Rethinking Residential Real Estate

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Year Ended December 31, 2018

TRICON

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NON-IFRS MEASURES AND FORWARD-LOOKING STATEMENTS

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

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

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

This MD&A includes forward-looking statements pertaining to: anticipated investment performance including, in particular, project timelines and sales/rental expectations, projected development costs, projected Internal Rate of Return ("IRR"), Returns on Investment ("ROI"), expected performance fees, future cash flows and development yields; anticipated demand for homebuilding, lots, single-family rental homes and purpose-built rental apartments; the pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Home's underwriting model; the anticipated growth of the TAH joint venture ("TAH JV-1") portfolio; the intentions to build portfolios and attract investment in TAH and Tricon Lifestyle Rentals ("TLR") and the Company's investment horizon and exit strategy for each investment vertical, including the anticipated divestiture of TLR U.S. The assumptions underlying these forward-looking statements and a list of factors that may cause actual investment performance to differ from current projections are discussed in the Company's most recent Annual Information Form (the "AIF") which is available on SEDAR at www.sedar.com and in Section 9.7 of this MD&A.

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 February 25, 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 audited consolidated financial statements and related notes for the year ended December 31, 2018.

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 audited consolidated financial statements for the year ended December 31, 2018 were prepared using International Financial Reporting Standards ("IFRS") accounting policies consistent with the Company's audited annual consolidated financial statements for the year ended December 31, 2017, with the exception of the adoption of IFRS 9, IFRS 15 and IFRS 16 as disclosed in Note 2 of the consolidated financial statements.

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

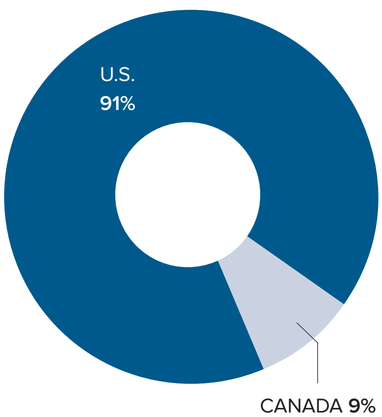
1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is an investment manager focused on the residential real estate industry in North America with approximately $5.7 billion (C$7.8 billion) of assets under management as of December 31, 2018. Tricon invests in a portfolio of single-family rental homes, purpose-built 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 $20 billion.

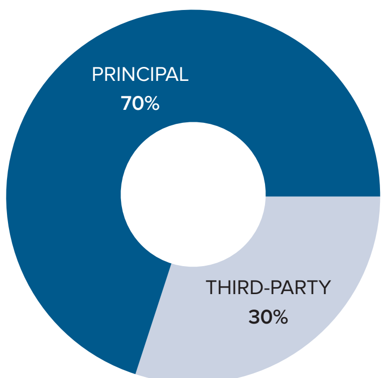
$5.7 BILLION

Assets Under Management (AUM)

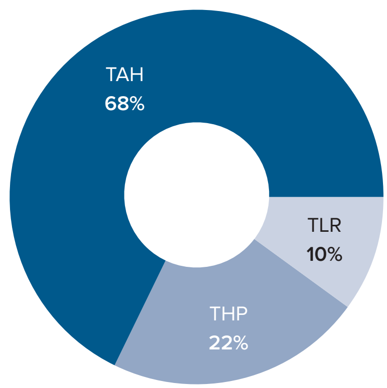
BY GEOGRAPHY



BY INVESTOR



BY VERTICAL



TAH: Single-family rental homes
TLR: Purpose-built 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 to develop and manage a portfolio of Class A purpose-built rental apartments.

(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. See the discussion in Section 3.1.

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, which are operated under the Tricon House consumer-facing brand in Canada.

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 (formerly 57 Spadina), The James (formerly Scrivener Square), Shops of Summerhill, West Don Lands and 8 Gloucester
  - 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

Our single-family rental home investment vertical, Tricon American Homes, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 460 employees that oversee all aspects of TAH's day-to-day business activities.

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

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

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

Tricon Lifestyle Rentals

Tricon Lifestyle Rentals, our multi-family investment vertical, is focused on developing and managing a portfolio of Class A purpose-built rental apartments in Canada and the United States.

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. Tricon intends to leverage its expertise in multi-family development in assembling a high-yielding, institutional-quality portfolio of Class A rental apartments over time. TLR acts as the sponsor or general partner of each project and typically provides 15–50% of the project equity and intends to maintain this ownership stake in the projects. The remaining equity is provided by institutional investors or other strategic investment partners that pay Tricon development management fees, asset management fees and possibly performance fees, enabling the Company to enhance its return on investment.

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

Tricon has announced that it will be pursuing an orderly exit from TLR's U.S. development business by divesting its two current projects following their completion. Management has made this decision because the U.S. multi-family development industry is currently experiencing a number of headwinds, including cost inflation as well as tighter financing conditions. Going forward, Tricon aims to increase its exposure to investments with predictable rental income and cash flows which may include U.S. multi-family rental opportunities in the future.

Tricon Housing Partners

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

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

Through its investment in Houston-based Johnson, Tricon has the ability to leverage an integrated development platform with expertise in land entitlement, infrastructure, municipal bond finance and place making, and deep relationships with public and regional homebuilders and commercial developers. Johnson is an active development manager of master-planned communities in the United States and the only development manager in the United States to have six MPCs ranked in the top 50 in 2018 (source: Robert Charles Lesser & Co. Real Estate Advisors). Tricon uses Johnson's platform to (i) invest in cash flowing MPCs that generate proceeds from lot sales, commercial 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 focused on enhancing and managing existing three- to four-star manufactured housing communities in the United States through its investment in a joint venture with its third-party operating partner, Cobblestone Real Estate LLC ("Cobblestone"), a vertically integrated asset and property manager.

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

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 TAH and THP businesses are well-positioned to capitalize on the large millennial cohort (those born between 1980 and 2000) who are in the early stages of forming families, having children and ultimately moving to the suburbs where they can find relatively affordable single-family housing and good schools. The more affluent are likely to continue to buy homes, benefiting Tricon's for-sale housing investments, whereas the workforce may be more likely to rent single-family homes from institutional landlords such as TAH. In Canada, the Company believes that major housing affordability issues in cities like Toronto will ultimately require more purpose-built rental supply, which TLR intends to capitalize on.

2. HIGHLIGHTS

Financial highlights

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

	Three months		Twelve months	
For the periods ended December 31	2018	2017	2018	2017
Total revenue and investment income from continuing operations	$ 60,320	$ 60,226	$ 276,134	$ 169,066
Total investment income from discontinued operations	–	1,187	21,170	7,381
Net income	43,297	25,724	216,355	69,348
Basic earnings per share from:				
Continuing operations	0.30	0.18	1.40	0.49
Discontinued operations	–	0.01	0.17	0.05
Basic earnings per share	0.30	0.19	1.57	0.54
Diluted earnings per share from:				
Continuing operations	0.23	0.18	1.14	0.49
Discontinued operations	–	0.01	0.14	0.05
Diluted earnings per share	0.23	0.19	1.28	0.54
Dividends per share	C$ 0.07	C$ 0.065	C$ 0.28	C$ 0.26
Non-IFRS measures[1]				
Adjusted EBITDA	$ 79,671	$ 96,956	$ 363,996	$ 269,709
Adjusted net income	46,116	59,486	224,675	153,626
Adjusted basic EPS attributable to shareholders of Tricon	0.32	0.44	1.64	1.21
Adjusted diluted EPS attributable to shareholders of Tricon	0.30	0.39	1.45	1.10
As at December 31			2018	2017
Total assets			$ 1,687,662	$ 1,430,723
Total liabilities			495,064	502,428
Investments (including investments held for sale)			1,582,623	1,342,051
Debt			374,716	383,604
Assets under management ("AUM")[2]			$ 5,703,910	$ 4,622,309

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

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

Investment highlights by vertical

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

For the periods ended December 31	Three months		Twelve months	
(in thousands of U.S. dollars, except for percentages and units)	2018	2017	2018	2017
TRICON AMERICAN HOMES *(Refer to Sections 3.1, 3.2 and 4.1)*				
Investments – TAH			**$ 1,145,221**	**$ 884,115**
Investment income – TAH	**$ 38,159**	**$ 45,709**	**218,932**	**113,067**
Net operating income (NOI)[1]	41,425	35,523	150,762	116,334
Net operating income (NOI) margin[1]	64.5%	64.4%	62.6%	62.3%
Core funds from operations	17,007	12,753	53,991	35,758
Total homes owned			17,442	15,218
Occupancy			92.4%	95.8%
Stabilized occupancy			96.2%	96.7%
Total number of homes in same home portfolio			6,621	6,621
Same home net operating income (NOI)[1]	16,362	15,070	62,723	58,617
Same home net operating income (NOI) growth[1]	8.6%	N/A	7.0%	N/A
Same home net operating income (NOI) margin[1]	62.6%	61.1%	61.2%	59.8%
TRICON LIFESTYLE RENTALS *(Refer to Sections 3.1, 3.2 and 4.2)*				
Investments – TLR			**$ 129,838**	**$ 89,225**
Investment income – TLR	**$ 10,653**	**$ 5,950**	**15,406**	**12,391**
Units under development			~3,200	1,296
TRICON HOUSING PARTNERS *(Refer to Sections 3.1, 3.2 and 4.3)*				
Investments – THP			**$ 307,564**	**$ 306,637**
Investment income – THP	**$ 1,943**	**$ 1,236**	**11,449**	**18,209**
TRICON LIFESTYLE COMMUNITIES *(Refer to Section 3.1)*				
Investments held for sale – TLC			**$ –**	**$ 62,074**
Investment income from discontinued operations and gain from disposal of investments held for sale – TLC	**$ –**	**$ 1,187**	**21,170**	**7,381**
PRIVATE FUNDS AND ADVISORY *(Refer to Sections 3.1 and 4.4)*				
Third-party assets under management			$ 1,721,949	$ 1,238,784
Contractual fees and GP distributions	**$ 8,108**	**$ 7,277**	**27,572**	**24,874**
Performance fees	**1,457**	**54**	**2,775**	**525**

(1) These metrics exclude the impact of non-recurring expenses or insurance recoveries from hurricane-related damages.

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 audited consolidated financial statements and related notes for the year ended December 31, 2018.

3.1 Review of income statements

Consolidated statements of income

For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months 2018	Three months 2017	Three months Variance	Twelve months 2018	Twelve months 2017	Twelve months Variance
Revenue						
Contractual fees	$ 7,873	$ 6,915	$ 958	$ 26,256	$ 23,486	$ 2,770
General partner distributions	235	362	(127)	1,316	1,388	(72)
Performance fees	1,457	54	1,403	2,775	525	2,250
	9,565	7,331	2,234	30,347	25,399	4,948
Investment income						
Investment income – Tricon American Homes	38,159	45,709	(7,550)	218,932	113,067	105,865
Investment income – Tricon Lifestyle Rentals	10,653	5,950	4,703	15,406	12,391	3,015
Investment income – Tricon Housing Partners	1,943	1,236	707	11,449	18,209	(6,760)
	50,755	52,895	(2,140)	245,787	143,667	102,120
Total revenue and investment income	**$ 60,320**	**$ 60,226**	**$ 94**	**$ 276,134**	**$ 169,066**	**$ 107,068**
Expenses						
Compensation expense	8,621	4,752	(3,869)	36,875	29,100	(7,775)
General and administration expense	2,658	2,086	(572)	9,800	7,274	(2,526)
Interest expense	6,892	7,207	315	31,686	23,721	(7,965)
Other (income) expenses	(7,084)	15,544	22,628	(16,701)	31,818	48,519
Realized and unrealized foreign exchange expense (gain)	438	945	507	(1,511)	1,881	3,392
	11,525	30,534	19,009	60,149	93,794	33,645
Income before income taxes	48,795	29,692	19,103	215,985	75,272	140,713
Income tax recovery (expense) – current	1,231	(586)	1,817	(639)	(4,889)	4,250
Income tax expense – deferred	(6,729)	(4,447)	(2,282)	(22,118)	(7,440)	(14,678)
Net income from continuing operations	**$ 43,297**	**$ 24,659**	**$ 18,638**	**$ 193,228**	**$ 62,943**	**$ 130,285**
Net income from discontinued operations	**–**	**1,065**	**(1,065)**	**23,127**	**6,405**	**16,722**
Net income	**$ 43,297**	**$ 25,724**	**$ 17,573**	**$ 216,355**	**$ 69,348**	**$ 147,007**
Attributable to:						
Shareholders of Tricon	$ 43,098	$ 25,385	$ 17,713	$ 215,951	$ 69,252	$ 146,699
Non-controlling interest	199	339	(140)	404	96	308
Net income	**$ 43,297**	**$ 25,724**	**$ 17,573**	**$ 216,355**	**$ 69,348**	**$ 147,007**
Basic EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.30	$ 0.18	$ 0.12	$ 1.40	$ 0.49	$ 0.91
Discontinued operations	–	0.01	(0.01)	0.17	0.05	0.12
Basic EPS attributable to shareholders of Tricon	**$ 0.30**	**$ 0.19**	**$ 0.11**	**$ 1.57**	**$ 0.54**	**$ 1.03**
Diluted EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.23	$ 0.18	$ 0.05	$ 1.14	$ 0.49	$ 0.65
Discontinued operations	–	0.01	(0.01)	0.14	0.05	0.09
Diluted EPS attributable to shareholders of Tricon	**$ 0.23**	**$ 0.19**	**$ 0.04**	**$ 1.28**	**$ 0.54**	**$ 0.74**
Weighted average shares outstanding – basic	**143,911,890**	**134,369,333**	**9,542,557**	**137,157,260**	**127,152,721**	**10,004,539**
Weighted average shares outstanding – diluted[1]	**162,455,879**	**136,567,369**	**25,888,510**	**162,112,882**	**129,302,655**	**32,810,227**

(1) For the three and twelve months ended December 31, 2018, both of the Company's convertible debentures were dilutive, as debentures interest expense and loss on debt extinguishment, 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 and twelve months ended December 31, 2018, the impact of the 2020 and 2022 convertible debentures was included (2017 – excluded).

Contractual fees

The following table provides further details regarding contractual fees for the three and twelve months ended December 31, 2018.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Management fees – private Investment Vehicles	$ 4,050	$ 2,987	$ 1,063	$ 13,754	$ 11,621	$ 2,133
Development fees – TLR Canada projects	1,290	404	886	2,892	1,586	1,306
Development fees – Johnson	2,533	3,524	(991)	9,610	10,279	(669)
Contractual fees	**$ 7,873**	**$ 6,915**	**$ 958**	**$ 26,256**	**$ 23,486**	**$ 2,770**

Contractual fees for the three months ended December 31, 2018 totaled $7.9 million, an increase of $1.0 million from the same period in the prior year. The variance is attributable to:

- An increase of $1.0 million in management fees earned from TAH JV-1, which was launched during the second quarter of 2018.
- An increase of $0.9 million in development fees from West Don Lands, a TLR Canada project, which started generating management fees as the development commenced in the fourth quarter of 2018.
- An offsetting decrease of $1.0 million in Johnson development fees which was driven by a reduction in lot sales and commercial acreage sales across the Johnson portfolio. While fees from Johnson were generally in line with recent quarters, the year-over-year negative variance was driven by a particularly strong comparable quarter in which homebuilders needed to replenish a relatively large amount of lot inventory.

Contractual fees for the twelve months ended December 31, 2018 totaled $26.3 million, an increase of $2.8 million from the prior year. The increase is largely attributable to the factors listed above as well as additional development fees in relation to the advancement of The Taylor (formerly 57 Spadina), a TLR Canada multi-family rental development project.

Investment income – Tricon American Homes

The following table provides details regarding the components of investment income from TAH for the three and twelve months ended December 31, 2018. 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 December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Total revenue	$ 64,269	$ 55,118	$ 9,151	$ 241,020	$ 186,881	$ 54,139
Total operating expenses	(22,844)	(20,393)	(2,451)	(89,824)	(72,337)	(17,487)
Net operating income (NOI)[1,2,3]	**$ 41,425**	**$ 34,725**	**$ 6,700**	**$ 151,196**	**$ 114,544**	**$ 36,652**
Fair value gain[2,4]	24,790	51,307	(26,517)	180,496	143,993	36,503
Other expenses[2,5]	(8,666)	(20,748)	12,082	(38,626)	(83,188)	44,562
Interest expense[2]	(20,138)	(19,575)	(563)	(77,300)	(62,282)	(15,018)
Third-party investor interests[2]	748	–	748	3,166	–	3,166
Investment income – TAH	**$ 38,159**	**$ 45,709**	**$ (7,550)**	**$ 218,932**	**$ 113,067**	**$ 105,865**

(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) Includes non-recurring storm-related recoveries of nil and $434 for the three and twelve months ended December 31, 2018, respectively (2017 – storm-related expenses of $798 and $1,790). Excluding the impact of storm-related items, NOI would have been $41,425 (2017 – $35,523) and $150,762 (2017 – $116,334), respectively. See Section 4.1.

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

(5) Other expenses are comprised of:

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Corporate overhead	$ (4,309)	$ (2,557)	$ (1,752)	$ (20,144)	$ (18,302)	$ (1,842)
Transaction costs and non-recurring items[6]	(815)	(16,209)	15,394	(8,897)	(59,501)	50,604
Depreciation and non-cash items[6]	(2,536)	(2,032)	(504)	(4,877)	(3,895)	(982)
Deferred tax recovery (expense)	387	50	337	389	(1,490)	1,879
TAH JV-1 partner-level expenses[7]	(1,393)	–	(1,393)	(5,097)	–	(5,097)
Other expenses	**$ (8,666)**	**$ (20,748)**	**$ 12,082**	**$ (38,626)**	**$ (83,188)**	**$ 44,562**

(6) Comparative periods have been reclassified to conform with the current period presentation. No changes to the other expenses total were made as a result of this reclassification.

(7) These expenses represent 100% of TAH JV-1 costs that are not incurred at the operational level and include organization set-up costs, 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 $38.2 million for the three months ended December 31, 2018, a decrease of $7.6 million compared to the same period in 2017. The variance in investment income is attributable to:

- An increase of $6.7 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 higher rent growth and expense containment achieved across the portfolio (see Section 4.1).
- A decrease of $12.1 million in other expenses primarily as a result of a significant decrease in transaction costs and non-recurring items. $16.2 million of transaction costs related to the TAH 2017-2 securitization transaction were incurred in the fourth quarter of 2017 while no major financing activities occurred in the fourth quarter of 2018.
- A decrease of $26.5 million in fair value gains as 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 of 1.4% (5.6% annualized) was on par with the HPI increase in the fourth quarter of 2017. BPOs were obtained on 238 homes this quarter compared to 2,518 homes for the same period in 2017.

TAH's investment income for the twelve months ended December 31, 2018 was $218.9 million compared to $113.1 million for the same period in 2017. The $105.9 million increase is attributable to:

- An increase of $36.7 million in NOI as a result of additional NOI contribution from Silver Bay Realty Trust Corp. ("Silver Bay") homes for the full year as opposed to eight months following their acquisition on May 9, 2017, as well as strong rent growth and expense containment achieved across the portfolio.

- An increase of $36.5 million in fair value gain as a result of home price appreciation on a larger portfolio including Silver Bay homes, which were acquired in the second quarter of 2017.
- A decrease of $44.6 million in other expenses primarily as a result of non-recurring transaction costs in 2018 of $8.9 million largely related to the Silver Bay integration, compared to $59.5 million of transaction costs in 2017 incurred for the Silver Bay acquisition and integration, as well as the TAH 2017-1 and TAH 2017-2 securitizations.
- An increase of $15.0 million in interest expense as a result of a higher outstanding debt balance throughout the year associated with the growing portfolio.

Investment income – Tricon Lifestyle Rentals

The following table provides details regarding investment income from TLR for the three and twelve months ended December 31, 2018.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Operating (loss) income during development	$ (554)	$ 249	$ (803)	$ (312)	$ 1,131	$ (1,443)
Fair value gain	12,121	8,660	3,461	20,377	12,673	7,704
Other gain (expenses)[1]	128	(2,927)	3,055	(3,286)	(1,285)	(2,001)
Interest expense	(1,042)	(32)	(1,010)	(1,373)	(128)	(1,245)
Investment income – TLR	**$ 10,653**	**$ 5,950**	**$ 4,703**	**$ 15,406**	**$ 12,391**	**$ 3,015**

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Translation adjustment	$ (2,941)	$ (157)	$ (2,784)	$ (3,735)	$ 1,921	$ (5,656)
Non-controlling interests	98	242	(144)	(1,843)	82	(1,925)
Corporate overhead	(119)	(81)	(38)	(372)	(357)	(15)
Income tax recovery (expense)	3,090	(2,931)	6,021	2,671	(2,931)	5,602
Transaction costs and non-recurring costs	–	–	–	(7)	–	(7)
Other gain (expenses)	**$ 128**	**$ (2,927)**	**$ 3,055**	**$ (3,286)**	**$ (1,285)**	**$ (2,001)**

TLR's investment income was $10.7 million for the three months ended December 31, 2018, an increase of $4.7 million compared to $6.0 million for the same period in 2017. The variance is mainly attributable to:

- An increase of $3.5 million in fair value gain from TLR Canada projects primarily driven by The Selby nearing substantial completion and The Taylor achieving development milestones.
- An increase of $3.1 million in other gains, comprised of an increase of $6.0 million in income tax recovery and a decrease of $2.8 million related to an unfavourable currency translation adjustment. The income tax recovery of $3.1 million in the current period relates to the reversal of a deferred tax expense arising from a business reorganization to achieve greater tax efficiencies.
- An offsetting increase of $1.0 million in interest expense as TLR U.S. projects have shifted from development phase to lease-up phase and thus interest expense is no longer capitalized as part of development costs.

For the twelve months ended December 31, 2018, investment income from TLR was $15.4 million, an increase of $3.0 million compared to $12.4 million in 2017. The main drivers of this variance are attributable to:

- An increase of $7.7 million in fair value gain from TLR Canada projects as discussed above, along with fair value gains recognized on TLR U.S. projects as a result of construction and leasing progress.
- An offsetting increase of $2.0 million in other expenses, driven primarily by a $1.9 million increase in income attributable to non-controlling interests from fair value gains recognized on TLR U.S. projects. Of the remaining variance, a decrease in tax expense as discussed above largely offset an increase in unfavourable currency translation adjustment.
- A decrease of $1.4 million in operating income during development, as the ancillary income prior to construction trailed off at The Taylor, which commenced construction in 2018. Also, initial operating losses were incurred as The Selby and both TLR U.S. projects began lease-up in late 2018.

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three and twelve months ended December 31, 2018.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
THP1 US	$ (1,713)	$ 840	$ (2,553)	$ (3,110)	$ 7,627	$ (10,737)
THP2 US	(1,463)	(973)	(490)	(1,605)	400	(2,005)
THP3 Canada[1]	(102)	164	(266)	282	528	(246)
Trinity Falls	3,629	4,958	(1,329)	12,141	10,422	1,719
Separate accounts[2]	5,281	4,401	880	7,481	6,436	1,045
Side-cars[3]	(3,689)	(8,154)	4,465	(3,740)	(7,204)	3,464
Investment income – THP	**$ 1,943**	**$ 1,236**	**$ 707**	**$ 11,449**	**$ 18,209**	**$ (6,760)**

(1) Includes a loss predominantly as a result of foreign exchange of $0.5 million and $1.1 million for the three and twelve months ended December 31, 2018, respectively, compared to a $0.2 million loss and $0.5 million gain for the same periods in 2017.

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

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

Investment income for the three months ended December 31, 2018 was $1.9 million, an increase of $0.7 million compared to $1.2 million for the same period in 2017. The variance is mainly attributable to:

- An increase of $4.5 million in investment income from side-car investments as a result of smaller fair value losses recorded compared to the same period in the prior year; however, higher construction costs, delayed timelines and lower-than-anticipated sales prices persisted throughout 2018. As a result, long-term cash flow projections were revised this quarter resulting in a fair value loss of $3.7 million, although the extent of the loss was much smaller than in 2017.
- An offsetting decrease of $2.6 million in investment income from THP1 US as a result of a lower outstanding investment balance, as well as some unfavourable budget revisions within the fund, attributable to higher construction costs, extended development timelines and demand for smaller, lower-margin homes (see Section 4.3).

Investment income for the twelve months ended December 31, 2018 was $11.4 million, a decrease of $6.8 million compared to $18.2 million for 2017. The variance is mainly attributable to:

- A decrease of $10.7 million in investment income from THP1 US as a result of a lower investment balance and the budget revisions discussed above.
- A decrease of $2.0 million in investment income from THP2 US related to: (i) unfavourable budget updates to the valuation of several projects, including its co-investment in Arantine Hills; and (ii) a decline in the value of its equity investment in a public homebuilder.
- An offsetting increase of $3.5 million in investment income from side-cars as a result of budget revisions with smaller fair value losses compared to the prior year, as discussed above.
- Another offsetting increase of $1.7 million in investment income from Trinity Falls as a result of an additional 300 acres of adjacent land acquired and the re-entitlement of the project to expand available product offerings in the fourth quarter of 2017 which increased expected future cash flows from the project.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Salaries and benefits	$ 4,108	$ 3,901	$ (207)	$ 14,838	$ 14,169	$ (669)
Annual incentive plan ("AIP")	(2,739)	(1,499)	1,240	10,391	11,205	814
Long-term incentive plan ("LTIP")	7,252	2,350	(4,902)	11,646	3,726	(7,920)
Total compensation expense	**$ 8,621**	**$ 4,752**	**$ (3,869)**	**$ 36,875**	**$ 29,100**	**$ (7,775)**

Compensation expense for the three months ended December 31, 2018 increased by $3.9 million compared to the same period in the prior year. The variance is attributable to:

- An increase of $4.9 million in long-term incentive plan ("LTIP") expense as a result of an increase in expected future performance fees that will be paid to management when cash is received from each Investment Vehicle over time.
- An increase of $0.2 million in payroll costs due to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments.
- A decrease of $1.2 million in annual incentive plan ("AIP") expense as a recovery to reflect the finalization of performance-based payments which were previously accrued throughout the year.

Compensation expense for the twelve months ended December 31, 2018 increased by $7.8 million largely because of an increase in LTIP expense as noted above. The decrease in AIP expense of $0.8 million is a result of the Company's revised AIP framework, which became effective in 2018.

General and administration expense

General and administration expense for the three and twelve months ended December 31, 2018 increased by $0.6 million and $2.5 million, respectively, compared to the same periods in the prior year. Both variances are primarily attributable to office relocation expenses, as well as a general increase in line with expectations given the continued growth of the Company.

Interest expense

The table below provides a summary of interest expense.

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Credit facility interest	$ 3,274	$ 2,087	$ (1,187)	$ 12,677	$ 6,580	$ (6,097)
Debentures interest	2,872	3,909	1,037	14,522	13,156	(1,366)
Debentures discount amortization	647	1,175	528	4,104	3,949	(155)
Mortgage interest	81	36	(45)	331	36	(295)
Interest on lease obligation	18	–	(18)	52	–	(52)
Total interest expense	**$ 6,892**	**$ 7,207**	**$ 315**	**$ 31,686**	**$ 23,721**	**$ (7,965)**

Interest expense was $6.9 million for the three months ended December 31, 2018 compared to $7.2 million for the same period last year, a decrease of $0.3 million. The decrease was primarily driven by a reduction in debentures interest and debentures discount amortization from the 2020 convertible debentures, which were redeemed in full on October 9, 2018 (see Section 3.2). 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 for the twelve months ended December 31, 2018 increased by $8.0 million compared to 2017, primarily driven by a higher outstanding credit facility balance as well as a higher weighted average interest rate. Additionally, the Company incurred incremental debentures interest expense and debentures discount amortization associated with the 2022 convertible debentures issued on March 17, 2017 in connection with the Silver Bay acquisition (see Section 3.2), net of reduced expenses from the 2020 convertible debentures, which were redeemed in full in the fourth quarter of 2018 as discussed above.

Other (income) expenses

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Net change in fair value of derivative financial instruments	$ (8,583)	$ 13,413	$ 21,996	$ (27,680)	$ 23,276	$ 50,956
Loss on debt extinguishment	–	–	–	5,349	–	(5,349)
Transaction costs	(90)	832	922	90	3,167	3,077
Amortization expense	1,589	1,299	(290)	5,540	5,375	(165)
Total other (income) expenses	**$ (7,084)**	**$ 15,544**	**$ 22,628**	**$ (16,701)**	**$ 31,818**	**$ 48,519**

For the three months ended December 31, 2018, other income of $7.1 million was mainly attributable to a net decrease in the fair value of the conversion feature of the Company's outstanding convertible debentures (2017 – net increase), which is reflected as income (2017 – expense) of the Company. The decrease during the year reflects the fair value gain on the conversion and redemption features of the Company's debentures driven by an overall decrease in the Company's share price on the Toronto Stock Exchange ("TSX") as well as an unfavourable exchange rate that was applied to the Company's share price as of December 31, 2018.

For the twelve months ended December 31, 2018, other income of $16.7 million was mainly attributable to the decrease in fair value of the conversion feature of the Company's outstanding convertible debentures as discussed above. The Company incurred a $5.3 million loss on debt extinguishment, comprised of the recognition of debentures discount and issuance costs of $4.4 million and $0.9 million, respectively, related to the redemption of the 2020 convertible debentures (see Section 3.2).

Income tax expense

For the three and twelve months ended December 31, 2018, income tax expense was higher than the same periods in the prior year as a result of an increase in the deferred tax expense of $2.3 million and $14.7 million, respectively, which was partially offset by a decrease in the current tax expense of $1.8 million and $4.3 million, respectively. The increase in deferred tax expense compared to the same periods in the prior year was primarily the result of the significant increase in investment income from TAH, whereas the decrease in current income tax expense reflects lower investment income from THP1 US.

Disposition of Tricon Lifestyle Communities

On June 29, 2018, TLC completed the previously-announced sale of its portfolio of 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. At the time of sale, the carrying value of investment properties on TLC's balance sheet was $146.3 million, resulting in a gain from disposition of investment properties of $26.2 million in the three months ended June 30, 2018. For the year ended December 31, 2018, investment income from the discontinued operations of TLC was $21.2 million after deducting transaction costs and proceeds to TLC's operating partner.

The following table provides details regarding net income from discontinued operations – TLC for the year ended December 31, 2018.

(in thousands of U.S. dollars)	
Fair value gain on investments held for sale	$ 33,597
Transaction costs on disposal[1]	(4,882)
Non-controlling interest, including incentive fees	(5,562)
Other expenses[2]	(1,983)
Investment income from discontinued operations – TLC	**$ 21,170**
Income tax recovery from discontinued operations – deferred	1,957
Net income from discontinued operations	**$ 23,127**

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

(2) Other expenses include net operating income less corporate overhead, interest expense and vertical-level tax expense.

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Assets					
Cash	$ 7,773	$ 6,720	$ 21,792	$ 11,809	$ 14,813
Amounts receivable	17,934	17,257	17,657	13,465	13,506
Prepaid expenses and deposits	819	970	479	674	622
Investments – Tricon American Homes	1,145,221	1,107,962	1,064,140	1,012,757	884,115
Investments – Tricon Lifestyle Rentals	129,838	116,243	107,074	90,759	89,225
Investments – Tricon Housing Partners	307,564	318,187	312,727	309,273	306,637
Investments held for sale – Tricon Lifestyle Communities	–	–	–	63,946	62,074
Intangible assets	20,733	21,829	22,924	18,893	20,016
Deferred income tax assets	36,135	33,732	29,950	26,787	23,937
Other assets	21,645	21,829	21,077	17,033	15,778
Total assets	**$ 1,687,662**	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**	**$ 1,430,723**
Liabilities					
Amounts payable and accrued liabilities	$ 6,429	$ 14,532	$ 19,438	$ 6,432	$ 11,273
Dividends payable	7,350	7,503	7,115	7,251	6,906
Long-term incentive plan	21,407	16,492	16,154	16,145	15,224
Debt	374,716	396,545	417,659	448,738	383,604
Deferred income tax liabilities	81,226	71,404	64,386	57,647	47,927
Derivative financial instruments	3,936	14,162	17,768	8,241	37,494
Total liabilities	**495,064**	**520,638**	**542,520**	**544,454**	**502,428**
Equity					
Share capital	793,521	758,830	717,485	715,288	713,553
Contributed surplus	17,468	19,096	17,473	16,426	16,754
Cumulative translation adjustment	19,525	19,189	19,336	20,420	19,184
Retained earnings	353,220	317,472	291,319	258,907	167,849
Total shareholders' equity	1,183,734	1,114,587	1,045,613	1,011,041	917,340
Non-controlling interest	8,864	9,504	9,687	9,901	10,955
Total equity	1,192,598	1,124,091	1,055,300	1,020,942	928,295
Total liabilities and equity	**$ 1,687,662**	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**	**$ 1,430,723**

Investments – Tricon American Homes

Investments in TAH increased by $261.1 million to $1.1 billion as at December 31, 2018, from $884.1 million as at December 31, 2017. The increase was driven by:

- Advances of $170.2 million primarily for the acquisition and renovation of rental homes, including a $48.0 million contribution to TAH JV-1.
- Investment income of $218.9 million consisting of $180.5 million of fair value gains and $151.2 million of NOI, offset by $77.3 million of interest expense, $8.9 million of non-recurring transaction costs and $26.6 million of overhead and other expenses.
- Offsetting cash distributions of $128.0 million.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at December 31, 2018
Investments – TAH	**$ 884,115**	**$ 170,174**	**$ 218,932**	**$ (128,000)**	**$ 1,145,221**

Investments – Tricon Lifestyle Rentals

Investments in TLR increased by $40.6 million to $129.8 million as at December 31, 2018, from $89.2 million as at December 31, 2017. The investment balance is comprised of $70.2 million invested in TLR Canada and $59.6 million invested in TLR U.S. The overall increase during the year ended December 31, 2018 was mainly driven by advances of $26.0 million relating to the acquisition of new TLR Canada projects, the purchase of an additional 10% ownership interest in The Taylor, and construction progress on existing projects, along with investment income of $15.4 million (consisting of $20.4 million of fair value gains offset by $5.0 million of other net expenses – see Section 3.1).

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income	Distributions	As at December 31, 2018
Investments – TLR	**$ 89,225**	**$ 25,974**	**$ 15,406**	**$ (767)**	**$ 129,838**

Investments – Tricon Housing Partners

Investments in THP increased by $0.9 million to $307.6 million as at December 31, 2018, from $306.6 million as at December 31, 2017. The increase is a result of investment income of $11.4 million combined with aggregate advances to Investment Vehicles of $8.9 million, of which $3.9 million was contributed to Trinity Falls. This increase was partially offset by distributions of $19.5 million, including $9.5 million received from separate account investments and $5.1 million received from THP1 US.

(in thousands of U.S. dollars)	As at December 31, 2017	Advances	Investment income (loss)	Distributions	As at December 31, 2018
THP1 US	$ 92,731	$ 1,546	$ (3,110)	$ (5,100)	$ 86,067
THP2 US	26,983	887	(1,605)	–	26,265
THP3 Canada	9,651	71	282	(3,405)	6,599
Trinity Falls	95,301	3,900	12,141	–	111,342
Separate accounts[1]	69,135	135	7,481	(9,536)	67,215
Side-cars[2]	12,836	2,399	(3,740)	(1,419)	10,076
Investments – THP	**$ 306,637**	**$ 8,938**	**$ 11,449**	**$ (19,460)**	**$ 307,564**

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

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

Investments held for sale – Tricon Lifestyle Communities

On June 29, 2018, TLC completed the previously-announced sale of its 14 manufactured housing communities to an institutional asset manager for gross proceeds of $172.5 million. The net proceeds to Tricon were $85.2 million, which included $83.5 million in proceeds from the disposal and $1.6 million in reimbursed expenses. The net proceeds represent a realized ROI of 1.7x and a realized IRR of 25% on peak equity of $49.3 million over a four-year investment period. Tricon has received distributions of $80.9 million to date; the remaining proceeds of $4.3 million are included in amounts receivable as at December 31, 2018.

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

(in thousands of U.S. dollars)	December 31, 2018
Sales proceeds from disposition of investment properties	$ 172,500
Settlement of mortgage balances	(77,621)
Transaction costs on disposition	(4,882)
Other net liabilities	(102)
Distributions to non-controlling interest	$ (6,347)
Proceeds from disposition of investments held for sale to Tricon	83,548
Reimbursable expenses	1,638
Total proceeds to Tricon	**$ 85,186**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total principal amount	Maturity date	Interest rate terms	December 31, 2018	December 31, 2017
Revolving term credit facility	USD	$ 365,000	June 2020	LIBOR+3.25%	$ 209,250	$ 161,500
2020 convertible debentures[2]	CAD	$ –	October 2018	5.60%	–	60,951
2022 convertible debentures	USD	$ 172,500	March 2022	5.75%	157,112	153,196
Mortgage	CAD	$ 9,754	November 2024	4.38%	7,150	7,957
Lease obligation	USD	$ 1,204	March 2026	5.60%	1,204	–
					$ 374,716	**$ 383,604**

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other (income) expenses). The mortgage is, and the 2020 convertible debentures were, denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at December 31, 2018: 1.3642 and at December 31, 2017: 1.2545.

(2) The 2020 convertible debentures were redeemed in full on October 9, 2018.

The Company has access to a $365.0 million corporate revolving credit facility provided by a syndicate of lenders. As of December 31, 2018, $209.3 million was drawn from the facility, and the Company had a cash balance of $7.8 million.

On August 30, 2018, the Company gave notice to debenture holders of its intention to redeem in full all of the outstanding balance of 5.60% convertible unsecured subordinated debentures due March 31, 2020 (the "2020 convertible debentures") effective October 9, 2018, and elected to satisfy the redemption proceeds by the issuance of common shares of the Company. In total, the Company issued 8,695,539 common shares in connection with the conversion or redemption of C$85.7 million aggregate principal amount of 2020 convertible debentures during 2018.

As of December 31, 2018, there was $172.5 million in outstanding aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Company (the "2022 convertible debentures"). The 2022 convertible debentures bear interest at 5.75% per annum and are convertible into 16,491,397 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$14.27 as of December 31, 2018). For the year ended December 31, 2018, there were no conversions of the 2022 convertible debentures.

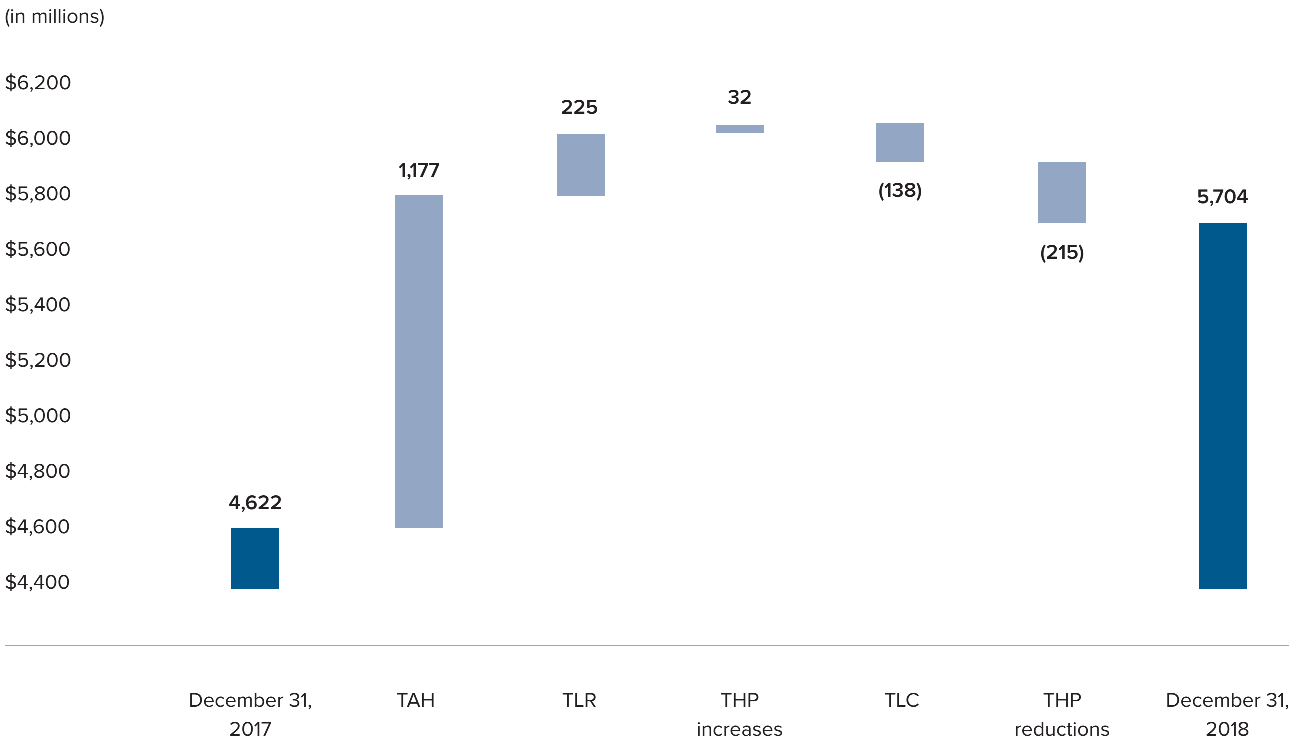
As of December 31, 2018, the Company had an outstanding mortgage loan of $7.2 million (C$9.8 million), which was used to finance the acquisition of the Company's new head office in Toronto. The mortgage carries a fixed interest rate of 4.38% per annum compounded semi-annually and matures on November 22, 2024.

On April 1, 2018, the Company entered into an agreement to lease office space at 260 California Street, San Francisco, with an expiration date of March 2026. The initial lease obligation recognized was $1.3 million, and the carrying value was $1.2 million as at December 31, 2018.

3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $5.7 billion as at December 31, 2018, representing an increase of $1.1 billion since December 31, 2017. 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 year on a vertical-by-vertical basis, the changes in AUM since December 31, 2017 were:

- An increase of $1.2 billion in TAH AUM driven primarily by $750.0 million of committed capital for TAH JV-1, $190.0 million of fair value adjustments (excluding projected future disposition fees) related to home price appreciation, as well as substantial home acquisitions and renovations for the TAH wholly-owned and TAH JV-1 portfolios (see Section 4.1).
- An increase of $224.6 million in TLR AUM resulting from the acquisition of West Don Lands and 8 Gloucester, along with construction expenditures and fair value gains recognized during the year.
- A $32.5 million increase in THP AUM primarily as a result of investment income of $12.1 million from Trinity Falls and $9.9 million of investment income from separate accounts and side-cars.
- A decrease of $137.8 million in TLC AUM from the portfolio sale of all 14 manufactured housing communities.
- A decrease of $214.6 million in THP AUM predominantly as a result of $121.2 million of distributions and $17.4 million of debt repayments from several investments. The remainder was a result of foreign exchange adjustments and the release of guarantees across various investments.

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

(in thousands of U.S. dollars)	December 31, 2018[1]	September 30, 2018[1]	June 30, 2018[1]	March 31, 2018[1]	December 31, 2017[1]
PRINCIPAL INVESTMENTS[2]					
Tricon American Homes	**$ 3,333,773**	**$ 3,267,062**	**$ 3,247,512**	**$ 2,866,838**	**$ 2,717,987**
Tricon Lifestyle Rentals					
Canada	141,871	134,846	119,314	71,290	71,918
U.S.	163,545	154,284	139,738	119,697	104,515
Tricon Lifestyle Rentals	305,416	289,130	259,052	190,987	176,433
Tricon Housing Partners					
THP1 US	95,496	101,447	101,272	103,102	103,706
THP2 US	29,253	30,716	31,246	30,898	30,858
THP3 Canada	12,125	14,994	15,049	15,444	15,790
Trinity Falls	117,643	114,014	111,545	107,882	105,502
Separate accounts	75,444	76,038	77,392	77,306	77,499
Side-cars	12,811	16,698	17,149	17,714	17,970
Tricon Housing Partners	**342,772**	**353,907**	**353,653**	**352,346**	**351,325**
Tricon Lifestyle Communities[3]	–	–	–	**146,000**	**137,780**
Principal investments	**$ 3,981,961**	**$ 3,910,099**	**$ 3,860,217**	**$ 3,556,171**	**$ 3,383,525**
PRIVATE FUNDS AND ADVISORY					
Tricon American Homes	**$ 561,069**	**$ 497,500**	**$ 497,500**	**$ –**	**$ –**
Tricon Lifestyle Rentals	**274,528**	**275,918**	**268,364**	**178,555**	**178,862**
Tricon Housing Partners					
THP1 US	24,442	26,324	26,687	26,711	26,729
THP2 US	138,662	176,115	192,603	200,171	226,524
THP1 Canada	–	–	106	626	634
THP2 Canada	19,981	22,820	23,110	23,603	24,257
THP3 Canada	71,312	105,841	104,046	105,284	108,203
Separate accounts	404,851	417,670	431,460	431,460	435,790
Side-cars	212,090	212,139	212,517	212,517	212,517
Syndicated investments	15,014	19,945	20,970	22,301	25,268
Tricon Housing Partners	**886,352**	**980,854**	**1,011,499**	**1,022,673**	**1,059,922**
Private Funds and Advisory	**$ 1,721,949**	**$ 1,754,272**	**$ 1,777,363**	**$ 1,201,228**	**$ 1,238,784**
Total assets under management	**$ 5,703,910**	**$ 5,664,371**	**$ 5,637,580**	**$ 4,757,399**	**$ 4,622,309**

(1) USD/CAD exchange rates used at each balance sheet date are: at December 31, 2018: 1.3642; September 30, 2018: 1.2945; June 30, 2018: 1.3168; March 31, 2018: 1.2894; December 31, 2017: 1.2545.

(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 February 5, 2019, TLR Canada announced its participation in a partnership with TAS Design Build and an institutional investor to develop and manage 7 Labatt, a mixed-use project in downtown Toronto. See Section 4.2 for details.

On February 25, 2019, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2019 to shareholders of record on March 31, 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 and year 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 had a year of significant accomplishments, highlighted by the launch of TAH JV-1, a joint venture between Tricon and two large institutional investors capitalized with $750.0 million of equity commitments and approximately $2 billion of buying power, when taking into account leverage. Operationally, TAH continued to experience NOI margin expansion, with a full-year margin of 62.6%, and achieved a 7.0% year-over-year same home NOI growth rate as a result of continued rent growth stemming from its revenue management platform and operating cost containment. Finally, TAH continued to convert its floating rate debt to longer duration fixed rate debt. As of December 31, 2018, 73% of TAH's debt had a fixed interest rate compared to 63% at December 31, 2017.

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's fourth quarter reflects continued strong operating performance, including 8.6% year-over-year same home NOI growth, 6.1% blended rent growth for the same home portfolio and a 62.6% same home NOI margin. The consolidated portfolio performed equally well, achieving 6.4% blended rent growth and a 64.5% NOI margin during the quarter.

TAH purchased 802 homes during the quarter (676 homes net of dispositions) through its organic acquisition program, outperforming its fourth quarter target of 700–750 homes. Of these new homes, 784 were acquired for TAH JV-1 and 18 for its TAH wholly-owned portfolio. TAH plans to continue growing its portfolio of managed homes over the course of 2019, targeting an average of 800 acquisitions per quarter, with lower than average volumes expected in the first and fourth quarters and higher volumes anticipated in the second and third quarters, reflective of the seasonality of listings and home sales. The vast majority of these acquisitions are intended for TAH JV-1. As of December 31, 2018, TAH managed a portfolio of 17,414 rental homes (17,442 total homes, including 28 homes held for sale), of which 2,003 were owned by TAH JV-1.

TAH's stabilized occupancy rate (which excludes homes that were recently acquired and not yet leased) was 96.2% at December 31, 2018, a testament to continued strong market demand for rental homes. The overall leased portfolio occupancy rate was 92.4% at December 31, 2018 as a result of a significant number of recently-acquired homes still in the initial renovation and leasing process.

During the quarter, TAH realized strong average rent growth of 6.4% on its consolidated portfolio, comprised of 7.9% growth on new leases and 5.6% on renewals. The continued growth reflects both strong demand fundamentals and supportive market conditions as well as the positive impact of TAH's revenue management program. TAH's annualized turnover rate in the fourth quarter of 2018 was 23.6%, a decrease from 27.6% recorded in the fourth quarter of 2017, as a result of TAH's diligent resident screening process. On a full-year basis, resident turnover was 26.8% compared to 29.6% in the prior year, which is reflective of the strong demand from the middle market for high-quality, professionally managed rental homes.

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.

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
TAH wholly-owned homes	15,439	15,547	15,995	15,584	15,218	16,594	16,660	7,821
TAH JV-1 homes	2,003	1,219	–	–	–	–	–	–
Total homes managed	17,442	16,766	15,995	15,584	15,218	16,594	16,660	7,821
Less homes held for sale	28	147	47	89	109	1,613	153	322
Rental homes	17,414	16,619	15,948	15,495	15,109	14,981	16,507	7,499
Homes acquired	802	810	505	396	160	–	9,054	168
Less homes disposed	(126)	(39)	(94)	(30)	(1,536)	(66)	(215)	(112)
Net homes acquired (disposed) during the quarter[1]	676	771	411	366	(1,376)	(66)	8,839	56
Occupancy	92.4%	93.1%	95.2%	95.3%	95.8%	96.1%	96.9%	95.6%
Stabilized occupancy	96.2%	96.3%	97.1%	96.9%	96.7%	96.7%	97.2%	96.5%
Annualized turnover rate	23.6%	27.7%	30.9%	24.9%	27.6%	31.4%	31.2%	25.6%
Average monthly rent	$ 1,350	$ 1,336	$ 1,315	$ 1,296	$ 1,283	$ 1,256	$ 1,243	$ 1,247
Average year-over-year rent growth – renewal	5.6%	5.4%	4.8%	4.3%	4.0%	4.0%	4.4%	4.3%
Average year-over-year rent growth – new move-in	7.9%	9.4%	9.4%	6.3%	5.0%	5.6%	5.7%	6.0%
Average year-over-year rent growth – blended	6.4%	6.7%	6.4%	5.0%	4.4%	4.6%	4.9%	5.0%

(1) Of the net homes acquired during the quarter, 784 were acquired by TAH JV-1 and a net 108 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 December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Total revenue[1]	$ 64,269	$ 55,118	$ 9,151	$ 241,020	$ 186,881	$ 54,139
Property taxes	10,014	8,044	(1,970)	37,380	28,112	(9,268)
Repairs, maintenance and turnover[2]	5,600	5,727	127	24,598	21,456	(3,142)
Property management fees	4,509	3,852	(657)	16,927	13,138	(3,789)
Property insurance	1,033	1,048	15	3,958	3,807	(151)
Homeowners' association (HOA) costs	724	718	(6)	2,958	2,385	(573)
Other direct expenses	964	1,004	40	4,003	3,439	(564)
Total operating expenses	22,844	20,393	(2,451)	89,824	72,337	(17,487)
Net operating income (NOI)	**$ 41,425**	**$ 34,725**	**$ 6,700**	**$ 151,196**	**$ 114,544**	**$ 36,652**
Net operating income (NOI) margin	**64.5%**	**63.0%**		**62.7%**	**61.3%**	
Net operating income (NOI), excluding impact of hurricanes	**$ 41,425**	**$ 35,523**	**$ 5,902**	**$ 150,762**	**$ 116,334**	**$ 34,428**
Net operating income (NOI) margin, excluding impact of hurricanes	**64.5%**	**64.4%**		**62.6%**	**62.3%**	
Fair value gain	24,790	51,307	(26,517)	180,496	143,993	36,503
Other expenses[3]	(8,666)	(20,748)	12,082	(38,626)	(83,188)	44,562
Interest expense[3]	(20,138)	(19,575)	(563)	(77,300)	(62,282)	(15,018)
Third-party investor interests	748	–	748	3,166	–	3,166
Investment income – TAH (per Tricon income statement)	**$ 38,159**	**$ 45,709**	**$ (7,550)**	**$ 218,932**	**$ 113,067**	**$ 105,865**

Warehouse credit facility interest	$ 1,171	$ 3,866	$ 2,695	$ 6,497	$ 6,581	$ 84
Securitization debt 2015-1 interest	–	441	441	–	9,256	9,256
Securitization debt 2016-1 interest	3,370	3,357	(13)	13,488	13,428	(60)
Securitization debt 2017-1 interest	4,168	4,156	(12)	16,674	5,954	(10,720)
Securitization debt 2017-2 interest	3,435	460	(2,975)	13,730	460	(13,270)
Securitization debt 2018-1 interest	3,164	–	(3,164)	8,875	–	(8,875)
Silver Bay acquisition warehouse facility interest	204	5,132	4,928	3,073	24,440	21,367
Term loan interest	3,813	2,163	(1,650)	14,150	2,163	(11,987)
TAH JV-1 warehouse credit facility interest	813	–	(813)	813	–	(813)
Interest expense	$ 20,138	$ 19,575	$ (563)	$ 77,300	$ 62,282	$ (15,018)
Weighted average interest rate	3.7%	3.8%		3.7%	3.7%	

(1) Includes bad debt expense of $520 (2017 – $330) and $1,908 (2017 – $2,068) for the three and twelve months ended December 31, 2018, respectively.

(2) Includes non-recurring storm-related recoveries of nil and $434 for the three and twelve months ended December 31, 2018, respectively (2017 – storm-related expenses of $798 and $1,790).

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

Total portfolio

During the fourth quarter of 2018, TAH's total revenue increased by $9.2 million or 17% to $64.3 million compared to $55.1 million in the same period in 2017. The increase of $9.2 million in rental revenue is attributable to (i) higher in-place rents achieved across the entire portfolio (average monthly rent of $1,350 in Q4 2018 versus $1,283 in Q4 2017); and (ii) continued strong acquisition and leasing activity resulting in an increased average leased portfolio (16,086 homes for Q4 2018 versus 14,474 homes for Q4 2017). This significant revenue growth, offset by an increase in operating expenses (discussed below), contributed to a 17% net increase in NOI to $41.4 million in the fourth quarter of 2018 compared to $35.5 million in the same period in 2017.

TAH's NOI margin increased marginally to 64.5% for the fourth quarter of 2018 compared to 64.4% for the same period in the prior year as the increase in revenue was largely offset by higher property tax expense. Note that the property tax expense in the fourth quarter of 2017 included a one-time favourable impact related to a true-up of previously accrued tax expenses. While TAH experienced a rise in property taxes in all markets due to home price appreciation, the increase was generally in line with expectations and with accruals that were made over the course of the year. The portfolio expense metrics exclude $0.8 million of non-recurring storm-related incremental expenses for the three months ended December 31, 2017.

TAH's fair value gain in the three months ended December 31, 2018 was $24.8 million compared to $51.3 million in the three months ended December 31, 2017. The HPI increase this quarter of 1.4% (5.6% annualized) was on par with the HPI increase in the fourth quarter of 2017. BPOs were obtained on 238 homes this quarter compared to 2,518 homes for the same period in 2017. The gain during the quarter reflected ongoing home price appreciation supported by strong demand fundamentals in TAH's target markets.

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 December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Investment income – TAH	$ 38,159	$ 45,709	$ (7,550)	$ 218,932	$ 113,067	$ 105,865
Fair value gain[1]	(24,790)	(51,307)	26,517	(180,496)	(143,993)	(36,503)
Third-party investor interests	(748)	–	(748)	(3,166)	706	(3,872)
Depreciation and non-cash items[2]	2,536	2,032	504	4,877	3,895	982
Deferred tax expense (recovery)	(387)	(50)	(337)	(389)	1,490	(1,879)
Deferred financing costs	29	(638)	667	673	(698)	1,371
TAH JV-1 partner-level expenses	1,393	–	1,393	5,097	–	5,097
Funds from operations (FFO)	**$ 16,192**	**$ (4,254)**	**$ 20,446**	**$ 45,528**	**$ (25,533)**	**$ 71,061**
Transaction costs and non-recurring costs[2,3]	815	17,007	(16,192)	8,463	61,291	(52,828)
Core funds from operations (Core FFO)	**$ 17,007**	**$ 12,753**	**$ 4,254**	**$ 53,991**	**$ 35,758**	**$ 18,233**

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

(3) Results for the twelve months ended December 31, 2018 include loan facility issuance costs of $7,970 and other non-recurring costs of $3,371 (including Silver Bay integration-related expenses of $851 and non-recurring legal costs of $1,277), offset by $2,878 in storm-related insurance recoveries. Results for the twelve months ended December 31, 2017 include transaction costs of $12,191 related to the Silver Bay acquisition, Silver Bay integration-related expenses of $5,307, loan facility issuance costs of $42,003, and repair costs for hurricane damage of $1,790.

For the fourth quarter of 2018, Core FFO increased by $4.3 million or 33% to $17.0 million compared to $12.8 million in the same period in the prior year. This improvement was attributable to increases in rental revenue driven by a larger number of leased properties and higher rent growth, partially offset by an increase in corporate overhead associated with staffing increases to accommodate the growth plan for TAH JV-1.

Same home portfolio

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars, except per home data)	2018	2017	Variance	2018	2017	Variance
Operating metrics – same home						
Rental homes	6,621	6,621	–	6,621	6,621	–
Occupancy	95.8%	96.4%	(0.6%)	95.8%	96.4%	(0.6%)
Annualized turnover rate	28.2%	28.2%	–	29.1%	30.2%	1.1%
Average monthly rent	$ 1,361	$ 1,298	$ 63	$ 1,361	$ 1,298	$ 63
Average year-over-year rent growth – renewal	5.6%	3.9%	1.7%	5.1%	4.3%	0.8%
Average year-over-year rent growth – new move-in	7.0%	3.2%	3.8%	7.6%	4.2%	3.4%
Average year-over-year rent growth – blended	6.1%	3.6%	2.5%	6.0%	4.3%	1.7%

For the 6,621 homes comprising the same home portfolio, rent growth was 6.1% (including 7.0% on new leases), offset by a 0.6% decrease in occupancy to 95.8% from 96.4% recorded in the same period in 2017. TAH continues to focus on maintaining an occupancy rate of between 95.0% and 96.5%, while increasing rents, in particular for new move-in homes. The portfolio's annualized turnover remained consistent at 28.2% for the three months ended December 31, 2018 compared to the same period in 2017.

For the periods ended December 31	Three months					Twelve months				
(in thousands of U.S. dollars)	2018	% of revenue	2017	% of revenue	Variance	2018	% of revenue	2017	% of revenue	Variance
Income statement – same home										
Rental revenue	$ 25,377		$ 24,317		$ 1,060	$ 99,903		$ 96,208		$ 3,695
Fees and other revenue	989		807		182	3,502		3,425		77
Bad debt	(212)		(441)		229	(906)		(1,547)		641
Total revenue	26,154	100%	24,683	100%	1,471	102,499	100%	98,086	100%	4,413
Revenue growth					6.0%					4.5%
Property taxes	4,109	16%	3,558	14%	(551)	15,831	15%	14,840	15%	(991)
Repairs, maintenance and turnover	2,642	10%	2,836	11%	194	11,676	11%	12,025	12%	349
Property management fees	1,836	7%	1,735	7%	(101)	7,208	7%	6,910	7%	(298)
Property insurance	486	2%	560	2%	74	1,926	2%	2,339	2%	413
Homeowners' association (HOA) costs	300	1%	342	1%	42	1,269	1%	1,325	1%	56
Other direct expenses	419	2%	582	2%	163	1,866	2%	2,030	2%	164
Total operating expenses	9,792		9,613		(179)	39,776		39,469		(307)
Operating expense variance					(1.9%)					(0.8%)
Net operating income (NOI)	**$ 16,362**		**$ 15,070**		**$ 1,292**	**$ 62,723**		**$ 58,617**		**$ 4,106**
Net operating income (NOI) growth					**8.6%**					**7.0%**
Net operating income (NOI) margin	**62.6%**		**61.1%**			**61.2%**		**59.8%**		

Total revenue for the same home portfolio increased by $1.5 million or 6% to $26.2 million in the fourth quarter of 2018 compared to $24.7 million for the same period in the prior year. The increase in revenue is primarily a result of increases in the average monthly rent, lower bad debt expense driven by enhancements to TAH's resident screening process and an increase in miscellaneous fees earned, including higher application fees.

Same home operating expenses increased by $0.2 million or 2% to $9.8 million in the fourth quarter of 2018 from $9.6 million in the same period in 2017. This variance is largely a result of increases in property taxes and property management fees, partly offset by favourable reductions across all other cost categories. As noted earlier, the property tax expense in the fourth quarter of 2017 included a one-time favourable impact related to a true-up of previously accrued tax expenses that year. Management believes that the full-year tax expense increase of 7% provides a more accurate picture of year-over-year trends.

The following is a full description of these expenses:

- **Property taxes** – Property taxes increased by $0.6 million or 15% to $4.1 million in the current quarter, based on the actual property taxes assessed from municipalities. TAH has worked with a property tax consultant to monitor tax assessments throughout the year, and the final assessments were in line with expectations, while the prior year's fourth quarter included a one-time favourable adjustment to the property tax accrual.
- **Repairs, maintenance and turnover** – Operating efficiencies from an increasingly internalized repairs and maintenance function resulted in a $0.2 million or 7% decrease in costs to $2.6 million.
- **Property management fees** – These fees increased by $0.1 million or 6% to $1.8 million, in line with revenue growth. They are consistent with the comparative period and remain at approximately 7% of revenue.
- **Property insurance** – The 2018 insurance premiums decreased by $0.1 million or 13% to $0.5 million from the 2017 premiums as a result of scale-related savings.
- **HOA costs and other direct expenses** – These costs have decreased by $0.2 million or 22% to $0.7 million as a result of operating improvements in transferring billing to new residents on a more timely basis. TAH is responsible for these expenses on homes until they are leased.

In summary, with strong revenue growth and reduced expenses, same home NOI increased by 8.6% year-over-year to $16.4 million in the fourth quarter of 2018 compared to $15.1 million in the fourth quarter of 2017. Same home NOI margin increased to 62.6% in the fourth quarter of 2018 (61.2% for the twelve months ended December 31, 2018) from 61.1% in the same period in the prior year (59.8% for the twelve months ended December 31, 2017). These same home metrics exclude the impact of non-recurring storm-related recoveries or expenses.

Assets under management and investment balance

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

	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%	$ 3,013,157	$ –	$ 3,013,157
TAH JV-1	33.7%	116,086	204,530	320,616
Total		**$ 3,129,243**	**$ 204,530**	**$ 3,333,773**

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)		Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Purchase price of homes		$ 2,510,590	$ 2,378,431	$ 2,259,951	$ 2,180,878	$ 2,122,574	$ 2,095,693	$ 2,237,442	$ 830,501
Cumulative capital expenditures[1]		278,629	252,218	234,301	220,058	208,764	222,347	207,927	199,282
Total cost basis of rental homes		$ 2,789,219	$ 2,630,649	$ 2,494,252	$ 2,400,936	$ 2,331,338	$ 2,318,040	$ 2,445,369	$ 1,029,783
Cost of homes held for sale		2,863	15,816	4,078	11,904	10,779	166,973	15,901	31,920
Cumulative fair value adjustment[2]		565,885	540,698	496,682	453,998	375,870	293,044	230,059	210,293
Portfolio home price appreciation during the quarter		1.4%	1.5%	1.7%	1.5%	1.4%	1.2%	1.2%	1.3%
Fair value of managed homes		**$ 3,357,967**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**	**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**
Less projected future disposition fees		30,563	30,340	30,713	29,303	27,793	28,160	14,205	14,221
Fair value of managed homes, net	A	3,327,404	3,156,823	2,964,299	2,837,535	2,690,194	2,749,897	2,677,124	1,257,775
Add:									
Other net assets (liabilities)[3]	B	(44,837)	(29,784)	76,729	83,689	71,693	52,216	62,962	45,633
Less:									
Warehouse credit facility (LIBOR+3.00%)		100,546	74,443	99,687	216,251	184,167	42,376	73,608	68,626
Securitization debt 2015-1 (LIBOR+1.96%)		–	–	–	–	–	337,220	339,611	347,091
Securitization debt 2016-1 (3.59% fixed)		361,440	361,906	362,234	362,470	362,601	362,601	362,601	362,601
Securitization debt 2017-1 (3.50% fixed)		462,594	462,594	462,594	462,594	462,594	462,594	–	–
Securitization debt 2017-2 (3.58% fixed)		364,574	364,819	365,000	365,000	365,000	–	–	–
Securitization debt 2018-1 (3.86% fixed)		313,865	313,865	313,865	–	–	–	–	–
Silver Bay acquisition warehouse facility (LIBOR+3.26% blended)		–	22,602	25,926	154,570	155,828	778,915	1,197,902	–
Term loan (LIBOR+2.00%)		347,582	347,582	347,582	347,582	347,582	–	–	–
TAH JV-1 warehouse credit facility (LIBOR+2.50%)		95,832	–	–	–	–	–	–	–
Total debt	C	2,046,433	1,947,811	1,976,888	1,908,467	1,877,772	1,983,706	1,973,722	778,318
Third-party investor interests[4]	D	90,913	71,266	–	–	–	–	–	–
Investments – TAH (per Tricon balance sheet)	**A+B–C–D**	**$ 1,145,221**	**$ 1,107,962**	**$ 1,064,140**	**$ 1,012,757**	**$ 884,115**	**$ 818,407**	**$ 766,364**	**$ 525,090**
Fair value of TAH wholly-owned homes	E	$ 3,013,157	$ 2,983,297	$ 2,995,012	$ 2,866,838	$ 2,717,987	$ 2,778,057	$ 2,691,329	$ 1,271,996
Fair value of TAH JV-1 homes	F	344,810	203,866	–	–	–	–	–	–
Fair value of managed homes	**G=E+F**	**$ 3,357,967**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**	**$ 2,717,987**	**$ 2,778,057**	**$ 2,691,329**	**$ 1,271,996**
Tricon's share of total fair value	(E+33.7% of F)/G	93.2%	95.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash		82,214	79,992	84,142	84,499	88,704	87,797	91,709	41,559
Debt-to-cost (net of cash)		70.3%	70.6%	75.8%	75.6%	76.4%	76.3%	76.5%	69.4%
Debt-to-value (net of cash)		58.5%	58.6%	63.2%	63.6%	65.8%	68.2%	69.9%	57.9%

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

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

(3) Other net assets (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 table below presents Tricon's share of the key operating metrics of TAH's total portfolio under management.

For the periods ended December 31, 2018 (in thousands of U.S. dollars)	Three months			Twelve months		
	Tricon's share	Total managed portfolio	Tricon's share (%)	Tricon's share	Total managed portfolio	Tricon's share (%)
Net operating income (NOI)	$ 39,897	$ 41,425	96.3%	$ 149,425	$ 151,196	98.8%
Core funds from operations (Core FFO)	16,615	17,007	97.7%	53,617	53,991	99.3%
Fair value of homes	3,129,243	3,357,967	93.2%	3,129,243	3,357,967	93.2%

As at December 31, 2018, TAH's rental portfolio is diversified across 16 target markets. Market-level details on all the homes managed by TAH are presented below.

Geography	Total homes managed[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or renovation	Occupancy	Stabilized occupancy
Atlanta	4,195	4,191	3,767	116	308	89.9%	94.9%
Charlotte	1,891	1,888	1,635	60	193	86.6%	96.3%
Phoenix	1,862	1,862	1,820	22	20	97.7%	98.6%
Tampa	1,553	1,549	1,475	46	28	95.2%	96.7%
Dallas	1,370	1,367	1,247	72	48	91.2%	95.0%
Houston	1,122	1,122	997	74	51	88.9%	91.9%
Northern California	1,010	1,009	999	7	3	99.0%	99.0%
Columbia	764	755	646	19	90	85.6%	92.7%
Southeast Florida	725	724	696	11	17	96.1%	96.3%
Las Vegas	601	601	588	6	7	97.8%	97.9%
Indianapolis	561	561	519	26	16	92.5%	97.9%
Jacksonville	490	490	473	5	12	96.5%	97.7%
Orlando	442	441	435	1	5	98.6%	98.9%
San Antonio	326	324	267	26	31	82.4%	91.7%
Southern California	279	279	276	1	2	98.9%	98.9%
Reno	251	251	246	2	3	98.0%	98.0%
Total/Weighted average	**17,442**	**17,414**	**16,086**	**494**	**834**	**92.4%**	**96.2%**

(1) Includes 28 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	$ 128,000	$ 12,000	$ 140,000	1,775	$ 1,244	$ 0.70
Charlotte	128,000	19,000	147,000	1,591	1,228	0.77
Phoenix	168,000	7,000	175,000	1,697	1,236	0.73
Tampa	153,000	17,000	170,000	1,545	1,484	0.96
Dallas	139,000	15,000	154,000	1,567	1,415	0.90
Houston	125,000	22,000	147,000	1,605	1,347	0.84
Northern California	196,000	21,000	217,000	1,304	1,730	1.33
Columbia	107,000	19,000	126,000	1,516	1,202	0.79
Southeast Florida	121,000	40,000	161,000	1,404	1,668	1.19
Las Vegas	164,000	12,000	176,000	1,648	1,314	0.80
Indianapolis	119,000	20,000	139,000	1,584	1,206	0.76
Jacksonville	141,000	4,000	145,000	1,509	1,280	0.85
Orlando	171,000	5,000	176,000	1,499	1,382	0.92
San Antonio	115,000	27,000	142,000	1,614	1,307	0.81
Southern California	151,000	31,000	182,000	1,295	1,700	1.31
Reno	150,000	24,000	174,000	1,548	1,550	1.00
Total/Weighted average	**$ 141,000**	**$ 16,000**	**$ 157,000**	**1,606**	**$ 1,350**	**$ 0.84**

(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

TLR's active projects under development progressed according to their business plans during 2018. A summary of TLR's principal investments is presented below with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.2).

	TLR principal investments				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
TLR Canada	$ 43,769	$ 68,978	$ 31,044	$ 41,849	$ 141,871
TLR U.S.	58,720	80,889	81,043	1,613	163,545
Total	**$ 102,489**	**$ 149,867**	**$ 112,087**	**$ 43,462**	**$ 305,416**

(1) Investments – TLR per Tricon balance sheet of $129,838 is comprised of investment in TLR Canada of $70,200 and investment in TLR U.S. of $59,638. In the table above, TLR U.S. investment at fair value of $80,889 is shown before net liabilities and non-controlling interest of $21,251, and the TLR Canada investment at fair value of $68,978 is shown before other net assets of $1,222.

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

	Location	TLR's share of Investment Vehicle	Projected construction Start	End	Projected total cost ($000)	Projected rental units	Projected retail/office (sq. feet)
The Selby (592 Sherbourne)	Toronto, ON	15.0%	Q1 2015	Q4 2018	$ 146,400	500	~5,000
The Taylor (57 Spadina)	Toronto, ON	30.0%	Q1 2018	Q1 2021	119,300	286	~45,000
The James (Scrivener Square)	Toronto, ON	50.0%	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	Toronto, ON	25.0%	N/A	N/A	N/A	N/A	30,820
West Don Lands	Toronto, ON	33.3%	Q2 2019	~2023	TBD	~1,500	TBD
8 Gloucester	Toronto, ON	47.0%	Q4 2019	Q3 2022	97,900	232	3,200
TLR Canada		**~30%**			**~$ 1,000,000**	**~2,700**	
The McKenzie	Dallas, TX	90.0%	Q4 2015	Q4 2018	93,100	183	–
The Maxwell	Frisco, TX	90.0%	Q2 2016	Q1 2019	58,900	325	–
TLR U.S.		**90.0%**			**$ 152,000**	**508**	
Total					**~$ 1,152,000**	**~3,200**	

(1) Projected timelines and costs and anticipated rentable building elements are forward-looking statements. Refer to page 1, Non-IFRS measures and forward-looking statements.

Operational highlights include the following:

Tricon Lifestyle Rentals – Canada

In 2018, TLR Canada added three marquee development sites in prime locations in the Distillery District/West Don Lands and Yonge and Bloor neighbourhoods in Toronto. At year-end, TLR Canada had six projects totaling ten buildings in downtown Toronto, making TLR Canada one of the most active developers and operators of Class A rental apartments in Canada's largest city. Its portfolio at year-end consisted of approximately 2,700 total units under development or construction with an aggregate expected total cost of approximately $1.0 billion (C$1.3 billion). TLR Canada currently holds an approximate 30% average equity interest in this portfolio, with the balance held by institutional and strategic partners in its various projects. TLR Canada continues to demonstrate an ability to acquire development sites in prime downtown locations, despite a very competitive land market, by partnering with the provincial or municipal government on rental-only sites and entering into joint ventures with landowners seeking to intensify their sites and to benefit from stable, long-term cash-generating rental assets. TLR Canada continues to evaluate new development sites in transit-oriented nodes in the Greater Toronto Area, and currently has an active pipeline of high-quality opportunities that it hopes to execute on in 2019.

Market fundamentals for purpose-built rental in Toronto remained very robust in 2018, buoyed by strong net immigration, the city's strong diversified employment base, downtown urbanization trends and increasingly stringent home ownership lending standards. During 2018, year-over-year rental growth registered 10% and vacancy remained negligible at 0.3% in Toronto, according to UrbanRental. Construction costs began increasing in early 2018 and upward pressure was visible within certain trades by year-end, namely formwork, mechanical and drywall, as a result of a limited trade base and heightened overall level of for-sale condominium construction activity. Despite cost escalation, market rental growth has generally offset these increases to maintain expected development yields in the 5.25% to 5.75% range.

TLR Canada's first project, The Selby, launched leasing on November 30 and was open for move-ins from the 6th to the 14th floor as at year-end. Demand has been robust with over 110 tours in the month after the launch, and 18 of the 72 available units under signed lease or approved application by year-end, despite a seasonally-slower holiday period. Leasing is expected to ramp up significantly in the first quarter of 2019 as amenities such as the spa and the Oliver & Bonacini-managed restaurant open. Finishing trade work continues on the 15th to 50th floors, and the building expects to receive its final occupancy permit in the first half of 2019. TLR Canada is also working to close on a long-term permanent loan in the first half of 2019. Subsequent to year-end, The Selby was voted by Urban Toronto's readership as the Best High Rise over 40 storeys.

The Selby's opening marks the introduction of Tricon House, TLR Canada's consumer-facing resident brand. Tricon House buildings are to be defined by architectural and design excellence that unite the best in form and function, exceptional amenities including state-of-the-art fitness facilities and reimagined common spaces, elevated service levels that simplify residents' lives, and curated lifestyle programming.

In November 2018, the Province of Ontario announced that the rent control provisions of the previous government's "Fair Housing Plan" would only apply to buildings that had occupancy on or before November 15, 2018 and, as such, The Selby and other TLR Canada projects are not subject to such rent control measures.

At 57 Spadina, which has been named The Taylor as a nod to its Garment District location, the existing retail building was demolished, excavation of the parking garage was completed, and 35% of trades were secured during 2018. In addition, the project secured a construction loan in the fourth quarter of 2018 at attractive terms. The site crane is scheduled to be erected in the first quarter of 2019. The Entertainment District submarket has sustained above-average rent growth as it continues to be one of the most sought-after rental neighbourhoods among millennial renters.

At Scrivener Square (now named The James), located in the upmarket Rosedale/Summerhill neighbourhood, zoning and design were advanced significantly with Toronto's City Council supporting the project design by internationally acclaimed Danish architects, COBE. Final zoning approvals are expected in mid-2019 following the Ontario Municipal Board Settlement Hearing. Demolition of existing buildings on-site is anticipated to commence in the last quarter of 2019.

TLR Canada and its joint venture partners, Dream Unlimited Corp. and Kilmer Group, continue to advance the design and entitlements on Block 8/20, the first phase to be developed as rental, in the historic Distillery District neighbourhood. Block 8/20 is part of the Province of Ontario's Affordable Housing Lands Program and contains a mix of market-rate and affordable housing on a 70/30 basis, respectively. Block 8/20 is also being designed by COBE (the same architect as The James) along with a leading Toronto-based architect. Design development of Block 8/20 is expected to be completed by the second quarter of 2019 with construction expected to commence in the second half of the same year. Discussions with the City of Toronto on design and massing of the next phase, Blocks 3/4/7, commenced in the first quarter of 2019.

At 8 Gloucester, prominently located within Toronto's Yonge and Bloor submarket, design development advanced rapidly following the site acquisition in the second quarter of 2018. TLR Canada and its co-developer, Angel Developments Inc., are working with two high-profile Canadian architecture firms to advance design development and site demolition is expected to commence in the second half of 2019.

Subsequent to year-end, TLR Canada announced its participation in a partnership with TAS Design Build and an institutional investor to develop and manage a mixed-use project in downtown Toronto. The 1.3-acre site is located at the corner of Labatt Avenue and River Street (7 Labatt Avenue and 77 River Street) and is immediately adjacent to the Regent Park redevelopment, a 69-acre master-planned community that has been transformed into a vibrant, family-oriented urban community. The site is zoned for an approximately 560,000-square-foot building that will include approximately 300 purpose-built rental units and 295 for-sale condominium units, as well as 65,000 square feet of commercial space. Construction is expected to commence in mid-2020 and project completion is anticipated in late 2023.

The addition of the project at 7 Labatt brings Tricon's Toronto-based multi-family development pipeline to over 3,000 units with an estimated total cost of approximately $1.2 billion (C$1.6 billion). TLR Canada's equity stake in this portfolio remains at approximately 30%.

Tricon Lifestyle Rentals – U.S.

In the U.S., Tricon is pursuing an orderly exit of its two multi-family development projects, targeting to complete the sale in 2019 with the net proceeds to be used primarily to reduce Tricon's corporate debt.

At The McKenzie, adjacent to Dallas' affluent Highland Park neighbourhood, construction of the 183-unit rental building was substantially completed during the fourth quarter of 2018. Lease-up continued during the quarter, and the building was 32% leased as of year-end with average in-place rent per square foot ~10% higher than underwriting. In the fourth quarter of 2018, The McKenzie won the "Multifamily Development of the Year: High Rise" award from D Magazine. The building is currently in an active sale process.

At The Maxwell in Frisco, Texas, construction of the 325-unit rental building continued as planned with substantial completion of construction expected in early 2019. Lease-up continued during the quarter, and the building was 25% leased as of year-end with average in-place rent per square foot largely in line with underwriting.

4.3 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[4]
THP1 US	68.4%	$ 57,051	$ 86,067	$ 9,429	$ 95,496	$ 271,222	$ 280,574	$ 108,960
THP2 US	7.5%	21,958	26,265	2,988	29,253	22,012	28	20,115
THP3 Canada	10.2%	7,343	6,599	5,526	12,125	9,135	6,580	7,683
Trinity Falls	100.0%	85,119	111,342	6,301	117,643	85,449	–	290,473
Separate accounts[2]	12.9%	55,548	67,215	8,229	75,444	72,113	33,213	127,645
Side-cars[3]	7.5%	20,775	10,076	2,735	12,811	20,878	1,848	22,238
Total		**$ 247,794**	**$ 307,564**	**$ 35,208**	**$ 342,772**	**$ 480,809**	**$ 322,243**	**$ 577,114**

Adjusted EBITDA[4] – 2018 (12 months)	$ 12,517
As a % of invested capital at December 31, 2018	5%

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

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

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

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

For the year ended December 31, 2018, THP Adjusted EBITDA of $12.5 million represented a 5% net return on outstanding invested capital at cost. 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 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:

THP1 US

Over the course of 2018, THP1 US distributed $7.5 million to investors, including $5.1 million to Tricon. THP1 US investment income declined year-over-year as a result of a lower investment balance as well as budget revisions reflecting delays in the timing of expected cash flows from certain projects. As discussed in prior quarters, the budget revisions were driven by rising construction costs as a result of the aforementioned labour constraints and extended development timelines, as well as increased competition in the market for THP's active-adult projects. Despite these challenges, THP1 US is expected to continue to generate meaningful cash distributions in excess of $100 million to Tricon.

THP2 US

In 2018, THP2 US distributed $80.1 million to its investors. Of the total distributions, the two largest contributors were: (i) $33.6 million from the sale of a multi-family development in Austin, Texas; and (ii) $16.1 million from the sale of condominium units in a development in Mountain View, California, which sold out during the year.

In spite of meaningful cash flow distributions from assets being harvested, the fund's performance was negatively impacted by its co-investment in Arantine Hills, which has undergone unfavourable budget revisions in the fourth quarter as reflected in its annual appraisal, and its investment in a public homebuilder whose stock has underperformed. See the discussion in the Side-cars section below.

THP3 Canada
THP3 Canada distributed $38.6 million (C$52.7 million) to its investors during 2018, including $3.4 million (C$5.4 million) to Tricon. Of the total distributions, $19.0 million (C$25.9 million) was generated from the Mahogany master-planned community development in Calgary, Alberta, and $9.5 million (C$13.0 million) was generated from the sale of the fund's interest in the Metrotown condominium development in Burnaby, British Columbia.

Trinity Falls
At the Trinity Falls master-planned community in Dallas-Fort Worth, Texas, home and lot sales were tempered during the year while the project executed a change in the product mix to deliver a greater number of smaller lots in response to increased demand for smaller and more affordable homes. A total of 116 lots were sold to homebuilders and 181 homes were sold by homebuilders to end consumers in 2018 compared to 177 lots and 220 homes sold in 2017. The project plans to offer a range of smaller lots to homebuilders in early 2019 and its grand reopening is currently scheduled for the second quarter of 2019.

Separate accounts
The Viridian master-planned community in Dallas-Fort Worth, Texas continued to perform as expected, with $24.4 million distributed to its investors during 2018, including $4.4 million to Tricon. A total of 261 lots were sold to homebuilders and 357 homes were sold by home-builders to end consumers in 2018 compared to 350 lots and 291 homes sold in 2017. Total lot closings in 2018 were moderately impacted by development delays caused by inclement weather during the second half of 2018; however, these delayed lot closings are projected to occur in the first quarter of 2019. In 2018, Viridian was ranked in the "Top 50 Top-Selling Master-Planned Communities" according to RCLCO.

The Cross Creek Ranch master-planned community in Houston, Texas distributed $37.2 million to its investors in 2018, including $3.7 million to Tricon, and the project continued to perform in line with expectations. A total of 413 lots were sold to homebuilders and 455 homes were sold by homebuilders to end consumers in 2018 compared to 417 lots and 397 homes sold in 2017, and the community was once again ranked in the "Top 50 Top-Selling Master-Planned Communities" according to RCLCO.

At the Grand Central Park master-planned community in Houston, Texas, a total of 123 lots were sold to homebuilders and 117 homes were sold by homebuilders to end consumers in 2018 compared to 161 lots and 98 homes sold in 2017. Notwithstanding the improvement in home sales year-over-year, lot sales were tempered in 2018 as the project continued to optimize its branding and marketing and improve its amenity package. This includes supplementing existing amenities and designing a large central amenity centre that is currently planned to break ground in the second half of 2019.

Trilogy at Verde River, an active-adult community in Phoenix, Arizona, achieved 107 home sales in 2018 compared to 103 home sales in 2017 and distributed $13.2 million in 2018, including $1.3 million to Tricon. To address increased competition in the active-adult market, new home designs and a new lower-priced affordable product line, the "Resort Collection", will be launched in the first quarter of 2019.

Side-cars
Trilogy at Vistancia West, an active-adult community in Phoenix, Arizona, distributed $13.5 million in 2018, including $1.0 million to Tricon. The project recorded 156 homes sales in 2018 compared to 123 homes sales in 2017. Strong sales have been driven by the opening of the new model gallery adjacent to the community amenity centre at the end of 2017.

Trilogy Lake Norman, an active-adult community in Charlotte, North Carolina, distributed $5.9 million in 2018, including $0.4 million to Tricon. The project's home sales slowed marginally in 2018 to 113 home sales from 123 home sales in 2017. Sales declines were a result of price increases, lower buyer traffic and higher competition in the market. In response to increased competition, a new lower-priced affordable product line called "The Freedom Collection" was launched near the end of the year.

Arantine Hills (marketed as "Bedford"), a master-planned community in Corona, California, held its grand opening at the end of the third quarter of 2018 and attracted approximately 2,000 visitors. The clubhouse, model homes and main entryway are now complete. Buyer traffic and home sales throughout the Inland Empire region are significantly below expectations, which was reflected in the project's muted 18 home sales in 2018 following the grand opening. Consequently, the budget has been revised to reflect a general market softening resulting from lower buyer traffic and home sales, lot sale delays and price reductions.

Total project inventory and sales summary

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

	Total units[2]					Total units sold				
As of December 31, 2018[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots[3]	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,091	26,648	6,387	1,537	46,173	334	7,403	4,088	1,422	32,373
Canada	268	3,661	1,034	5,097	195,060	202	2,797	799	5,055	181,860
Total units	**1,359**	**30,309**	**7,421**	**6,634**	**241,233**	**536**	**10,200**	**4,887**	**6,477**	**214,233**
As of December 31, 2017[1]										
U.S.	1,097	26,477	6,138	1,556	46,053	309	6,358	3,447	1,260	32,373
Canada	267	3,691	1,045	5,384	195,060	197	2,656	718	5,066	181,860
Total units	**1,364**	**30,168**	**7,183**	**6,940**	**241,113**	**506**	**9,014**	**4,165**	**6,326**	**214,233**

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

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

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

4.4 Private Funds and Advisory

Tricon manages $1.7 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.

In the second quarter of 2018, Tricon formed a joint venture with two leading institutional investors, TAH JV-1. The launch of this joint venture is a significant milestone as it helps further institutionalize the burgeoning single-family rental asset class and broadens the appeal of Tricon and its housing-centric investment strategy to private investors. TAH JV-1 adds immediate scale to Tricon's Private Funds and Advisory business and is expected to augment investment returns with management and performance fees. With the launch of TAH JV-1, Tricon now has third-party capital under management in all three of its investment verticals.

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

	Third-party investments			
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C
TAH[2]	**$ 96,130**	**$ 142,837**	**$ 322,102**	**$ 561,069**
TLR Canada[3]	**94,440**	**106,787**	**73,301**	**274,528**
THP				
THP1 US	21,081	–	3,361	24,442
THP2 US	112,443	–	26,219	138,662
Separate accounts[4]	342,852	–	61,999	404,851
Side-cars[5]	186,979	–	25,111	212,090
THP1 Canada	–	–	–	–
THP2 Canada	18,947	–	1,034	19,981
THP3 Canada	61,727	–	9,585	71,312
Canadian syndicated investments[6]	10,025	–	4,989	15,014
Subtotal – THP	**$ 754,054**	**$ –**	**$ 132,298**	**$ 886,352**
Total – Third-party investments	**$ 944,624**	**$ 249,624**	**$ 527,701**	**$ 1,721,949**

(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 and 8 Gloucester.
(4) Separate accounts include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1 and THP US SP2.
(5) Side-cars include Trilogy at Vistancia West, Trilogy Lake Norman and Arantine Hills.
(6) Canadian syndicated investments include Heritage Valley, 5 St. Joseph and Mahogany.

Third-party AUM at December 31, 2018 increased by $483.2 million or 39% to $1.7 billion compared to $1.2 billion as at December 31, 2017. This increase was driven by $561.1 million of third-party capital from the formation of TAH JV-1, along with an increase of $95.7 million from new acquisitions and incremental funded debt in TLR Canada. These increases were partially offset by a decrease in THP third-party AUM as a result of distributions throughout the year.

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2018	2017	Variance	2018	2017	Variance
Tricon American Homes						
Management fees	$ 1,003	$ –	$ 1,003	$ 2,050	$ –	$ 2,050
Subtotal – TAH	**$ 1,003**	**$ –**	**$ 1,003**	**$ 2,050**	**$ –**	**$ 2,050**
Tricon Lifestyle Rentals						
Management fees	238	210	28	875	799	76
Development fees – TLR Canada projects	1,290	404	886	2,892	1,586	1,306
Subtotal – TLR	**$ 1,528**	**$ 614**	**$ 914**	**$ 3,767**	**$ 2,385**	**$ 1,382**
Tricon Housing Partners						
THP1 US	212	224	(12)	826	969	(143)
THP2 US	709	731	(22)	2,863	2,902	(39)
Separate accounts	1,076	1,041	35	4,125	3,984	141
Side-cars	472	441	31	1,641	1,608	33
U.S. syndicated investments	–	5	(5)	4	7	(3)
Trinity Falls	214	185	29	826	740	86
THP1 Canada	–	3	(3)	2	13	(11)
THP2 Canada	82	87	(5)	338	339	(1)
THP3 Canada	235	362	(127)	1,316	1,388	(72)
Canadian syndicated investments	44	60	(16)	204	260	(56)
Management fees and general partner distributions	3,044	3,139	(95)	12,145	12,210	(65)
Development fees – Johnson	2,533	3,524	(991)	9,610	10,279	(669)
Performance fees	1,457	54	1,403	2,775	525	2,250
Subtotal – THP	**$ 7,034**	**$ 6,717**	**$ 317**	**$ 24,530**	**$ 23,014**	**$ 1,516**
Total revenue	**$ 9,565**	**$ 7,331**	**$ 2,234**	**$ 30,347**	**$ 25,399**	**$ 4,948**

Private Funds and Advisory revenue for the three months ended December 31, 2018 totaled $9.6 million, an increase of $2.2 million from $7.3 million in the same period in the prior year. The increase is largely attributable to:

- An increase in revenue of $1.0 million from TAH as a result of management fees earned from the new single-family rental joint venture (TAH JV-1).
- An increase in revenue of $0.9 million from TLR as a result of additional development fees from new acquisitions during the year.
- An increase in revenue of $0.3 million from THP primarily as a result of $1.3 million of performance fees earned from Mahogany, partially offset by a $1.0 million decrease in Johnson development fees as a result of decreased lot and commercial land sales compared to the same period in the prior year.

Private Funds and Advisory revenue for the twelve months ended December 31, 2018 totaled $30.3 million, an increase of $4.9 million from $25.4 million in the prior year, largely attributable to the factors listed above that impacted the quarterly variance.

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
(in thousands of U.S. dollars)	Gross ROI	Gross IRR	Net ROI	Net IRR	performance fees to Tricon remaining
TAH[1]	**2.2x**	**14%**	**2.0x**	**12%**	**$ 32,000**
TLR Canada[2]	**2.5x**	**12%**	**2.4x**	**12%**	**10,213**
THP					
THP1 US	2.1x	13%	1.7x	10%	12,940
THP2 US	1.6x	11%	1.4x	8%	–
Separate accounts[3]	2.2x	14%	2.2x	14%	28,384
Side-cars[4]	1.4x	3%	1.4x	3%	–
THP1 Canada	2.0x	15%	1.6x	11%	6,890
THP2 Canada	1.6x	13%	1.4x	9%	–
THP3 Canada	1.9x	13%	1.5x	9%	–
Canadian syndicated investments and other[5]	2.0x	10%	1.9x	9%	1,887
Subtotal – THP					**$ 50,101**
Total					**$ 92,314**

(1) TAH includes TAH JV-1.

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

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

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

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

The Johnson Companies LP ("Johnson")

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

For the periods ended December 31 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months			Twelve months		
	2018	2017	Variance	2018	2017	Variance
Development fees – Johnson	$ 2,533	$ 3,524	$ (991)	$ 9,610	$ 10,279	$ (669)
Lot closings	639	963	(324)	2,326	2,819	(493)
Land sales (acres)	10	77	(67)	113	524	(411)
Third-party home sales	752	795	(43)	3,820	3,293	527

Lot closings for the three and twelve months ended December 31, 2018 experienced a decline from the same periods in 2017, primarily due to a large number of lot closings in late 2017 which resulted in relatively high land inventory among homebuilders across the portfolio going into 2018. With more inventory on hand, a successful shift to smaller lots, and a strengthening housing market in Houston, Johnson communities achieved record third-party home sales of 3,820 compared to 3,293 during 2017. Given that home sales in 2018 substantially exceeded lot deliveries, Johnson is well positioned to accelerate lot production and drive development fees in 2019. Meanwhile, land sales for the three and twelve months ended December 31, 2018 decreased largely as a result of a one-time 300-acre sale in the third quarter of 2017.

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 2018 according to Robert Charles Lesser & Co. Real Estate Advisors and John Burns Real Estate Consulting. The increased demand for third-party homes at Johnson communities is expected to drive strong future lot sales as builders replenish their land inventory.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 Financing strategy

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

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

5.2 Liquidity

Tricon generates substantial liquidity through:

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

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

Working capital

As at December 31, 2018, Tricon had a net working capital surplus of $12.5 million, reflecting current assets of $26.5 million, offset by payables and accrued liabilities of $14.1 million.

5.3 Capital resources

Debt structure

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

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

As at December 31, 2018, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

The Company's Dividend Reinvestment Plan ("DRIP") provides eligible holders of common shares with the opportunity to reinvest their cash dividends paid on the Company's common shares to purchase additional common shares at a price equal to the average market price (as defined in the DRIP) on the applicable dividend payment date, less an applicable discount of up to 5% determined by the Board from time to time. In the current quarter, the Board approved a 1% discount.

On October 4, 2017, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid to repurchase up to 2,700,000 of its common shares during the twelve-month period commencing October 6, 2017 (the "NCIB"). To date, the Company has repurchased 1,414,831 of its common shares for C$15.0 million under the NCIB, of which 431,931 common shares were repurchased during the twelve months ended December 31, 2018 for $3.7 million (C$4.6 million). Common shares that are purchased under the NCIB are cancelled by the Company.

On October 9, 2018, the Company completed the redemption of its outstanding 5.60% convertible unsecured subordinated debentures due March 31, 2020. See Section 3.2 for further details.

As of December 31, 2018, there were 143,246,968 common shares issued by the Company, of which 143,011,130 were outstanding and 235,838 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan.

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 December 31 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months			Twelve months		
		2018	2017	Variance	2018	2017	Variance
TAH Adjusted EBITDA	A	$ 61,196	$ 83,475	$ (22,279)	$ 310,710	$ 240,235	$ 70,475
TLR Adjusted EBITDA	B	11,444	9,070	2,374	17,724	13,529	4,195
THP Adjusted EBITDA	C	2,477	1,393	1,084	12,517	17,696	(5,179)
TLC Adjusted EBITDA	D	–	1,475	(1,475)	31,394	9,440	21,954
Fee income net of adjusted non-controlling interest	E	8,967	6,440	2,527	28,181	22,894	5,287
Adjusted EBITDA before corporate overhead		84,084	101,853	(17,769)	400,526	303,794	96,732
Adjusted compensation expense	F	(1,755)	(2,811)	1,056	(26,730)	(26,811)	81
General and administration expense		(2,658)	(2,086)	(572)	(9,800)	(7,274)	(2,526)
Adjusted EBITDA		**79,671**	**96,956**	**(17,285)**	**363,996**	**269,709**	**94,287**
Stock option expense		(255)	(138)	(117)	(1,180)	(1,078)	(102)
Adjusted interest expense	G	(27,258)	(26,493)	(765)	(107,806)	(85,565)	(22,241)
Adjusted amortization expense	H	(1,190)	(747)	(443)	(3,778)	(2,966)	(812)
Adjusted net income before taxes		**50,968**	**69,578**	**(18,610)**	**251,232**	**180,100**	**71,132**
Adjusted income tax expense	I	(4,852)	(10,092)	5,240	(26,557)	(26,474)	(83)
Adjusted net income		**$ 46,116**	**$ 59,486**	**$ (13,370)**	**$ 224,675**	**$ 153,626**	**$ 71,049**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.32**	**$ 0.44**	**$ (0.12)**	**$ 1.64**	**$ 1.21**	**$ 0.43**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.30**	**$ 0.39**	**$ (0.09)**	**$ 1.45**	**$ 1.10**	**$ 0.35**
Weighted average shares outstanding – basic		**143,911,890**	**134,369,333**	**9,542,557**	**137,157,260**	**127,152,721**	**10,004,539**
Weighted average shares outstanding – diluted		**162,455,879**	**161,802,950**	**652,929**	**162,112,882**	**148,756,608**	**13,356,274**

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 December 31, 2018, Adjusted EBITDA decreased by $17.3 million or 18% to $79.7 million compared to $97.0 million in the same period in the prior year. This decrease was mainly attributable to a reduction in TAH Adjusted EBITDA, which included a $26.5 million decrease in fair value gain offset by a $6.7 million increase in NOI driven by rental revenue growth and cost containment achieved across the TAH portfolio. The decrease in TAH Adjusted EBITDA was partially offset by increases in TLR and THP Adjusted EBITDA, as a result of fair value gains recognized, along with an increase in fee income from new Investment Vehicles.
- For the twelve months ended December 31, 2018, Adjusted EBITDA increased by $94.3 million or 35% to $364.0 million compared to $269.7 million in the prior year. This increase was mainly attributable to significant growth in TAH and TLC Adjusted EBITDA. TAH Adjusted EBITDA growth was driven by a $36.5 million increase in fair value gain and a $36.7 million increase in NOI driven by the acquisition of Silver Bay (full year of NOI from Silver Bay homes in 2018 versus eight months in 2017) as well as NOI growth achieved across the TAH portfolio. The increase in TLC Adjusted EBITDA was a result of the gain on disposal and a fair value gain booked in the first quarter for a total gain of $33.6 million before transaction costs.
- Adjusted net income, which excludes non-recurring items, decreased by $13.4 million or 22% to $46.1 million for the three months ended December 31, 2018 compared to $59.5 million for the same period in the prior year. The decrease is attributable to lower Adjusted EBITDA, as discussed above, partially offset by lower adjusted income tax expense.

- Adjusted net income increased by $71.0 million or 46% to $224.7 million for the twelve months ended December 31, 2018 compared to $153.6 million for the prior year. The increase is attributable to higher Adjusted EBITDA, partially offset by higher adjusted interest expense as a result of: (i) a higher outstanding debt balance at TAH driven by the Silver Bay acquisition financing; and (ii) a higher outstanding balance and higher effective interest rate on the corporate credit facility throughout the year.
- Adjusted basic EPS decreased by $0.12 or 27% to $0.32 and increased by $0.43 or 36% to $1.64 for the three and twelve months ended December 31, 2018, respectively, compared to $0.44 and $1.21 in the same periods in the prior year. Adjusted diluted EPS decreased by $0.09 or 23% to $0.30 and increased by $0.35 or 32% to $1.45 for the three and twelve months ended December 31, 2018, respectively, compared to $0.39 and $1.10 in the same periods in the prior year. In the three months ended December 31, 2018, the decrease in Adjusted basic and diluted EPS is attributable to lower Adjusted net income for the reasons noted above. In the twelve months ended December 31, 2018, the increase in Adjusted basic and diluted EPS is attributable to higher Adjusted net income for the reasons noted above, offset by a higher weighted average share count primarily as a result of the common shares issued in May 2017, along with the inclusion of the dilutive impact of all outstanding convertible debentures. In 2017, the 2022 convertible debentures were included on a weighted average basis for the eight months they were outstanding during the year.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The tables below reconcile the adjusted non-IFRS financial measures presented in Section 6 to measures reflected in the Company's consolidated financial statements for the three and twelve months ended December 31, 2018.

For the periods ended December 31	Three months		Twelve months	
(in thousands of U.S. dollars)	2018	2017	2018	2017
Net income	**$ 43,297**	**$ 25,724**	**$ 216,355**	**$ 69,348**
Non-recurring adjustments:				
Transaction costs at investment level	3,351	18,501	19,886	63,811
Transaction costs and formation costs	(90)	832	90	3,167
Non-cash adjustments:				
Non-controlling interest	(199)	(339)	(404)	(96)
Unrealized foreign exchange loss (gain) at investment level	3,362	205	4,455	(2,592)
Accrued LTIP expense[1]	6,611	1,803	8,965	1,211
Debentures discount amortization	647	1,175	4,104	3,949
Net change in fair value of derivative financial instruments	(8,583)	13,413	(27,680)	23,276
Loss on debt extinguishment	–	–	5,349	–
Realized and unrealized foreign exchange expense (gain)	438	945	(1,511)	1,881
Tax effect of above adjustments (expense)	(2,718)	(2,773)	(4,934)	(10,329)
Adjusted net income[2]	**$ 46,116**	**$ 59,486**	**$ 224,675**	**$ 153,626**
Add:				
Stock option expense	$ 255	$ 138	$ 1,180	$ 1,078
Adjusted interest expense[2]	27,258	26,493	107,806	85,565
Adjusted amortization expense[2]	1,190	747	3,778	2,966
Adjusted income tax expense[2]	4,852	10,092	26,557	26,474
Adjusted EBITDA[2]	**$ 79,671**	**$ 96,956**	**$ 363,996**	**$ 269,709**

(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 December 31		Three months		Twelve months	
(in thousands of U.S. dollars)		2018	2017	2018	2017
Investment income – TAH per financial statements		**$ 38,159**	**$ 45,709**	**$ 218,932**	**$ 113,067**
Interest expense		20,073	19,575	77,354	62,282
Transaction costs, non-recurring and non-cash expenses		3,351	18,241	14,813	63,396
Tax (recovery) expense		(387)	(50)	(389)	1,490
TAH Adjusted EBITDA[1]	A	**$ 61,196**	**$ 83,475**	**$ 310,710**	**$ 240,235**
Investment income – TLR per financial statements		**$ 10,653**	**$ 5,950**	**$ 15,406**	**$ 12,391**
Interest expense		940	32	1,247	128
Translation adjustment		2,941	157	3,735	(1,921)
Transaction costs, non-recurring and non-cash expenses		–	–	7	–
Tax (recovery) expense		(3,090)	2,931	(2,671)	2,931
TLR Adjusted EBITDA[1]	B	**$ 11,444**	**$ 9,070**	**$ 17,724**	**$ 13,529**
Investment income – THP per financial statements		**$ 1,943**	**$ 1,236**	**$ 11,449**	**$ 18,209**
Tax expense		113	109	348	158
Unrealized foreign exchange loss (gain)		421	48	720	(671)
THP Adjusted EBITDA[1]	C	**$ 2,477**	**$ 1,393**	**$ 12,517**	**$ 17,696**
Net income from discontinued operations – TLC per financial statements		**$ –**	**$ 1,065**	**$ 23,127**	**$ 6,405**
Interest expense		–	854	1,623	3,383
Transaction costs and non-cash expenses		–	260	5,066	415
Tax (recovery) expense		–	(704)	1,578	(763)
TLC Adjusted EBITDA[1]	D	**$ –**	**$ 1,475**	**$ 31,394**	**$ 9,440**
Contractual fees, GP distributions and performance fees per financial statements		**$ 9,565**	**$ 7,331**	**$ 30,347**	**$ 25,399**
NCI change per financial statements		**(199)**	**(339)**	**(404)**	**(96)**
NCI portion of amortization		(399)	(552)	(1,762)	(2,409)
Fee income net of adjusted non-controlling interest	E	**$ 8,967**	**$ 6,440**	**$ 28,181**	**$ 22,894**
Compensation expense per financial statements		**$ (8,621)**	**$ (4,752)**	**$ (36,875)**	**$ (29,100)**
Accrued LTIP expense		6,611	1,803	8,965	1,211
Stock option expense		255	138	1,180	1,078
Adjusted compensation expense[1]	F	**$ (1,755)**	**$ (2,811)**	**$ (26,730)**	**$ (26,811)**
Interest expense per financial statements		**$ (6,892)**	**$ (7,207)**	**$ (31,686)**	**$ (23,721)**
TAH interest expense		(20,073)	(19,575)	(77,354)	(62,282)
TLR interest expense		(940)	(32)	(1,247)	(128)
TLC interest expense		–	(854)	(1,623)	(3,383)
Debentures discount amortization		647	1,175	4,104	3,949
Adjusted interest expense[1]	G	**$ (27,258)**	**$ (26,493)**	**$ (107,806)**	**$ (85,565)**
Amortization expense per financial statements		**$ (1,589)**	**$ (1,299)**	**$ (5,540)**	**$ (5,375)**
NCI portion of Johnson's amortization expense		399	552	1,762	2,409
Adjusted amortization expense[1]	H	**$ (1,190)**	**$ (747)**	**$ (3,778)**	**$ (2,966)**
Tax expense per financial statements		**$ (5,498)**	**$ (5,033)**	**$ (22,757)**	**$ (12,329)**
TAH tax recovery (expense)		387	50	389	(1,490)
TLR tax recovery (expense)		3,090	(2,931)	2,671	(2,931)
THP tax expense		(113)	(109)	(348)	(158)
TLC tax recovery (expense)		–	704	(1,578)	763
Tax expense on non-recurring and non-cash expenses		(2,718)	(2,773)	(4,934)	(10,329)
Adjusted income tax expense[1]	I	**$ (4,852)**	**$ (10,092)**	**$ (26,557)**	**$ (26,474)**

(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.

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 for investment income and fee income. Growth in AUM is driven by principal investments and capital commitments to our managed Investment Vehicles by private investors.

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

ASSETS UNDER MANAGEMENT	
Principal Investments	
Tricon American Homes	• Fair value of investment properties and investment properties held for sale before projected future disposition fees plus unfunded commitment
Tricon Lifestyle Rentals	• Fair value of development/investment 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 units 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 into 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 units 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

Accounting estimates

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

Accounting standards adopted in the current year

IFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), on a modified retrospective basis. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. In applying IFRS 15, the Company used the practical expedient in the standard that permits contracts which were completed prior to the transition date to not be assessed. There were no adjustments to the balance sheet as at January 1, 2018 as a result of adopting IFRS 15.

Revenue from contracts with customers comprises contractual fees, general partner distributions and performance fees. The Company earns contractual fees by managing an investment portfolio of residential real estate assets on behalf of and in partnership with third-party investors in the U.S. and Canada. Specifically, the Company earns contractual fees in exchange for providing asset management services to private Investment Vehicles. This includes managing investments in Tricon American Homes, Tricon Lifestyle Rentals and Tricon Housing Partners. Asset management services are satisfied over time and revenues for such services are recognized as services are provided. The Company recognizes revenue based on the best estimate of the amounts earned for those services, which typically reflects annual contractual fees of 1–2% of committed or invested capital throughout the life of the Investment Vehicles. Contractual fees earned in exchange for providing asset management services are billed on a quarterly basis.

The Company also earns contractual fees in exchange for providing development management and advisory services to third parties and/or related parties through The Johnson Companies LP ("Johnson") and Tricon Development Group Ltd. ("TDG"). Development management and advisory services are satisfied over time. Revenues are recognized based on the best estimate of the amounts earned for those services, which typically reflects contractual fees of 2–4% of the sales price of single-family lots, residential land parcels and commercial land within master-planned communities for Johnson, and 4–5% of overall development costs of purpose-built rental apartments for TDG. The Company includes consideration in the transaction price only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized will not reverse. Specifically for Johnson, consideration for these services is variable as it is dependent upon the occurrence of a future event that is the sale of the developed property. Revenue is typically recognized as the development of the investment property is complete, and control has been transferred to the respective buyer. Contractual fees earned in exchange for providing development management and advisory services are billed upon the sale of the investment property.

For general partner distributions, the timing and pattern of revenue recognition are consistent with contractual fees earned from providing asset management services.

The Company earns performance fees in exchange for providing asset management services to Investment Vehicles. Performance fees are earned once targeted returns are achieved. Performance fees are calculated based on fixed percentages of the distributions of each of the Investment Vehicles in excess of predetermined thresholds as outlined in the governing documents for the respective Investment Vehicle. The Company includes consideration in the transaction price only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized will not reverse. Consideration for these services is variable as it is dependent upon the occurrence of a future event that is the repayment of investor capital and a predetermined rate of return. Revenue from performance fees is typically earned and recognized towards the end of the life of the Investment Vehicle.

The Company is obligated to continue to provide asset management, development management and advisory services over the remaining terms of the contracts with its customers. The Company will recognize revenue on these remaining performance obligations based on the amounts determined in accordance with the above policy, at each reporting date. Determining the timing of the satisfaction of performance obligations and estimating the transaction price are significant judgments applied. As it relates to the expected amount of revenue earned for the performance of development management and advisory services, the Company uses the most likely amount method to estimate the variable consideration to include in the transaction price. This is because the amount of revenue earned is dependent upon a future event that is the sale of the developed properties.

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement, effective January 1, 2018. IFRS 9 provides new guidance on the classification and measurement, impairment and hedge accounting for financial instruments in addition to clarification for the treatment of modifications of financial liabilities. The Company implemented the new requirements for classification and measurement including impairment on January 1, 2018 retrospectively and elected not to restate comparative periods. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities. The Company also applied related amendments to IFRS 7, Financial Instruments: Disclosures.

Classification and Measurement: IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are initially measured at fair value and subsequently classified and measured in one of three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are also measured at fair value at initial recognition and subsequently classified and measured in one of two categories: amortized cost or FVTPL. The following table summarizes the classification impacts upon the adoption of IFRS 9.

Assets/Liabilities	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Equity investments	FVTPL	FVTPL
Debt investments	FVTPL	FVTPL
Amounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Debt	Other financial liabilities	Amortized cost
Derivative financial instruments	FVTPL	FVTPL

Impairment: IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The Company adopted the practical expedient to determine ECL on amounts receivable using a provision matrix based on forward-looking macroeconomic information to estimate lifetime ECL. Given the short-term nature of the Company's amounts receivable, the low default rate and the creditworthiness of the counterparties, there was no material impact on the carrying value of the Company's amounts receivable on the adoption of IFRS 9.

Following the adoption of IFRS 9, the Company can no longer defer the recognition of a gain or loss from the modification to the terms of borrowing during the year. Modification gains or losses are recognized over the remaining life of the borrowing by adjusting the effective interest rate, on the basis that the terms and conditions of the facility remained largely unchanged. No refinancing occurred during 2018.

IFRS 9 also introduces a new hedge accounting standard. IFRS 9 requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategies and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company does not currently apply hedge accounting, and therefore is not impacted by this aspect of IFRS 9.

IFRS 16, Leases

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

The Company has also early adopted IFRS 16 in its consolidated financial statements effective January 1, 2018, using the modified retrospective approach on transition, together with its adoption of IFRS 15. The adoption of IFRS 16 resulted in the recognition of right-of-use assets and liabilities on the Company's existing leases as of January 1, 2018, as well as new leases entered into during the year. The Company used the following practical expedients when following the modified retrospective approach:

- accounted for lease and non-lease components as a single lease component;
- used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- applied IFRS 16 only to contracts previously identified as leases;
- excluded initial direct costs from the measurement of the right-of-use asset on transition;
- excluded short-term leases; and
- excluded low-value leases.

The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements as the Company had no significant operating lease arrangements. The Company entered into a new lease arrangement during the year which has been accounted for in accordance with IFRS 16, and is described in Note 12 of the consolidated financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

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

Accounting standards and interpretations issued but not yet adopted

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

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

9.3 Controls and procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the year ended December 31, 2018. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the year ended December 31, 2018, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 Transactions with related parties

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

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

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

9.5 Dividends

On February 25, 2019, the Board of Directors declared a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2019 to shareholders of record on March 31, 2019.

9.6 Compensation incentive plan

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

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

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from 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.

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, including the ones described below, which may impact the Company's performance, the value of its investments and the value of its securities. The risks described below are not the only ones facing the Company and holders of common shares. Additional risks not currently known to us or that we currently consider to be immaterial may also affect our activities and those of our investees.

General risks

The following risks may affect the Company as a whole and may be relevant to the activities of its investees across all of its investment verticals.

General economic conditions

The success of our business is highly dependent upon conditions in the Canadian and United States real estate markets (and in particular the residential sector) and economic conditions throughout North America that are outside our control and difficult to predict. Factors such as interest rates, housing prices, availability of credit, inflation rates, energy prices, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) could have a material negative impact on the value of our investments and our financial performance.

Unpredictable or unstable market conditions, adverse economic conditions, or volatility in the capital markets may result in reduced opportunities to find suitable risk-adjusted investments to deploy capital, may reduce the market value of our assets under management, and may make it more difficult for the Company and its investment vehicles to exit and realize value from existing real estate investments, any of which could materially adversely affect our revenues, the value of our investments, and our ability to raise and deploy new capital and sustain our profitability and growth.

Real estate industry conditions

The residential real estate industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. In addition, an oversupply of new homes or alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties, may reduce the ability to rent or sell residential properties, depress prices and reduce margins from the rental and sale of residential properties. Conversely, if property prices in target markets increase at a rate faster than rents, this could result in downward pressure on gross rental yields and impact the ability to make acquisitions. Any of these factors could negatively impact the value of the Company's investments and its financial performance.

Builders, developers and renovators are also subject to risks related to the availability and cost of materials and labour, and adverse weather conditions that can cause delays in construction schedules and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and real estate market conditions and may result in impairment charges. If there are significant adverse changes in economic or real estate market conditions, residential properties may have to be sold at a loss, rented at less than expected rates, or held longer than planned. These circumstances can result in losses in a poorly performing investment or market. If market conditions deteriorate, some of the Company's investments may be subject to impairments and write-off charges, adversely affecting the Company's financial results.

Portfolio concentration

Although our investments span numerous markets across North America, real estate is a local business, and our revenues are directly and indirectly derived from investments in residential real estate located in our primary geographic markets. A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economies of Canada or the United States may have upon these markets, could negatively impact the value of our investments and our financial performance.

Furthermore, because we primarily invest in residential real estate (as compared to a more diversified real estate portfolio), a decrease in demand specifically for residential real estate could adversely affect the value of our investments and our financial performance.

Competition

The real estate investment business is competitive and each segment of our business is subject to competition in varying degrees. We compete on the basis of a number of factors, including, but not limited to, the quality of our employees, transaction execution, innovation and reputation. We compete in pursuit of investor capital to be invested in our securities and investment vehicles and also in acquiring investments in attractive assets. Competition for investor capital, in particular, is intense and investors are increasingly seeking to manage their own assets or reduce their management fees. Further, our competitors may have certain competitive advantages, including greater financial, technical, marketing and other resources, more personnel, less onerous regulatory requirements, or a lower cost of capital, and access to funding sources or other resources that are not available to us. These pressures, or an increase in competition, could result in downward pressure on revenues, which could, in turn, reduce operating margins and thereby reduce operating cash flows and investment returns, and negatively affect our overall financial condition.

Furthermore, competition may affect the performance of investments in our investment verticals. Numerous developers, managers and owners of properties compete with the Company's investees in seeking attractive tenants and home purchasers. This competition could have an impact on the performance of the Company's investments. Furthermore, there is significant competition for suitable real property investments, with other investors seeking similar investments to those targeted by the Company and its investees. A number of these investors may have greater financial resources than those of the Company, or operate without the same investment or operating restrictions. An increase in competition for real property investments may increase purchase prices, diminish the number of suitable investments available, and reduce the ability to achieve optimal portfolio size or expected yields, which could impact the Company's investments and financial performance.

The residential development, homebuilding, renovation and rental industries are themselves highly competitive. Residential developers, homebuilders, renovators and operators compete not only for homebuyers and/or tenants on the basis of price and product offering, but also for desirable properties, building materials, labour and capital. Competitive conditions in the industry could result in: difficulty in acquiring suitable properties at acceptable prices; increased selling or rental incentives; lower sales volumes and prices; higher vacancy; lower profit margins; development yields; impairments in the value of inventory and other assets; increased construction costs; and delays in construction. These factors may negatively impact the Company's investments and financial performance.

Investment pipeline

An important component of residential real estate investment performance is the ongoing availability of attractive investment opportunities. If we are not able to find sufficient residential real estate investments in a timely manner, our investment performance could be adversely affected. Furthermore, if we do not have sufficient investment opportunities, we may elect to limit our growth and reduce the rate at which we attract third-party capital, which could impact our assets under management and revenues. Finally, a scarcity of desirable investment opportunities may lead us to make investments with lower expected returns than those we have historically targeted. Any of these factors could negatively impact our financial condition.

Long investment periods

The investment horizons in each of our principal investment verticals are relatively long (refer to Section 1.2, How we invest and create value). These extended timelines increase the risk that circumstances will arise which delay investment realization, and that markets may deteriorate between the time of our initial investment and our exit. This may be the result of many factors that present themselves over the duration of an investment, including local and overall market and economic conditions, increasing competition over time, market value fluctuation and changing interest rates. Delays or market deterioration over time could have an adverse effect on the returns from our investments, our fee revenue, and our financial condition.

Liquidity risk

Residential real estate investments generally cannot be sold quickly, particularly if local market conditions are poor. As a result, the Company and its investees may not be able to enter, exit or modify investments promptly in response to economic or other conditions. This inability to promptly reallocate capital or exit the market in a timely manner could adversely affect the Company's financial results and investment performance. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we invest. These restrictions could reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results.

Transaction execution

Before making investments, we conduct extensive due diligence reviews that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Our due diligence process includes in-depth reference checks of developers (where applicable), environmental audits, market analysis, site analysis, financial and construction cost analysis and legal review. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the developer or operating partner (where applicable) and, in some circumstances, third-party investigations. The due diligence investigation that we carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Unknown factors or unforeseen risks may cause investment performance to fall short of expectation and may negatively impact the value of our investments and our financial performance.

Rising interest rates

Rising interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs may increase the cost of capital for the Company and its investees, and may lead to reduced demand for new home sales and resales and mortgage loans, which could have a material adverse effect on the value of our investments, our investment prospects, liquidity and financial performance.

Sustaining growth

Our continuing growth has caused, and if it continues will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the residential real estate investment industry, the investment management market, and legal, accounting and regulatory developments.

Our future growth will depend, among other things, on our ability to maintain an operating platform and management systems sufficient to address our growth, and will require us to incur additional expenses and to commit additional senior management and operational resources. There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

Insurance

We have various types of insurance, including errors and omissions insurance and general commercial liability insurance. Also, relevant insurance is arranged through our investment verticals in order to protect the value of the underlying investments. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that potential claims or losses will not exceed the limits, or fall outside the scope, of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A loss or judgment in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on our financial condition and the value of our investments. There can be no assurance that insurance coverage on favourable economic terms will continue to be available in the future.

Environmental risk

Underlying all of our activities is investment in real property that is subject to various Canadian and United States federal, provincial, state and municipal laws relating to environmental matters. These laws could hold developers or property owners liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the developer's or owner's ability to sell the properties or to borrow using real estate as collateral, and could potentially result in claims or other proceedings. We are not aware of any material non-compliance with environmental laws in respect of our investments or by the developers in which our investment vehicles invest. We are also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities, or any material pending or threatened claims relating to environmental conditions, in connection with any of the residential real estate in which we or our investment vehicles invest. Environmental laws and regulations can change rapidly and may impose more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on a developer or a particular development project or our own investments, which, in turn, could have an adverse effect on our financial condition and investment performance.

Conflicts of interest

Some of the parties in which and with which we currently invest may have competing interests in the markets in which Tricon invests. While the Company takes precautions and negotiates contractual restrictions in definitive legal documentation in order to avoid such conflicts, conflicts of interest may nonetheless arise and may have an adverse effect on the Company's financial performance and the value of our investments.

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently the possibility exists for such directors and officers to be in a position of conflict. Any decision made by any such director or officer involving the Company is to be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company, but there can be no assurance that a conflict of interest will not have an adverse effect on the Company or its financial condition.

Management team

The Company's executive officers and other senior management have a significant role in our success and oversee the execution of our strategy. Our continued ability to respond promptly to opportunities and challenges as they arise depends on cooperation across our organization and our team-oriented management structure, which benefits greatly from management continuity. Our ability to retain our management group or attract suitable replacements, should any members of the management group leave, is dependent on, among other things, the competitive nature of the employment market and the career opportunities that we can offer. Ensuring that we continue to pay market compensation in order to retain key professionals may lead to increasing costs. We have experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on our ability to achieve our objectives. Competition for the best people is intense and the loss of services from key members of the management group or a limitation in their availability could adversely impact our financial performance. Furthermore, such a loss could be negatively perceived in the capital markets.

Government regulation

The Company's activities and those of its investees are subject to numerous regulations across various jurisdictions in North America. Changes in legislation and regulation could result in increased costs and increased risk of non-compliance, which could adversely affect the Company's financial condition and the value of its investments. For example, the City of Toronto introduced a new development charge bylaw in 2018 which increased the quantum of fees collected from developers.

Certain jurisdictions have enacted residential tenancy legislation which imposes, among other things, rent control guidelines that limit the ability to raise rental rates at residential properties. In addition to limiting the ability to raise rental rates, residential tenancy legislation in some jurisdictions prescribes certain limitations on terminations of residential tenancies. While the Company's overall exposure to such jurisdictions is expected to be minimal, any limits on TAH's or TLR's ability to raise rental rates at their properties, or to terminate defaulting tenancies, may adversely affect their financial performance.

Acquisitions and development projects undertaken by the Company's investees may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could negatively impact investment performance.

Construction industry risks

The success of our investments and the successful performance of our investment vehicles is very often dependent on stability in the construction industry. This industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to: shortages of qualified trades people; labour disputes; shortages of building materials; unforeseen environmental and engineering problems; and increases in the cost of certain materials. When any of these difficulties occur, it may cause delays and increase anticipated costs, which could adversely affect the Company's investment performance and financial condition.

Taxation risks

We endeavour to structure our investments and activities to be efficient under the prevailing U.S. and Canadian tax frameworks. Changes in tax legislation or policy could adversely affect the after-tax return we can earn on our investments and activities, capital available for investment (including from our institutional investors), and the willingness of investors to acquire our securities or invest in our investment vehicles. A number of other factors may increase our effective tax rates, which would have a negative impact on our net income. These include, but are not limited to, changes in the valuation of our deferred tax assets and liabilities, and any reassessment of taxes by a taxation authority.

Furthermore, tax changes (such as rising property and franchise tax rates) could impact the efficiency of the activities of our investees (for example, the tax efficiency of TAH's operations) and could also impact the overall economic conditions relevant to the success of those activities. For example, in the United States, the significant expenses of owning a home, including mortgage interest and state and property tax, are generally deductible for tax purposes (subject to various limitations). The 2017 Tax Cuts and Jobs Act (the "TCJA") reduced the tax benefits for luxury homes but the mid-market and small homes were largely not impacted. The overall financial performance of our investments should have a limited negative impact from these and other similar tax changes.

The 2017 corporate tax rate reductions in the United States under the TCJA combined with the interest deductibility exemption for real estate investments do not appear to have a negative impact on the Company's effective tax rate or net income. Furthermore, the proposed tax regulations that usually accompany any new tax legislation (such as the TCJA) were released in 2018 and support our initial views on the limited impact on our investments. It is prudent for prospective investors to consult with their own tax advisor.

Divestitures

While the Company expects to divest certain of its non-core assets and business (including the two current U.S. development projects of the TLR investment vertical), there is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Accordingly, any opportunities for debt reduction resulting from these divestitures, the anticipated effects of these divestitures on the Company's leverage position, or any other anticipated benefits of the divestitures, including redeployment of divestiture proceeds, may never be realized, or may not be realized to the extent the Company currently anticipates.

Risks related to principal investments

In addition to the general risks described above, the following risks are inherent in our principal investments. Many of these risks relate specifically to the activities of our investees and could have an impact on the value of the Company's investments and our financial condition.

Risks related to Tricon American Homes and Tricon Lifestyle Rentals

Lease renewal and turnover risk

If a tenant decides to vacate a rental property, whether as a result of deciding not to renew their lease or by vacating prior to the expiry of the lease, TAH or TLR may not be able to re-let that property in a short amount of time or at all. Additionally, even if they are successful in renewing a lease or re-letting a property, the terms of the renewal or re-letting may be less favourable than the original terms.

The ability to rent residential properties is affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds, vacancy rates, the availability of suitable potential tenants and the job market for prospective tenants), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics or social preferences, competition from other available properties, and various other factors.

If TAH or TLR are unable to promptly renew leases or re-let properties, or if the rental rates upon renewal or re-letting are significantly lower than expected rates, their financial performance may be negatively impacted, which may adversely affect the value of the Company's investments and financial performance.

Furthermore, if a significant number of tenants are unable to meet their obligations under their leases or if a significant number of properties become vacant and cannot be re-leased on economically favourable terms, the TAH and TLR properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures.

Resident default

The success of the Company's rental income-producing verticals depends in large part upon the ability to attract and retain qualified residents. This will depend, in turn, upon the ability to screen applicants, identify qualified residents, and avoid residents who may default. The Company's investees rely on information supplied by prospective residents in their rental applications to make leasing decisions, and this information may not be accurate. Investees may not successfully screen applicants, and as a result, may rent to residents who default on leases or fail to comply with the terms of the lease or applicable homeowners' association regulations, which may negatively affect financial performance, reputation, and the quality and value of our properties.

In the event of a resident default or bankruptcy, our investees may experience delays in enforcing their rights as landlord and obtaining possession of the premises and incur legal, maintenance and other costs in protecting their investment. In addition, they will incur turnover costs associated with re-leasing the property such as marketing and brokerage commissions, will not collect revenue while the property sits vacant, and may be unable to re-lease the property at the rental rate previously received.

Reliance on vendors

Our investees rely on local vendors and service providers, including house renovation professionals, maintenance providers, leasing agents and property management companies in situations where it is cost-effective to do so or if their internal staff is unable to perform these functions. They generally do not have exclusive or long-term contractual relationships with any of these providers, and can provide no assurance that they will have uninterrupted or unlimited access to their services. Furthermore, selecting, managing and supervising these service providers requires significant management resources and expertise. Poor performance by service providers, especially those who interact with residents in its properties, will reflect poorly on the Company and its investees, could significantly damage their reputation among desirable residents and potentially impact investment performance. Moreover, notwithstanding efforts to implement and enforce strong policies and practices regarding service providers, we may not successfully detect and prevent fraud, incompetence or theft by service providers, which could expose us to liability or responsibility for associated damages and cause us to incur fines or penalties. In addition, any delay in identifying a service provider or removal or termination of existing service providers would require our investees to seek new vendors or providers, which could create delays and adversely affect their operating results.

Substitutions for rental properties

Demand for rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for TAH properties may be adversely affected.

An economic downturn may also impact job markets and the ability of tenants to afford the rents associated with certain rental properties, which may result in increased demand for lower-cost rental options. Such a reduction in demand may have an adverse effect on TAH's revenues.

Tenant relief laws

As the landlord of numerous properties, TAH is (and TLR is likely to be) involved from time to time in evicting residents who are not paying their rent or who are otherwise in material violation of the terms of their lease. Eviction activities impose legal and managerial expenses that increase costs and expose us to potential negative publicity. The eviction process is typically subject to legal barriers, mandatory "cure" policies, internal policies and procedures and other sources of expense and delay, each of which may delay our ability to gain possession and stabilize the property. Additionally, state, provincial and local landlord-tenant laws may impose legal duties to assist residents in relocating to new housing, or restrict the landlord's ability to remove the resident on a timely basis or to recover certain costs or charge residents for damage residents cause to the landlord's premises. Because such laws vary by state, province and locality, TAH and TLR must be familiar with and take all appropriate steps to comply with all applicable landlord-tenant laws, and need to incur supervisory and legal expenses to ensure such compliance. To the extent that our investees do not comply with state, provincial or local laws, they may be subjected to civil litigation filed by individuals, in class actions or actions by state or local law enforcement and their and the Company's reputation and financial results may suffer. TAH and TLR may be required to pay their adversaries' litigation fees and expenses if judgment is entered against them in such litigation or if they settle such litigation.

Title risk

TAH's acquisition of homes is often completed through a title company with an owner's title insurance policy being obtained. However, U.S. distressed single-family homes are often acquired through trustee auctions. Although TAH conducts due diligence and employs a title company to review title on target housing assets prior to purchasing such homes, title on the homes purchased through foreclosure sales and auctions is occasionally only assumed weeks after the purchase. Furthermore, an owner's title insurance policy is not available to protect against the inherent title risk arising through the foreclosure auction process. In the event that TAH fails to independently and properly assess a title risk or fails to assume one or more homes because of such failed analysis, it may not achieve its expected returns or yields relating to such investment.

Homeowners' association issues

A number of the properties in TAH's portfolio are located within homeowners' associations ("HOAs"), which are private entities that regulate the activities of and levy assessments on properties in a residential subdivision. HOAs in which TAH owns properties may have or enact onerous or arbitrary rules that restrict its ability to renovate, market or lease its properties or require it to renovate or maintain such properties at standards or costs that are in excess of its planned operating budgets. Such rules may include requirements for landscaping, limitations on signage promoting a property for lease or sale, or the use of specific construction materials in renovations. Some HOAs also impose limits on the number of property owners who may rent their homes, which if met or exceeded, would cause TAH to incur additional costs to resell properties within the HOA and may also result in opportunity costs of lost rental income. Many HOAs impose restrictions on the conduct of occupants of homes and the use of common areas, and TAH may have residents who violate HOA rules and for which it may be liable as the property owner. The boards of directors of the HOAs in which TAH owns properties may not make important disclosures about the properties or may block its access to HOA records, initiate litigation, restrict its ability to sell its properties, impose assessments, or arbitrarily change the HOA rules. TAH may be unaware of or unable to review or comply with HOA rules before purchasing a property and any such excessively restrictive or arbitrary regulations may cause it to sell such property at a loss, prevent it from renting such property, or otherwise reduce its cash flow from such property, which would have an adverse effect on TAH's returns from the property.

Government subsidies

Some of TAH's rental income is derived from government-subsidized rental support programs, such as the Section 8 program operated by the U.S. Department of Housing and Urban Development. A reduction or elimination of government funding of such programs could result in higher rental turnover and downward pressure on rental rates, which could negatively impact TAH's financial performance.

Guarantees of project debt

The Company may agree to provide financial assistance to the TLR project entities in which it invests. Such financial assistance may include the provision of payment guarantees to a project entity's lenders of acquisition financing, construction debt or long-term financing, and the provision of construction completion guarantees. Such guarantees may be joint or several with other partners in a particular investment. The Company's and its partners' guarantees of project-level obligations may not be in proportion to their respective investments in the project entity. The provision of such guarantees may reduce the Company's capacity to borrow funds under its separate credit facilities, which may impact its ability to finance its operations. If such guarantees are called upon for payment or performance, they may have a negative impact on the Company's cash position and financial performance. If the Company provides a joint guarantee with an investment partner, a default by the partner in its payment or performance obligation under the guarantee could cause the Company to pay a disproportionate amount in satisfaction of the guarantee, which may have a negative impact on the Company's cash position and financial performance.

Risks related to Tricon Housing Partners

Operational and credit risks

On a strategic and selective basis, our private investment vehicles provide financing to develop properties. The residential real estate development business involves significant risks that could adversely affect THP performance, including: the developer may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in selling the properties; the developer may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations for the properties; the developer may not be able to sell properties on favourable terms or at all; construction costs, total investment amounts and THP's share of remaining funding may exceed our estimates; and projects may not be completed and delivered as planned.

THP investments are made through the financing of local developers, including Johnson, and, consequently, we rely to a great extent on those developers to successfully manage their development projects. Furthermore, given the Company's majority interest in Johnson, we rely on Johnson's ability to execute on portions of our investment strategy in THP. Investments in partnerships, joint ventures or other entities may involve risks not present were a third party not involved, including the possibility that the development partners might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, the development partners might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals. In addition, we do not have sole control of certain important decisions relating to these development properties, including decisions relating to: the sale of the development properties; refinancing; timing and amount of distributions of cash from such development properties; and capital improvements. Any of these factors could negatively impact the value of our investments and financial condition.

The above risks are also relevant to TLR.

Risks relating to Private Funds and Advisory

In addition to the general risks described above, the following risks are inherent in our Private Funds and Advisory business.

Formation of future investment vehicles

The ability to raise capital for any future investment vehicles remains subject to various conditions which Tricon cannot control, including the negotiation and execution of definitive legal documentation and commitments made by third-party investors. There can be no assurance that any capital will be raised through future investment vehicles or that any future warehoused investments of the Company will be acquired by any other future vehicles. A failure to raise sufficient capital through other investment vehicles could result in lower assets under management and impair our future revenues and growth.

Structure of future investment vehicles

There can be no assurance that the manner in which contractual fees, general partner distributions, performance fees, and/or investment income are calculated in respect of future investment vehicles will be the same as the active investment vehicles, including with respect to the treatment of the Company's principal investments in such vehicles through Tricon Housing Partners. Any such changes could result in the Company earning less contractual fees, general partner distributions and/or performance fees from the same assets under management as compared to the active investment vehicles and could expose the Company's principal investment in such future investment vehicles to increased risk, including, but not limited to, the risk of reduced investment income (at comparable investment performance levels) and the increased risk of loss of capital of the Company.

Ongoing investment performance

We believe that our ongoing investment performance is one of the most important factors for the success and growth of Private Funds and Advisory activities. Poor investment performance could impair our ability to raise future private capital, which could result in lower assets under management and could impact our ability to earn contractual fees. In addition, our ability to earn performance fees is directly related to our investment performance and therefore poor investment performance may cause us to earn less or no performance fees.

Investment vehicle governance

The limited partnership agreements for certain active investment vehicles provide that the general partner or manager of the investment vehicle may be removed by the limited partners in certain prescribed circumstances, including in some cases (and with the approval of a prescribed number of limited partners), without cause. These agreements may not provide for termination payments to the general partner or manager in the event of removal without cause. The removal of the general partner or the manager of an active investment vehicle prior to the termination of such investment vehicle could materially adversely affect the reputation of Tricon, lower assets under management and, as a result, reduce our contractual fees and performance fees.

Capital commitment

The third-party investors in Tricon's investment vehicles comprise a relatively small group of reputable, primarily institutional, investors. To date, each of these investors has met its commitments on called capital and we have received no indications that any investor will be unable to meet its capital commitments in the future. While our experience with our investors suggests that commitments will be honoured, and notwithstanding the adverse consequences to a defaulting investor under the terms of the applicable investment vehicle, no assurances can be given that an investor will meet its entire commitment over the life of an investment vehicle. A failure by one or more investors to satisfy a drawdown request could impair an investment vehicle's ability to fully finance its investment, which could have a material adverse effect on the performance and value of that investment, which in turn could negatively impact the Company's financial condition.

Risks related to a public company and common shares

Stock exchange prices

The market price of our common shares could fluctuate significantly as a result of many factors, including the following:

- economic and stock market conditions generally and specifically as they may impact participants in the real estate industry;
- our earnings and results of operations and other developments affecting our business;
- changes in financial estimates and recommendations by securities analysts following our common shares;
- earnings and other announcements by, and changes in market evaluations of, participants in the real estate industry;
- changes in business or regulatory conditions affecting participants in the real estate industry;
- addition or departure of the Company's executive officers and other key personnel;
- sales or perceived sales of additional common shares; and
- trading volume of the common shares.

In addition, the financial markets may experience significant price and volume fluctuations that affect the market prices of equity securities of companies and that are unrelated to the operating performance, underlying asset value or prospects of such companies. Accordingly, the market price of our common shares may decline even if our operating results or prospects have not changed. The value of the common shares is also subject to market fluctuations based upon factors which influence the Company's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the common shares by those institutions, which could adversely affect the trading price of the common shares.

Additional capital

The Company's ability to carry on its business generally, and in particular to take advantage of investment opportunities, may require it to raise additional capital. Additional capital may be sought through public or private debt or equity financings by Tricon or another Tricon entity and may result in dilution to or otherwise may have a negative effect on existing Tricon shareholders. Further, there can be no assurances that additional financing will be available to Tricon when required or desired by Tricon, on advantageous terms or at all, which may adversely affect Tricon's ability to carry on its business.

Additional indebtedness

The degree to which the Company is leveraged could have important consequences to the Company, including: (i) the Company's future ability to obtain additional financing for working capital, capital expenditures or other purposes may be limited; (ii) the Company may be unable to refinance indebtedness on terms acceptable to the Company or at all; (iii) a significant portion of the Company's cash flow (on a consolidated basis) could be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations, capital expenditures and/or dividends on its common shares; and (iv) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

Dividends
Holders of common shares do not have a right to dividends on such shares unless declared by the Board of Directors. Although the Board has established a dividend policy authorizing the declaration and payment of dividends to holders of common shares on a quarterly basis, the declaration of dividends is at the discretion of the Board of Directors even if the Company has sufficient funds, net of its liabilities, to pay such dividends.

The Company may not declare or pay a dividend if there are reasonable grounds to believe that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Company's assets would thereby be less than the aggregate quantum of its liabilities. Liabilities of the Company will include those arising in the ordinary course of business and indebtedness.

Future sales and dilution
The Company's articles permit the issuance of an unlimited number of common shares, and shareholders have no pre-emptive rights in connection with such further issuances. The Board has the discretion to determine the price and the terms of issue of further issuances of common shares and securities convertible into common shares. Any future issuances of common shares could be dilutive to shareholder interests at the time of issuance.

Holding company
Tricon Capital Group Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, investors are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business and makes its investments through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's performance and growth are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay distributions will depend on their operating results and may be subject to applicable laws and regulations and to contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Financial reporting and other public company requirements
The Company is subject to reporting and other obligations under applicable Canadian securities laws and Toronto Stock Exchange rules, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on Tricon's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, and could result in a lower trading price of its common shares.

Management does not expect that Tricon's disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected in a timely manner or at all.

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)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Financial statement results				
Total revenue and investment income from continuing operations	$ 60,320	$ 65,889	$ 54,014	$ 95,911
Investment income from discontinued operations and gain from disposal of investments held for sale	–	–	19,602	1,568
Net income	43,297	33,826	39,763	99,469
Basic earnings per share	0.30	0.25	0.29	0.74
Diluted earnings per share	0.23	0.24	0.29	0.46

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Financial statement results				
Total revenue and investment income from continuing operations	$ 60,226	$ 69,408	$ 13,820	$ 25,612
Total investment income from discontinued operations	1,187	2,262	1,613	2,319
Net income (loss)	25,724	57,512	(21,643)	7,755
Basic earnings (loss) per share	0.19	0.43	(0.17)	0.07
Diluted earnings (loss) per share	0.19	0.29	(0.17)	0.07

For the twelve months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated)	December 31, 2018	December 31, 2017	December 31, 2016
Financial statement results			
Total revenue and investment income from continuing operations	$ 276,134	$ 169,066	$ 106,292
Total investment income from discontinued operations	21,170	7,381	5,108
Net income	216,355	69,348	59,760
Basic earnings per share	1.57	0.54	0.53
Diluted earnings per share	1.28	0.54	0.46
Dividends per share	C$ 0.28	C$ 0.26	C$ 0.26

(in thousands of U.S. dollars)	December 31, 2018	December 31, 2017	December 31, 2016
Total assets	$ 1,687,662	$ 1,430,723	$ 972,744
Debt	374,716	383,604	168,857

CELEBRATING **30 YEARS**

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