.

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

9.7 Risk definition and management

There are certain risks inherent in the Company's activities and those of its investees, which may impact the Company's performance, the value of its investments and the value of its securities. The Company's Annual Information Form dated February 25, 2019 and its MD&A for the year ended December 31, 2018, which are available on SEDAR at www.sedar.com and on the Company's website at www.triconcapital.com, contain detailed discussions of these risks.

10. HISTORICAL FINANCIAL INFORMATION

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

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Financial statement results				
Total revenue and investment income	$ 55,445	$ 58,656	$ 60,320	$ 65,889
Net income	12,356	24,063	43,297	33,826
Basic earnings per share	0.08	0.17	0.30	0.25
Diluted earnings per share	0.04	0.16	0.23	0.24

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

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CELEBRATING **30 YEARS**

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