TRICON

TRICON CAPITAL GROUP INC.

Management's Discussion and Analysis

for the Year Ended December 31, 2016

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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 expectations, projected Internal Rate of Return ("IRR"), Return on Investment ("ROI"), and expected future cash flow. These measures are based on Tricon's own analysis of relevant market conditions and the prospects for its investees, and on projected cash flows for incomplete projects in its investment vehicles. Projected cash flows are determined based on detailed quarterly and annual budgets and cash flow projections prepared by developers for all incomplete projects. Numerous factors may cause actual investment performance to differ from current projections, including those factors noted 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, Risk definition and management.*
- *Anticipated demand for homebuilding, single-family rental homes, manufactured housing communities and luxury apartment suites, and any corresponding effect on occupancy rates, rental growth and more generally on the performance of the Company's investments. These statements are based on management's analysis of demographic and employment data and other information that it considers to be relevant indicators of trends in residential real property demand in the markets in which the Company invests. Housing demand is dependent on a number of factors, including macro-economic factors, many of which are discussed in the AIF and below in Section 9.7. If these or other factors lead to declining demand, occupancy and the pace or pricing of home sales may be negatively impacted, with a corresponding negative impact on the value of the Company's investments and its financial performance.*
- *The pace of acquisition and the ongoing availability of single-family rental homes at prices that match Tricon American Homes' ("TAH's") underwriting model. These statements are based on management's analysis of market data that it considers to be relevant indicators of trends in home pricing and availability in the markets in which TAH carries on its business. Home prices are dependent on a number of factors, including macro-economic factors, many of which are discussed in the AIF and below in Section 9.7. If these or other factors lead to increases in home prices above expectations, it may become more difficult for TAH to find rental homes at prices that match its underwriting model.*
- *The intentions to build portfolios and attract investment in TAH, Tricon Lifestyle Communities ("TLC") and Tricon Luxury Residences ("TLR") and the Company's investment horizon and exit strategy for each investment vertical. These statements are based on management's current intentions in light of its analysis of current market conditions, the growth prospects for TAH, TLC and TLR, and the Company's understanding of investor interest in the sectors, which are factors outside of the Company's control. Should market conditions or other factors impact the ability to build investment portfolios or the Company's ability to execute on its exit strategies, actual results may differ from its current intentions.*

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 21, 2017, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon," "us," "we" or "the Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2016.

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

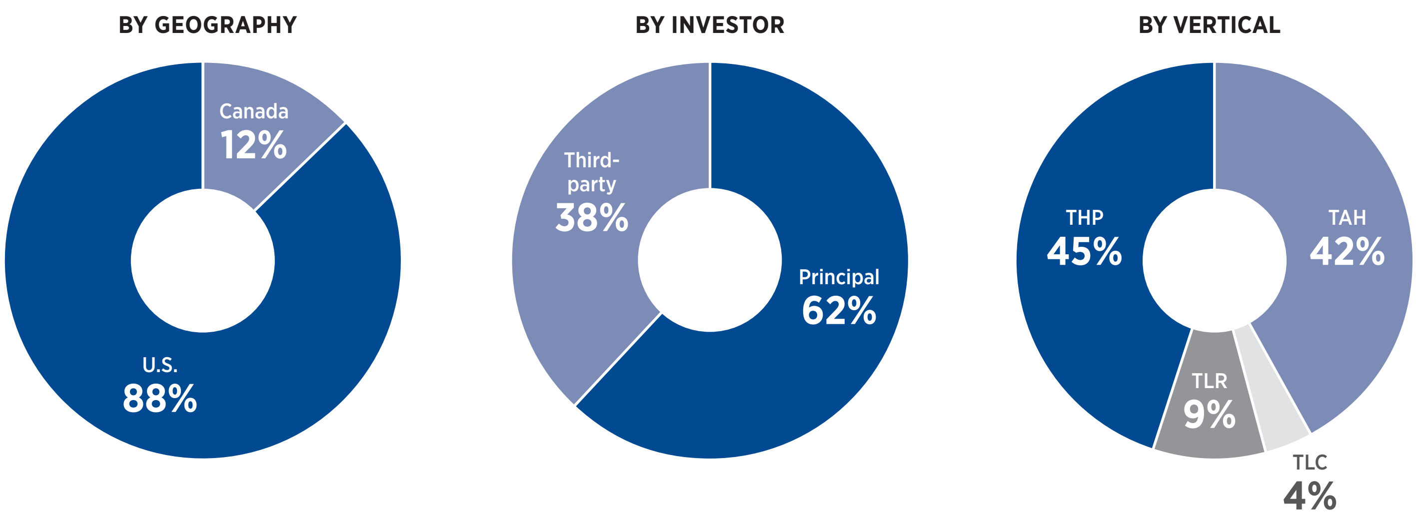
The Company's audited consolidated financial statements for the year ended December 31, 2016 were prepared using International Financial Reporting Standards ("IFRS") accounting policies consistent with the Company's audited consolidated financial statements for the year ended December 31, 2015.

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

1.1 Who we are and what we do

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

$3.0 billion
Assets Under Management (AUM)



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

1. Principal Investments

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

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

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

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

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

A detailed description of our investment verticals is included in our most recent 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 an investment portfolio of residential real estate assets on behalf of third-party investors in the U.S. and Canada. Our business objective in our Private Funds and Advisory business is to earn income through:

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

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

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

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

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

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

1.2 How we invest and create value

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

Tricon Housing Partners

The Company's THP vertical co-invests in commingled funds, separate accounts, and other private Investment Vehicles which make investments in the following five core categories: (1) Master planned communities; (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. Sunbelt and adjacent states where THP currently sees the best opportunities to maximize risk-adjusted returns.

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

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

Tricon American Homes

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

TAH's investment objective is to generate a recurring cash flow stream from its portfolio of single-family rental homes and capture home price appreciation within attractive U.S. housing markets. TAH adheres to specific investment criteria for each of its target markets and has local on-the-ground staff who are responsible for underwriting, acquiring and overseeing the renovation of single-family rental homes. TAH has a disciplined, yield-based selective acquisition process, with a plan to acquire on average 400 net new homes per quarter over time.

The acquired homes are sourced through the Multiple Listing Service, trustee sales and foreclosures, and through selective portfolio acquisitions.

TAH is in the process of growing an institutional-quality portfolio, allowing the Company to potentially exit this investment vertical via a public offering of TAH or a partial sale to an institutional investor within the next five to seven years.

Tricon Lifestyle Communities

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

Tricon's strategy for TLC is to assemble a high-yielding, institutional-quality portfolio of largely age-restricted communities in a highly-fragmented market that is primarily dominated by private owners. TLC's objective is to generate stable cash flow by leasing pads to owners of prefabricated homes within its MHC, and to enhance the value of these communities through capital improvement programs and enhanced resident services. TLC's capital improvement program will typically include upgrading existing infrastructure and amenities, improving existing home quality by refurbishing in-place home inventory, purchasing new homes and professionally rebranding all communities. TLC believes the impact of these improvements will be an increase in occupancy and rental rates over time.

TLC is in the process of growing a diverse portfolio of quality assets, allowing the Company to potentially exit this investment vertical via a public offering or a partial sale to an institutional investor within the next seven to ten years.

Tricon Luxury Residences

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

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

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

In the U.S., TLR co-invests with local developers and acts as the dedicated limited partner providing the majority of the project capital. For its two existing investments in the Dallas-Forth Worth Metropolitan Statistical Area (MSA), TLR has committed to providing 90% of the projects' equity capital. TLR intends to partially sell down its interest in the projects upon construction completion and achieving stabilized occupancy.

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	2016	2015	2016	2015
Total revenue and investment income	$ 21,845	$ 26,046	$ 111,400	$ 102,062
Net income	8,964	28,813	59,760	58,463
Basic earnings per share	0.07	0.27	0.53	0.60
Diluted earnings per share	0.07	0.16	0.46	0.59
Dividends per share	C$ 0.065	C$ 0.060	C$ 0.260	C$ 0.240
Non-IFRS measures[1]				
Adjusted EBITDA	$ 29,667	$ 24,952	$ 114,824	$ 108,762
Adjusted net income	18,801	14,124	69,379	64,251
Adjusted basic EPS attributable to shareholders of Tricon	0.17	0.13	0.62	0.67
Adjusted diluted EPS attributable to shareholders of Tricon	0.15	0.12	0.56	0.56
As at December 31			2016	2015
Total assets			$ 972,744	$ 826,526
Total liabilities			229,083	128,524
Investments			896,726	768,547
Debt			168,857	71,353
Assets under management ("AUM")[2]			$ 2,982,150	$ 2,667,864

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

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

Investment highlights by vertical

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

For the periods ended December 31 (in thousands of U.S. dollars, except for percentages and units)	Three months		Twelve months	
	2016	2015	2016	2015
TRICON HOUSING PARTNERS *(Refer to Sections 3.3 and 4.1)*				
Investments – THP			**$ 301,787**	**$ 303,782**
Investment income – THP	**$ 10,098**	**$ 6,055**	**27,550**	**18,753**
TRICON AMERICAN HOMES *(Refer to Sections 3.3 and 4.2)*				
Investments – TAH			**$ 479,938**	**$ 426,030**
Investment income – TAH	**$ 3,439**	**$ 12,746**	**50,081**	**57,746**
Net operating income	15,916	12,044	56,374	42,879
Operating margin			60%	60%
Core funds from operations	4,884	2,890	22,315	15,806
Total homes owned			7,765	7,193
Occupancy			95.6%	87.8%
Stabilized occupancy			96.9%	95.3%
TRICON LIFESTYLE COMMUNITIES *(Refer to Sections 3.3 and 4.3)*				
Investments – TLC			**$ 52,591**	**$ 19,153**
Investment income – TLC	**$ 1,731**	**$ 709**	**5,108**	**97**
Net operating income	1,541	600	5,432	1,540
Operating margin			57%	60%
Core funds from operations	597	172	2,182	573
Total number of rental sites			3,065	1,119
Occupancy			82.2%	88.7%
Long-term occupancy			73.9%	82.4%
TRICON LUXURY RESIDENCES *(Refer to Sections 3.3 and 4.4)*				
Investments – TLR			**$ 62,410**	**$ 19,582**
Investment income (loss) – TLR	**$ (1,246)**	**$ (188)**	**2,066**	**(185)**
Units under construction			1,335	1,010
PRIVATE FUNDS AND ADVISORY *(Refer to Section 4.5)*				
Third-party assets under management			$ 1,137,293	$ 1,174,838
Contractual fees and GP distributions	**$ 7,822**	**$ 6,357**	**25,815**	**25,237**
Performance fees	**1**	**367**	**780**	**414**

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 three and twelve months ended December 31, 2016.

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			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Revenue						
Contractual fees	$ 7,489	$ 6,042	$ 1,447	$ 24,518	$ 23,947	$ 571
General partner distributions	333	315	18	1,297	1,290	7
Performance fees	1	367	(366)	780	414	366
	7,823	6,724	1,099	26,595	25,651	944
Investment income						
Investment income – Tricon Housing Partners	10,098	6,055	4,043	27,550	18,753	8,797
Investment income – Tricon American Homes	3,439	12,746	(9,307)	50,081	57,746	(7,665)
Investment income – Tricon Lifestyle Communities	1,731	709	1,022	5,108	97	5,011
Investment income (loss) – Tricon Luxury Residences	(1,246)	(188)	(1,058)	2,066	(185)	2,251
	14,022	19,322	(5,300)	84,805	76,411	8,394
Total revenue and investment income	**$ 21,845**	**$ 26,046**	**$ (4,201)**	**$ 111,400**	**$ 102,062**	**$ 9,338**
Expenses						
Compensation expense	5,855	8,442	(2,587)	22,797	23,019	(222)
General and administration expense	1,828	1,346	482	6,643	5,273	1,370
Interest expense	3,105	2,974	131	11,798	13,955	(2,157)
Other expenses	457	(12,933)	13,390	(960)	11,194	(12,154)
Realized and unrealized foreign exchange gain	(1,596)	(3,431)	1,835	(518)	(20,418)	19,900
	9,649	(3,602)	13,251	39,760	33,023	6,737
Income before income taxes	12,196	29,648	(17,452)	71,640	69,039	2,601
Income tax expense – current	1,187	3,830	(2,643)	1,579	7,562	(5,983)
Income tax expense (recovery) – deferred	2,045	(2,995)	5,040	10,301	3,014	7,287
Net income	**$ 8,964**	**$ 28,813**	**$ (19,849)**	**$ 59,760**	**$ 58,463**	**$ 1,297**
Attributable to:						
Shareholders of Tricon	$ 8,371	$ 28,741	$ (20,370)	$ 59,472	$ 58,180	$ 1,292
Non-controlling interests	593	72	521	288	283	5
Net income	**8,964**	**28,813**	**(19,849)**	**59,760**	**58,463**	**1,297**
Basic EPS attributable to shareholders of Tricon	**$ 0.07**	**$ 0.27**	**$ (0.19)**	**$ 0.53**	**$ 0.60**	**$ (0.07)**
Diluted EPS attributable to shareholders of Tricon	**$ 0.07**	**$ 0.16**	**$ (0.09)**	**$ 0.46**	**$ 0.59**	**$ (0.12)**
Weighted average shares outstanding – basic	**112,840,046**	**107,431,917**	**5,408,129**	**112,490,019**	**96,488,659**	**16,001,360**
Weighted average shares outstanding – diluted	**124,060,472**	**122,736,950**	**1,323,522**	**123,646,532**	**114,474,851**	**9,171,681**

The following discussion is based on selected line items of the consolidated statements of income for the three and twelve months ended December 31, 2016.

Contractual fees

Contractual fees for the three months ended December 31, 2016 totaled $7.5 million, an increase of $1.4 million or 24% from the same period in the prior year. For the year, contractual fees were $24.5 million, an increase of $0.6 million or 2% from 2015 (refer to the table below for details).

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Management fees – private Investment Vehicles	$ 3,173	$ 3,149	$ 24	$ 12,443	$ 12,597	$ (154)
Development fees – TDG	385	299	86	1,488	519	969
Development fees – Johnson	3,931	2,594	1,337	10,587	10,831	(244)
Contractual fees	**$ 7,489**	**$ 6,042**	**$ 1,447**	**$ 24,518**	**$ 23,947**	**$ 571**

- The increase in contractual fees of $1.4 million for the three months ended December 31, 2016 is primarily attributable to an increase in advisory fee revenue from Johnson of $1.3 million as a result of increased residential lot and commercial acreage sales in the quarter compared to the same period in the prior year.
- The increase in contractual fees of $0.6 million for the year ended December 31, 2016 is mainly attributable to an increase in development fees earned by TDG of $1.0 million compared to the prior year associated with current projects in various stages of development; specifically, The Selby (592 Sherbourne), 57 Spadina and Scrivener Square.

Investment income – Tricon Housing Partners

The following table provides details regarding investment income from THP for the three and twelve months ended December 31, 2016.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
THP1 US	$ 2,924	$ 5,317	$ (2,393)	$ 14,587	$ 15,191	$ (604)
THP2 US	582	567	15	2,123	1,211	912
THP3 Canada	(572)	(1,236)	664	439	(1,014)	1,453
Trinity Falls	1,862	–	1,862	3,330	–	3,330
Separate accounts[1]	4,827	1,249	3,578	6,176	2,026	4,150
Side-cars[2]	475	158	317	895	1,339	(444)
Investment income – THP	**$ 10,098**	**$ 6,055**	**$ 4,043**	**$ 27,550**	**$ 18,753**	**$ 8,797**

(1) Includes Cross Creek Ranch, Fulshear Farms, Grand Central Park, Trilogy at Verde River, Viridian and THP US SP1.
(2) Includes Trilogy at Vistancia West, Arantine Hills and Trilogy Lake Norman.

Investment income for the three months ended December 31, 2016 was $10.1 million, an increase of $4.0 million or 67%, compared to $6.1 million for the same period in 2015. The increase is mainly attributable to:

- An increase of $3.6 million in investment income from separate accounts resulting from fair value gains (mainly from Viridian, Grand Central Park and Cross Creek Ranch). These higher fair value gains were due to higher lot sales made to homebuilders at Viridian and Cross Creek Ranch as well as a number of significant milestones achieved at Grand Central Park, compared to sales achieved in the same period in the prior year.
- Investment income contribution of $1.9 million from Trinity Falls, a new investment made in July 2016.
- An increase in investment income of $0.7 million from THP3 Canada, largely resulting from a change in USD/CAD exchange rates.
- The increases above were offset by a $2.4 million decrease in investment income from THP1 US as significant distributions were made to the fund's investors in the fourth quarter which reduced the investment balance of THP1 US from $165.2 million to $111.7 million.

Investment income from THP for the year was $27.6 million, an increase of $8.8 million or 47%, compared to $18.8 million in 2015. The increase is attributable to the same reasons outlined above.

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, 2016.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Rental revenue	$ 26,731	$ 20,178	$ 6,553	$ 94,610	$ 71,876	$ 22,734
Rental expenses	(10,815)	(8,134)	(2,681)	(38,236)	(28,997)	(9,239)
Net operating income[1]	**15,916**	**12,044**	**3,872**	**56,374**	**42,879**	**13,495**
Other expenses[2]	(15,933)	(3,929)	(12,004)	(29,620)	(24,781)	(4,839)
Fair value gain	9,931	8,511	1,420	44,199	53,933	(9,734)
Interest expense	(6,475)	(3,880)	(2,595)	(20,872)	(14,285)	(6,587)
Investment income – TAH	**$ 3,439**	**$ 12,746**	**$ (9,307)**	**$ 50,081**	**$ 57,746**	**$ (7,665)**

(1) KPI measure; see Section 8.1.

(2) Other expenses are comprised of:

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Transaction costs and non-recurring costs	$ (10,560)	$ (553)	$ (10,007)	$ (13,878)	$ (15,719)	$ 1,841
Deferred tax recovery	3,961	2,103	1,858	7,029	11,342	(4,313)
Non-controlling interests	(3,814)	660	(4,474)	(5,754)	(4,584)	(1,170)
Asset management fees	(1,355)	(2,548)	1,193	(6,417)	(8,497)	2,080
Inputed selling costs	(832)	(679)	(153)	(3,138)	(3,466)	328
Amortization of fixed assets	(131)	–	(131)	(451)	–	(451)
Other (G&A and leasing commissions)	(3,202)	(2,912)	(290)	(7,011)	(3,857)	(3,154)
Other expenses	**$ (15,933)**	**$ (3,929)**	**$ (12,004)**	**$ (29,620)**	**$ (24,781)**	**$ (4,839)**

Investment income for the three months ended December 31, 2016 was $3.4 million, a decrease of $9.3 million or 73% from $12.7 million for the same period in 2015 due to transaction costs of $10.1 million incurred in relation to the second securitization transaction, as noted below. Excluding the impact of these costs, investment income would have been $13.5 million. The variance is attributable to:

- An increase of $3.9 million in net operating income ("NOI") (a key performance indicator ("KPI"); refer to Section 8.1 for a description), mainly as a result of an increase in the number of leased properties at quarter-end (7,258 homes for Q4 2016 vs. 6,233 homes for Q4 2015) as well as rent growth achieved across the portfolio (see Section 4.2).
- This increase was partially offset by an increase in other expenses, as a result of higher non-controlling interests and non-recurring transaction costs incurred in October 2016 in relation to TAH's second securitization transaction, partially offset by lower asset management fees and higher tax recovery.
- An increase in interest expense as a result of a higher outstanding debt balance, resulting from growth in the portfolio size.

Investment income for the year ended December 31, 2016 was $50.1 million, a decrease of $7.7 million or 13%, compared to $57.7 million in 2015. The variance is attributable to:

- An increase of $13.5 million in NOI as a result of a greater number of properties owned by TAH as well as the rent growth achieved.
- An offsetting increase in other expenses as a result of a one-time tax recovery recorded in 2015, which reduced overall other expenses in 2015, partially offset by a decrease in non-recurring transaction costs and asset management fees. The tax recovery in 2015 was a result of changes in the exit strategy for the vertical.
- A decrease in fair value gain of $9.7 million, primarily due to lower home price appreciation experienced in 2016 compared to 2015.
- Increased interest expense of $6.6 million incurred in 2016 as a result of a higher outstanding debt balance, resulting from growth in the portfolio size.

Investment income – Tricon Lifestyle Communities

The following table provides details regarding the investment income from TLC for the three and twelve months ended December 31, 2016.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Twelve months 2016	Twelve months 2015	Twelve months Variance
Rental revenue	$ 2,825	$ 1,027	$ 1,798	$ 9,591	$ 2,577	$ 7,014
Rental expenses	(1,284)	(427)	(857)	(4,159)	(1,037)	(3,122)
Net operating income[1]	**1,541**	**600**	**941**	**5,432**	**1,540**	**3,892**
Other expenses[2]	863	(660)	1,523	455	(1,790)	2,245
Fair value gain	54	1,057	(1,003)	1,766	1,057	709
Interest expense	(727)	(288)	(439)	(2,545)	(710)	(1,835)
Investment income – TLC	**$ 1,731**	**$ 709**	**$ 1,022**	**$ 5,108**	**$ 97**	**$ 5,011**

(1) KPI measure; see Section 8.1.

(2) Other expenses are comprised of:

For the periods ended December 31 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Three months Variance	Twelve months 2016	Twelve months 2015	Twelve months Variance
Asset management fees	$ (174)	$ (52)	$ (122)	$ (503)	$ (122)	$ (381)
General and administration expenses	(43)	(88)	45	(202)	(135)	(67)
Loss on sale of homes	(76)	(11)	(65)	(172)	(28)	(144)
Non-controlling interests	(17)	(23)	6	(89)	(40)	(49)
Transaction costs and non-recurring costs	3	(632)	635	(25)	(1,080)	1,055
Deferred tax recovery (expense)	1,170	146	1,024	1,446	(385)	1,831
Other expenses	**$ 863**	**$ (660)**	**$ 1,523**	**$ 455**	**$ (1,790)**	**$ 2,245**

For the three months ended December 31, 2016, investment income from TLC was $1.7 million compared to $0.7 million for the same period in the prior year. This increase was primarily attributable to:

- A NOI increase of $0.9 million associated with a greater number of properties owned.
- Lower other expenses due to higher deferred tax recovery. TLC has claimed depreciation in excess of taxable income for the year, resulting in a tax loss carryforward that can be deducted against future taxable income. As a result, TLC has recognized a deferred tax recovery related to tax savings that will be recognized in future periods.
- This increase was partially offset by lower fair value gains and higher interest expense compared to the same quarter last year.

Investment income for the year was $5.1 million compared to $0.1 million in the prior year, an increase of $5.0 million. This increase is attributable to:

- An increase of $3.9 million in NOI, mainly attributable to the acquisition of nine new communities or 1,946 rental sites, which contributed $2.6 million of NOI in the year, and the inclusion of a full year of income for the four properties acquired in 2015.
- Lower other expenses as explained above.
- An increase of $0.7 million in the fair value gain as a result of the substantial completion of capital improvement programs at Longhaven and Skyhaven, and realized rent increases in various communities.
- This was offset by increased interest expense associated with financing the acquisition of nine new communities in 2016.

Investment income – Tricon Luxury Residences

The following table provides details regarding investment income from TLR for the three and twelve months ended December 31, 2016.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Rental revenue	$ 233	$ 1	$ 232	$ 618	$ 4	$ 614
Other expenses[1]	445	(458)	903	(1,453)	(458)	(995)
Fair value gain (loss)	(1,924)	269	(2,193)	2,901	269	2,632
Investment income (loss) – TLR	**$ (1,246)**	**$ (188)**	**$ (1,058)**	**$ 2,066**	**$ (185)**	**$ 2,251**

(1) Other expenses are comprised of:

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Non-controlling interests	$ 1,048	$ –	$ 1,048	$ (1,200)	$ –	$ (1,200)
Translation adjustment	(572)	(292)	(280)	(159)	(292)	133
Interest expense	(31)	–	(31)	(67)	–	(67)
General and administration expenses	–	–	–	(27)	–	(27)
Transaction costs and non-recurring costs	–	(166)	166	–	(166)	166
Other expenses	**$ 445**	**$ (458)**	**$ 903**	**$ (1,453)**	**$ (458)**	**$ (995)**

For the three months ended December 31, 2016, investment loss from TLR was $1.2 million compared to a loss of $0.2 million for the same period in the prior year. This was primarily attributable to:

- Fair value loss experienced in TLR U.S. at The McKenzie investment, which was due to a change in the construction budget and a revision to the timeline of completion. The budget increased as a result of the specification of higher building finishes; no offsetting revenue increases were taken (see Section 4.4).

Investment income for the year was $2.1 million compared to a $0.2 million loss in the prior year, an increase of $2.3 million. This increase is attributable to:

- The fair value gains recognized as a result of reaching development milestones and increased land values in projects in Canada and the U.S. This was offset by the fair value loss recognized at The McKenzie in the fourth quarter of 2016.
- The increase was offset by higher other expenses which include non-controlling interests and an unfavourable foreign currency adjustment made for TLR Canada.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Salaries and benefits	$ 3,403	$ 2,746	$ 657	$ 12,207	$ 11,295	$ 912
Annual incentive plan	749	2,119	(1,370)	7,474	6,689	785
Long-term incentive plan	1,703	3,577	(1,874)	3,116	5,035	(1,919)
Total compensation expense	**$ 5,855**	**$ 8,442**	**$ (2,587)**	**$ 22,797**	**$ 23,019**	**$ (222)**

Compensation expense for the twelve months ended December 31, 2016 decreased by $0.2 million compared to the prior year, primarily as a result of a decrease in LTIP, offset by an increase in AIP expense, which is determined based on the Company's earnings (refer to Section 9.6). LTIP decreased by $1.9 million compared to the prior year primarily as a result of decreases in the fair values of investments caused by budget revisions at the project level, which in turn drove a lower projected performance fee sharing. Payroll costs for the year also increased by $0.9 million as a result of staffing increases intended to accommodate the Company's ongoing growth plans and normal course salary adjustments for inflation.

General and administration expense

General and administration expense for the three months and year ended December 31, 2016 increased by $0.5 million and $1.4 million, respectively, compared to the same periods in the prior year, primarily due to increased levels of investment activity.

Interest expense

The table below provides a summary of interest expense.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Credit facility interest	$ 1,636	$ 570	$ 1,066	$ 6,138	$ 2,930	$ 3,208
Debentures interest	1,007	1,610	(603)	3,879	7,121	(3,242)
Debentures discount amortization	462	794	(332)	1,781	3,904	(2,123)
Total interest expense	**$ 3,105**	**$ 2,974**	**$ 131**	**$ 11,798**	**$ 13,955**	**$ (2,157)**

Interest expense was $3.1 million for the three months ended December 31, 2016 compared to $3.0 million for the same period last year, an increase of $0.1 million or 4%. For the full year, interest expense was $11.8 million compared to $14.0 million for the prior year, representing a decrease of $2.2 million or 15%. The decrease was primarily driven by lower interest expense incurred on convertible debentures as a previously-outstanding series of convertible debentures was fully redeemed by the Company in November 2015, resulting in a decrease in the principal value of debentures. This decrease was offset by higher interest expense incurred on the corporate revolving credit facility due to increased net investment in the Company's business verticals.

Other expenses

The table below provides a breakdown of other expenses.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Net change in fair value of derivative	$ (1,032)	$ (14,967)	$ 13,935	$ (8,607)	$ 1,272	$ (9,879)
Transaction costs	85	535	(450)	1,829	3,546	(1,717)
Amortization expense	1,404	1,499	(95)	5,818	6,376	(558)
Total other expenses	**$ 457**	**$ (12,933)**	**$ 13,390**	**$ (960)**	**$ 11,194**	**$ (12,154)**

The net change in fair value of derivative is driven by a net decrease (net increase for the year ended December 31, 2015) in the fair value of the conversion feature of the Company's outstanding convertible debentures. The value of the conversion option decreased primarily due to a decrease in implied volatility of the share price and a decrease in the term to maturity, which resulted in the holder of the derivative having less opportunity to benefit from price movements and less time to exercise those benefits.

Income tax expense

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

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Assets					
Cash	$ 17,780	$ 5,933	$ 8,695	$ 29,456	$ 4,493
Amounts receivable	16,892	11,873	14,912	9,773	8,088
Prepaid expenses and deposits	2,599	2,652	8,298	3,020	2,542
Investments – Tricon Housing Partners	301,787	347,840	270,716	270,241	303,782
Investments – Tricon American Homes	479,938	505,074	512,024	472,995	426,030
Investments – Tricon Lifestyle Communities	52,591	38,504	33,106	31,636	19,153
Investments – Tricon Luxury Residences	62,410	57,864	53,212	32,284	19,582
Intangible assets	24,967	26,312	27,672	29,027	30,527
Deferred income tax assets	12,404	12,274	13,359	13,526	11,282
Other assets	1,376	1,370	1,265	1,155	1,047
Total assets	**$ 972,744**	**$ 1,009,696**	**$ 943,259**	**$ 893,113**	**$ 826,526**
Liabilities					
Amounts payable and accrued liabilities	$ 10,892	$ 8,240	$ 9,711	$ 4,764	$ 7,621
Dividends payable	5,459	5,578	5,648	5,609	4,857
Long-term incentive plan	13,359	14,895	15,281	15,494	15,717
Debt	168,857	216,080	167,886	132,016	71,353
Deferred income tax liabilities	30,488	28,294	24,204	22,149	20,600
Derivative financial instruments	28	1,264	5,648	8,003	8,376
Total liabilities	**229,083**	**274,351**	**228,378**	**188,035**	**128,524**
Equity					
Share capital	567,677	566,452	564,348	563,245	561,347
Contributed surplus	15,835	11,381	10,762	9,570	9,812
Cumulative translation adjustment	18,711	18,836	18,436	18,609	20,098
Retained earnings	127,691	124,775	106,811	98,099	90,813
Total shareholders' equity	729,914	721,444	700,357	689,523	682,070
Non-controlling interest	13,747	13,901	14,524	15,555	15,932
Total equity	**743,661**	**735,345**	**714,881**	**705,078**	**698,002**
Total liabilities and equity	**$ 972,744**	**$ 1,009,696**	**$ 943,259**	**$ 893,113**	**$ 826,526**

Investments – Tricon Housing Partners

As shown in the table below, investments in THP decreased by $2.0 million or 1% to $301.8 million as at December 31, 2016 from $303.8 million as at December 31, 2015. The variance is primarily a result of $88.6 million of advances during the year plus $27.6 million of investment income generated across the portfolio. The Trinity Falls investment was the primary driver of these increases, with $73.9 million advanced in 2016 that generated $3.3 million in investment income. Overall, these increases have been more than offset by $118.1 million in distributions, consisting of $115.9 million of realizations in THP1 US from the Greater Bay Area, San Francisco and Phoenix portfolios and $2.2 million from the Cross Creek Ranch separate account.

(in thousands of U.S. dollars)	As at December 31, 2015	Advances	Investment income	Distributions	As at December 31, 2016
THP1 US	$ 212,159	$ 885	$ 14,587	$ (115,887)	$ 111,744
THP2 US	21,388	1,749	2,123	–	25,260
THP3 Canada	8,340	758	439	–	9,537
Trinity Falls	–	73,865	3,330	–	77,195
Separate accounts[1]	47,901	8,624	6,176	(2,220)	60,481
Side-cars[2]	13,994	2,681	895	–	17,570
Investments – THP	**$ 303,782**	**$ 88,562**	**$ 27,550**	**$ (118,107)**	**$ 301,787**

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

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

Investments – Tricon American Homes

Investments in TAH increased by $53.9 million or 13% to $479.9 million as at December 31, 2016, from $426.0 million as at December 31, 2015. The increase was driven by advances of $98.4 million for the acquisition of new homes and the buyout of the minority interests of former operating partners, and investment income of $50.1 million, which included $44.2 million of fair value gains. This increase was offset by cash distributions of $94.6 million, which included a $60.6 million capital repatriation from proceeds of the second securitization transaction (see Section 4.2).

(in thousands of U.S. dollars)	As at December 31, 2015	Advances	Investment income	Distributions	As at December 31, 2016
Investments – TAH	**$ 426,030**	**$ 98,378**	**$ 50,081**	**$ (94,551)**	**$ 479,938**

Investments – Tricon Lifestyle Communities

Investments in TLC increased by $33.4 million or 175% to $52.6 million as at December 31, 2016, from $19.2 million as at December 31, 2015, primarily as a result of the acquisition of nine new properties (see Section 4.3), as well as increases in net operating income and fair value gains (see Section 3.1).

(in thousands of U.S. dollars)	As at December 31, 2015	Advances	Investment income	Distributions	As at December 31, 2016
Investments – TLC	**$ 19,153**	**$ 28,330**	**$ 5,108**	**$ –**	**$ 52,591**

Investments – Tricon Luxury Residences

Investments in TLR increased by $42.8 million or 219% to $62.4 million as at December 31, 2016, from $19.6 million as at December 31, 2015. The investment balance is comprised of $36.0 million in TLR U.S. and $26.4 million in TLR Canada. The overall increase was mainly driven by the acquisition of three properties in Toronto, Canada, and advances made to existing projects during the year.

(in thousands of U.S. dollars)	As at December 31, 2015	Advances	Investment income	Distributions	As at December 31, 2016
Investments – TLR	**$ 19,582**	**$ 40,762**	**$ 2,066**	**$ –**	**$ 62,410**

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total amount	Maturity date	Interest rate terms	December 31, 2016	December 31, 2015
Revolving term credit facility	USD	$ 235,000	June 2019	LIBOR+350 bps	$ 113,750	$ 20,000
5.60% convertible debentures	CAD	85,731	March 2020	5.60%	55,107	51,353
					$ 168,857	**$ 71,353**

(1) The 5.60% convertible unsecured subordinated debentures are denominated in Canadian dollars. Balances shown are presented in U.S. dollars and exclude the value of derivative instrument embedded in the debentures (see Section 3.1 under the heading "Other expenses"). USD/CAD exchange rates used to present debt balances in U.S. dollars are at December 31, 2016: 1.3427 and at December 31, 2015: 1.3840.

The Company has access to a $235.0 million corporate revolving credit facility provided by a syndicate of lenders. As of December 31, 2016, $113.8 million was drawn on the facility. In the second quarter of 2016, the Company extended the maturity date of the corporate revolving credit facility to June 30, 2019.

As of December 31, 2016, there was C$85.7 million in outstanding aggregate principal amount of 5.60% convertible unsecured subordinated debentures of the Company (the "5.60% convertible debentures") which, in the aggregate, are convertible into 8,748,061 common shares of the Company at a conversion price of C$9.80 per common share. The 5.60% convertible debentures are due on March 31, 2020, bear interest at 5.60% per annum and are redeemable by the Company, provided certain conditions are met.

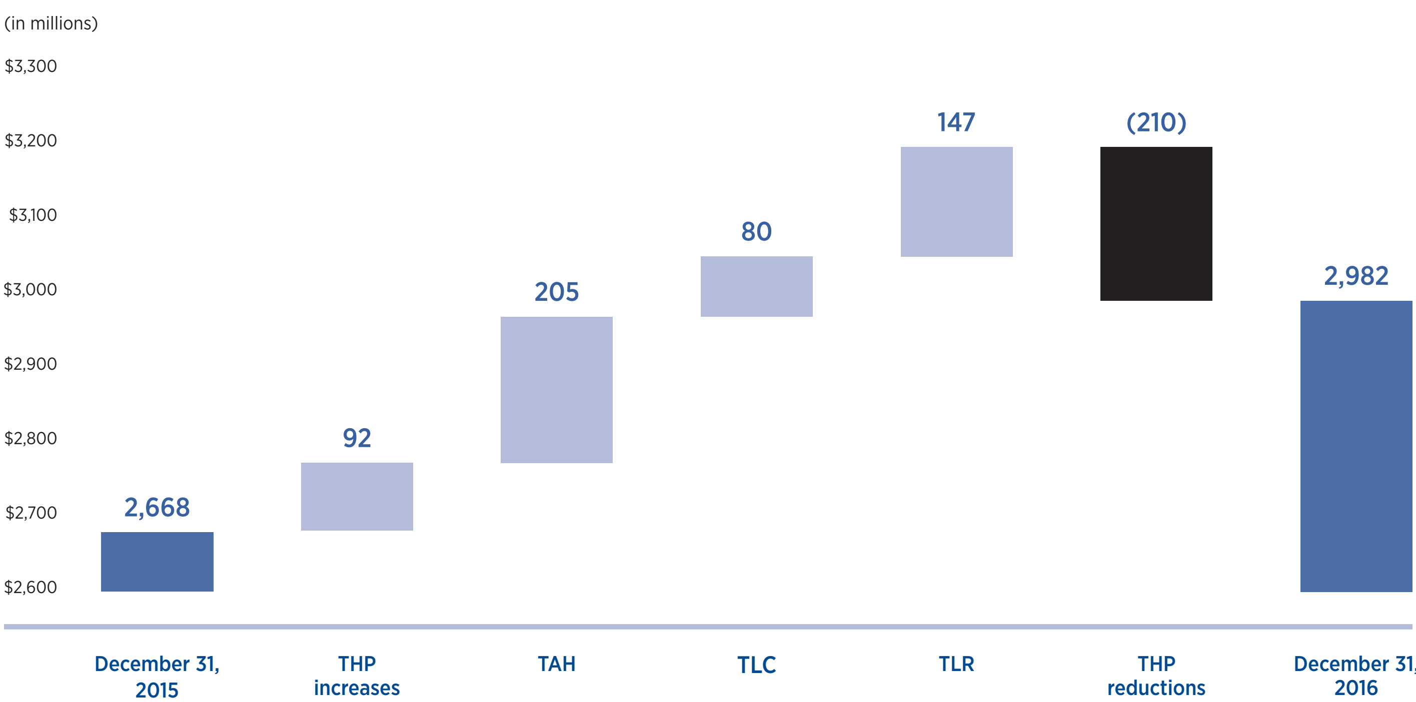
3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.1) were $3.0 billion as at December 31, 2016, representing an increase of 12% since December 31, 2015. Refer to Section 8.2 for a detailed description of AUM.

As shown in the chart below, which summarizes the changes in AUM over the year on a vertical-by-vertical basis, the AUM increase since December 31, 2015 was primarily attributable to:

- An increase of $92.4 million in THP AUM primarily as a result of new investments in Trinity Falls and THP US SP 1 (a separate account) and fair value gains in THP Co-Investments.
- An increase of $205.0 million in TAH driven by $52.8 million of fair value adjustments related to home price appreciation in the portfolio (before deducting minority interest), as well as $152.2 million of new investments primarily related to the acquisition of homes during the first half of the year, the buyout of the minority interest of former operating partners, and home renovations throughout the year.
- An increase of $80.2 million in TLC AUM as a result of the acquisition of nine properties in 2016, in addition to fair value gains recognized during the year and advances made towards capital enhancement programs.
- An increase of $146.7 million in TLR AUM as a result of three new investments in Canada, which contributed to $138.9 million of the increase. The remaining increase is attributable to additional advances made to existing U.S. projects and fair value gains recognized during the year.
- A decrease of $210.1 million in THP AUM reflecting distributions from THP1 US, Cross Creek Ranch (a separate account), and 5 St. Joseph (a project of THP2 Canada) as well as fair value changes.

Changes in assets under management



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

(in thousands of U.S. dollars)	December 31, 2016[1]	September 30, 2016[1]	June 30, 2016[1]	March 31, 2016[1]	December 31, 2015[1]
PRINCIPAL INVESTMENTS					
Tricon Housing Partners					
THP1 US	$ 122,719	$ 176,657	$ 179,660	$ 175,572	$ 225,029
THP2 US	30,503	32,914	31,942	31,765	28,611
THP3 Canada	15,571	16,126	16,554	16,058	14,618
Trinity Falls	98,963	97,102	–	–	–
Separate accounts	69,930	65,398	64,306	70,526	56,990
Side-cars	20,266	19,230	18,998	19,013	19,306
Tricon Housing Partners	**357,952**	**407,427**	**311,460**	**312,934**	**344,554**
Tricon American Homes[2]	**1,239,344**	**1,232,862**	**1,194,530**	**1,112,966**	**1,034,346**
Tricon Lifestyle Communities[2]	**130,560**	**98,802**	**87,633**	**85,964**	**50,356**
Tricon Luxury Residences					
U.S.	60,663	62,370	60,094	59,058	55,555
Canada	56,338	56,279	67,803	30,421	8,215
Tricon Luxury Residences	**117,001**	**118,649**	**127,897**	**89,479**	**63,770**
Principal Investments	**$ 1,844,857**	**$ 1,857,740**	**$ 1,721,520**	**$ 1,601,343**	**$ 1,493,026**
PRIVATE FUNDS AND ADVISORY					
Tricon Housing Partners					
THP1 US	$ 37,258	$ 62,411	$ 61,193	$ 61,010	$ 84,476
THP2 US	235,695	308,740	308,740	308,740	308,740
THP1 Canada	719	736	471	471	442
THP2 Canada	22,323	23,179	38,720	45,987	43,153
THP3 Canada	100,640	102,478	101,998	102,052	96,304
Separate accounts	415,559	412,640	412,640	387,320	401,734
Side-cars	160,916	160,917	161,916	161,916	161,916
Syndicated investments	25,305	25,675	26,528	34,786	32,642
Tricon Housing Partners	**998,415**	**1,096,776**	**1,112,206**	**1,102,282**	**1,129,407**
Tricon Luxury Residences	**138,878**	**142,223**	**133,130**	**78,121**	**45,431**
Private Funds and Advisory	**$ 1,137,293**	**$ 1,238,999**	**$ 1,245,336**	**$ 1,180,403**	**$ 1,174,838**
Total Assets Under Management	**$ 2,982,150**	**$ 3,096,739**	**$ 2,966,856**	**$ 2,781,746**	**$ 2,667,864**

(1) USD/CAD exchange rates used at each balance sheet date are: at Dec 31, 2016: 1.3427; Sep 30, 2016: 1.3117; Jun 30, 2016: 1.2917; Mar 31, 2016: 1.2987; and Dec 31, 2015: 1.3840.

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

3.4 Subsequent events

On February 21, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on April 14, 2017 to shareholders of record on March 31, 2017.

Subsequent to year-end, TAH completed the acquisition of all of the minority interest in its real estate holdings and its property management entity (see Section 4.2).

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

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

4.1 Tricon Housing Partners

During 2016, THP continued to advance its existing development projects while adding new investments, as described below. A summary of THP's principal investments is presented in the following table with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1). The table also summarizes historical and projected cash flows to Tricon arising from the sale of finished lots, homes and condominium units from THP's projects over the next eight to ten years (forward-looking information; refer to page 1).

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded equity commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining
THP1 US	68.4%	$ 67,497	$ 111,744	$ 10,975	$ 122,719	$ 273,856	$ 248,914	$ 141,231
THP2 US	7.5%	19,396	25,260	5,243	30,503	19,757	–	29,050
THP3 Canada	10.2%	8,926	9,537	6,034	15,571	8,861	1,764	13,926
Trinity Falls	100.0%	73,865	77,195	21,768	98,963	73,865	–	184,444
Separate accounts[2]	12.5%	52,325	60,481	9,449	69,930	62,601	17,192	127,861
Side-cars[3]	7.4%	15,080	17,570	2,696	20,266	15,184	–	25,622
Total		**$ 237,090**	**$ 301,787**	**$ 56,165**	**$ 357,952**	**$ 454,124**	**$ 267,870**	**$ 522,134**

Investment income – 2016	$ 27,550
as a % of invested capital at December 31, 2016	11.6%

(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 and THP US SP1.
(3) Side-cars include Arantine Hills, Trilogy Lake Norman and Trilogy at Vistancia West.

For the year ended December 31, 2016, investment income of $27.6 million represented an 11.6% net return on outstanding invested capital. This metric may fluctuate quarter to quarter, based on the timing of development milestones and project budget revisions. On a full-year basis, the net return on invested capital is expected to be in the range of 9% – 11%; the actual net return outperformed our expectations. This result was attributable to higher lot sales made to homebuilders at Viridian and Cross Creek Ranch as well as a number of significant milestones achieved at Grand Central Park, as discussed in more detail below.

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

THP1 US

Over the course of 2016, THP1 US distributed $171.0 million to its investors, including $115.9 million to Tricon. Of the total distributions, $74.0 million was generated from projects in the Greater Bay Area Portfolio, namely from the sale of Faria Preserve (land investment) and home closings at Oakwood Shores (homebuilding project). The San Francisco Portfolio contributed an additional $72.0 million in the year as the retail space at Vida (the second condominium project in the portfolio) was sold and closings commenced at Rockwell (the third and final condominium project in the portfolio). Finally, $23.8 million was generated from bulk lot sales in the Phoenix Lot Portfolio to large public and private homebuilders. It is expected that THP1 US will continue to generate meaningful cash distributions to Tricon of upwards of $140 million through 2019.

THP2 US

THP2 US performed in line with our expectations in 2016. Major highlights included the realization of two shorter-term homebuilding projects in Southern California and Phoenix, Arizona which provided ongoing distributions to fund investors. Additional proceeds were generated from Smyrna Grove, a homebuilding project in Atlanta, Georgia, which continued to outperform budget in terms of both sales prices and velocity. Also notable is the commencement of leasing activity at two multi-family apartment projects in the fund located in Austin and Dallas, Texas. The fund is well positioned to achieve its targeted returns and significant distributions are projected in 2017 and 2018 as investments continue to be realized.

THP3 Canada

THP3 Canada distributed $2.6 million (C$3.4 million) to its investors during 2016 as construction milestones were reached at Massey Tower, a condominium project in Toronto, Ontario. Reflecting the strength of the Canadian housing market, sales activity for all projects within the fund were strong in 2016. Notable events included the launch and sell-out of Phases 2 and 3 at River Park Place in Richmond, BC (a Vancouver suburb) in the fourth quarter and the achievement of nearly 400 home sales for the year at the Mahogany master planned community in southeast Calgary. Notwithstanding the sales success at River Park Place, cost overruns related to the finishing of Phase 1, which is now complete, combined with ongoing cost inflation in the market that has increased the construction cost of Phases 2 and 3, have decreased expected investment performance and negatively impacted investment income from the fund for the year.

Separate accounts

At the Viridian master planned community in Arlington, Texas, 345 lots were sold to homebuilders during 2016 and 146 homes were sold by homebuilders to end consumers; compared to 174 lot sales and 235 home sales in 2015. The decrease in home sales is a direct result of weather challenges in early 2016 that restricted new lot development and prevented homebuilders from constructing new model and spec homes for sale. Builder confidence remains strong in the community and with 194 new lots closed in the fourth quarter of 2016, builders have replenished their land inventory and commenced construction of a new model home park. A grand re-opening of Viridian's model home park is scheduled for early 2017 and will be followed soon after by the opening of an expanded amenity centre and lake club. The new inventory and enhanced marketing efforts are expected to drive an increase in new home sales and absorption in 2017.

At the Cross Creek Ranch master planned community in Houston, Texas, 397 lots were sold to homebuilders during 2016, compared to 221 in 2015, reflecting the continued demand for lots within highly amenitized, well located, established master plans. Sales by homebuilders to end consumers were also strong in the year with 377 home sales achieved, an increase of 11% from the 340 homes sold in 2015. Cross Creek Ranch's diverse product offering, significant existing amenities and proven sales track record continue to support the project's position as the leading community for new home sales in the Katy-South submarket of Houston and it is expected to continue to outperform smaller and newer subdivisions in the area.

The Grand Central Park master planned community located in Houston, Texas achieved a number of significant milestones in 2016, including the sale and closing of the first 145 residential lots in the community to seven homebuilders in the first phase. In total, construction of 365 lots was completed during the year and homebuilders have contractual requirements to acquire the remaining 220 lots over the remainder of 2017 and into 2018. Model homes are under construction and a grand opening of the project is scheduled for April 2017. A number of the project's builders have started selling homes ahead of the official grand opening, with 15 home sales already having been achieved by year-end.

Homebuilding and development activities at the Trilogy at Verde River active-adult community in Phoenix, Arizona, advanced significantly during the year, with initial home closings taking place in the second quarter. In addition, the construction of the project's main amenity centre/clubhouse began during 2016 and is expected to be completed by year-end 2017. In aggregate, 97 homes were sold during 2016 and 59 sales contracts were closed, with an average sales price of $633,000 (or $293 per square foot). Buyer traffic remained strong throughout 2016, which is expected to result in higher sales volume and continued pricing strength in 2017.

New investments in THP

Tricon Housing Partners US Syndicated Pool 1

In June 2016, THP syndicated two investments to a third-party investor through Tricon Housing Partners US Syndicated Pool 1 ("THP US SP1"), a separate account. The total portfolio commitment is $31.7 million, with the investor committing $25.3 million (80%) and Tricon retaining a commitment of $6.3 million (20%) as a principal co-investment. Similar to its existing managed Investment Vehicles, Tricon will earn asset management fees and potential performance fees from THP US SP1, as well as investment income from its co-investment in the vehicle.

The portfolio comprises 490 El Camino, a fully-entitled 73-unit/4,900-square-foot retail development project in the town of Belmont, California located at the northern end of Silicon Valley, and Queen Creek & Ellsworth, a 120-acre land development project located in the town of Queen Creek in metro Phoenix's bustling Southeast Valley.

Since closing the investments, the business plans continued to advance, with construction at 490 El Camino and the entitlement process at Queen Creek progressing in line with budget.

Trinity Falls

On July 20, 2016, THP completed an investment in a fully-entitled 1,700-acre existing master planned community located in the fast-growing North Dallas submarket of McKinney, Texas, referred to as Trinity Falls. The project was initially capitalized with a $74 million contribution from Tricon and in-place development financing. Trinity Falls will be developed by Johnson and is the fifth investment made by Tricon alongside Johnson. The business plan entails the continued development and sale of approximately 3,200 residential lots to homebuilders over the next ten years with the Company benefiting from in-place contractual lot sales revenues, development management fees through Johnson and asset management fees from the project.

Since acquiring Trinity Falls, 95 lots were sold to homebuilders through the end of the year with 75 homes sold by homebuilders to end consumers over the same period. Notwithstanding that Trinity Falls is already a top selling master planned community in Dallas, Johnson is currently working on several initiatives that are expected to further improve the overall performance of the community; these include entryway and landscaping improvements, implementation of a robust new marketing plan similar to other Johnson master planned communities and revised site planning to allow for additional product offerings. Trinity Falls is well positioned to take advantage of Dallas' robust economy and housing market and is able to offer affordable homes to end consumers.

4.2 Tricon American Homes

During the year, TAH achieved several key milestones, including surpassing 95% portfolio occupancy, completing its second securitization transaction and buying out nearly all of the minority interest in the business which was previously owned by its initial operating partners.

TAH ended the year with a portfolio of 7,765 homes, an 8% increase from December 31, 2015, resulting from the net acquisition of 572 homes (total acquisitions of 948 offset by dispositions of 376 homes). TAH slowed its acquisition pace temporarily in the second half of the year in order to allocate capital toward the minority interest buyout. Subsequent to year-end, TAH resumed its normal course acquisition program.

TAH's in-place occupancy rate increased from 87.8% as at December 31, 2015 and 91.7% as at September 30, 2016 to 95.6% as at December 31, 2016, largely as a result of most homes in the portfolio achieving stabilization, and high levels of rental demand from workforce families. In addition, TAH experienced strong rent appreciation of 4.7% during the year, with 5.6% growth on new leases and 4.2% growth on renewals. Moreover, TAH's turnover in 2016 was 26.8%, which we believe is a testament to the portfolio's asset quality, TAH's middle market investment strategy, and the high level of customer service provided to residents.

During the fourth quarter, TAH completed its second securitization transaction, which involved the issuance and sale of six classes of fixed-rate pass-through certificates, with a weighted average interest rate of 3.59% and a five-year term to maturity, which represents beneficial ownership interests in a loan secured by 3,439 of TAH's single-family rental properties. TAH received gross transaction proceeds of approximately $363 million, which represents approximately 72% of the value of the securitized portfolio and approximately 80% of its all-in cost. Following repayment of TAH's warehouse credit facility, approximately $60 million of equity was repatriated to Tricon from the net transaction proceeds.

On December 22, 2016, after the significant repayment following the securitization transaction, TAH reduced the size of its warehouse credit facility to $275.0 million. As of December 31, 2016, approximately $63.0 million was drawn on the facility.

In the fourth quarter, TAH also completed the acquisition of approximately 95% of the minority interests in its real estate holdings and property management entity. The remaining minority interests were acquired subsequent to year-end. Recall that TAH's original operating partners previously owned an approximate 10% interest in the real estate partnerships and a 45% interest in the property management business. The purchase price for 100% of the minority interest is $71.5 million, including a $9.3 million premium attributable to the buyout of the property management interests, and is payable in cash over the twelve months following closing.

As a wholly owned and vertically integrated owner/operator of single-family homes, TAH is well positioned to focus its efforts on portfolio growth and operational excellence in 2017 and beyond. As the U.S. economy continues to strengthen, TAH expects to be able to continue to achieve above average rent growth coupled with low turnover, which in turn should drive NOI growth and cash flow.

As part of its ongoing effort to optimize portfolio composition, TAH has implemented a disposition program which typically identifies homes for disposition based on the following characteristics: (i) low rent homes (generally less than $900 per month) which tend to attract lower credit tenants and have higher turnover, resulting in increased delinquency and evictions; (ii) significantly older homes that will require greater repair costs; and (iii) homes that are geographic outliers or in neighbourhoods where TAH does not have scale. In many instances these homes were bought in portfolios with compelling characteristics (and where the vast majority of homes have been retained) but where TAH was also required to take on some homes that were not considered to be a long-term fit. In 2016, TAH disposed of 376 homes at carrying value through both small bulk sales and one-off multiple listing service resales.

The tables in this section provide a summary of some of the operating metrics for TAH's rental home portfolio that management uses to evaluate the performance of TAH over time and relative to industry peers. Many of the metrics referenced in these tables are KPI measures that are defined in Section 8.1.

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total homes owned	7,765	8,006	8,018	7,603	7,193	6,827	6,513	5,163
Less homes held for sale	170	324	114	65	93	68	55	63
Rental homes	7,595	7,682	7,904	7,538	7,100	6,759	6,458	5,100
Homes acquired	–	14	452	482	400	345	1,385	149
Less homes disposed	241	26	37	72	34	31	35	16
Net homes acquired during the quarter	(241)	(12)	415	410	366	314	1,350	133
Occupancy	95.6%	91.7%	88.9%	88.4%	87.8%	91.0%	93.6%	89.1%
Stabilized occupancy	96.9%	95.4%	95.9%	95.4%	95.3%	95.7%	95.8%	95.0%
Annualized turnover rate	20.0%	30.1%	30.1%	26.7%	30.8%	32.9%	27.8%	27.9%
Average monthly rent	$ 1,227	$ 1,217	$ 1,191	$ 1,175	$ 1,148	$ 1,141	$ 1,137	$ 1,143
Average quarterly rent growth – renewal	4.4%	4.4%	4.2%	3.6%	2.8%	2.0%	1.8%	2.9%
Average quarterly rent growth – new move-in	5.1%	6.3%	6.4%	4.5%	1.5%	5.4%	5.0%	5.3%
Average quarterly rent growth – blended	4.7%	5.1%	5.0%	4.1%	2.2%	3.3%	3.3%	4.0%

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

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Rental revenue[1]	$ 26,731	$ 20,178	$ 6,553	$ 94,610	$ 71,876	$ 22,734
Property taxes	4,126	3,064	1,062	13,802	9,909	3,893
Repair and maintenance	3,295	2,354	941	11,498	8,568	2,930
Property management fees	1,783	1,475	308	6,625	5,291	1,334
Property insurance	690	671	19	2,714	2,859	(145)
HOA/Utilities	568	415	153	2,291	1,943	348
Other direct expenses	353	155	198	1,306	427	879
Total rental expenses	10,815	8,134	2,681	38,236	28,997	9,239
Net operating income	**$ 15,916**	**$ 12,044**	**$ 3,872**	**$ 56,374**	**$ 42,879**	**$ 13,495**
Operating margin	**60%**	**60%**		**60%**	**60%**	
Other expenses	(15,933)	(3,929)	(12,004)	(29,620)	(24,781)	(4,839)
Fair value gain A	9,931	8,511	1,420	44,199	53,933	(9,734)
Interest expense B	(6,475)	(3,880)	(2,595)	(20,872)	(14,285)	(6,587)
Investment income – TAH (per Tricon income statement)	**$ 3,439**	**$ 12,746**	**$ (9,307)**	**$ 50,081**	**$ 57,746**	**$ (7,665)**
Fair value adjustment on homes	$ 9,873	$ 9,484	$ 389	$ 52,794	$ 61,089	$ (8,295)
Less performance fees[2]	58	(973)	1,031	(8,595)	(7,156)	(1,439)
Fair value gain A	$ 9,931	$ 8,511	$ 1,420	$ 44,199	$ 53,933	$ (9,734)
Warehouse credit facility interest	$ 1,702	$ 1,767	$ (65)	$ 9,080	$ 9,052	$ 28
Securitization debt 2015 interest	2,258	2,090	168	9,242	4,729	4,513
Securitization debt 2016 interest	2,510	–		2,509	–	
Other debt interest	5	23	(18)	41	504	(463)
Interest expense B	$ 6,475	$ 3,880	$ 2,595	$ 20,872	$ 14,285	$ 6,587
Weighted average interest rate	3.1%	2.7%		2.9%	3.0%	

(1) Includes bad debt expense of $174 and $945 for the three and twelve months ended December 31, 2016, respectively.

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

During 2016, rental revenue increased by $22.7 million or 32% to $94.6 million compared to $71.9 million in 2015. This is primarily the result of a 16.4% increase in the number of leased rental homes from 6,233 at the end of 2015 to 7,258 at the end of 2016, as well as rising rents and increased occupancy. In addition, TAH achieved average rent growth of 4.7% in the year ended December 31, 2016, reflecting strong demand for high-quality and well-located rental homes.

The growth in revenues contributed to a rise in net operating income in 2016 of $13.5 million or 31% to $56.4 million compared to $42.9 million in 2015. For the year ended December 31, 2016, operating margin remained consistent at 60% compared to the operating margin for the year ended December 31, 2015, as increases in rent were largely offset by increases in property tax (property tax increased by 9.2% on the portfolio) from the prior year. The operating margin is in line with management's full-year expectations given the current geographic mix of the portfolio.

TAH's fair value gain in 2016 was $44.2 million compared to $53.9 million in the prior year, which reflects a 5.0% Home Price Index ("HPI") increase this year, net of capital expenditures, compared to an 8.3% HPI net increase in the prior year.

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

Funds from operations and core funds from operations

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

For the periods ended December 31 (in thousands of U.S. dollars)	Three months		Twelve months	
	2016	2015	2016	2015
Investment income – TAH	$ 3,439	$ 12,746	$ 50,081	$ 57,746
Fair value gain	(9,931)	(8,511)	(44,199)	(53,933)
(Gain) loss on sale of homes	–	186	241	(434)
Non-controlling interests	3,814	(660)	5,754	4,584
Amortization of fixed assets	131	–	451	–
Imputed selling costs[1]	832	679	3,138	3,466
Deferred tax recovery[2]	(3,961)	(2,103)	(7,029)	(11,342)
Funds from operations (FFO)	**$ (5,676)**	**$ 2,337**	**$ 8,437**	**$ 87**
Transaction costs and non-recurring costs[3]	10,560	553	13,878	15,719
Core funds from operations (Core FFO)	**$ 4,884**	**$ 2,890**	**$ 22,315**	**$ 15,806**

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

(2) YTD 2015 includes a one-time tax recovery as a result of changes made in the vertical exit strategy in addition to regular tax recovery that arises from operations. YTD 2016 only reflects tax recovery that arises from TAH's normal course of operation.

(3) YTD 2016 includes transaction costs of $10,111 related to the securitization debt 2016 transaction, internalization-related expenses of $1,797, credit facility amendment costs of $799, and non-recurring costs of $1,171; YTD 2015 includes transaction costs related to securitization and portfolio acquisition.

For the fourth quarter and full year of 2016, Core FFO increased by $2.0 million or 69% and $6.5 million or 41%, respectively, driven by a larger portfolio of homes and concurrent growth in net operating income, offset by higher interest expense on the higher outstanding debt balance, as a result of growth in the portfolio size.

Assets under management and investment balance

TAH's AUM (KPI measure; refer to Section 8.1) is based on the fair value of the homes in the portfolio, which is determined via the HPI or BPO methodologies discussed in Section 9.1. The residual equity value (after deducting debt and minority interest at TAH) determines the value of Tricon's investment in TAH on its balance sheet, as summarized below.

(in thousands of U.S. dollars)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Purchase price of homes	$ 822,719	$ 827,597	$ 829,165	$ 780,719	$ 725,075	$ 691,405	$ 655,452	$ 503,063
Cumulative capital expenditures[1]	192,984	190,051	186,742	168,370	152,681	138,366	130,774	120,680
Total cost basis of rental homes	$ 1,015,703	$ 1,017,648	$ 1,015,907	$ 949,089	$ 877,756	$ 829,771	$ 786,226	$ 623,743
Cost of homes held for sale	24,271	25,717	11,013	7,871	9,619	708	1,544	2,302
Cumulative fair value adjustment[2]	199,370	189,497	167,610	156,006	146,971	137,099	124,407	109,516
Portfolio home price appreciation during the quarter	0.9%	1.7%	1.4%	1.0%	1.4%	1.3%	4.1%	1.5%
Fair value of homes (AUM)	**$ 1,239,344**	**$ 1,232,862**	**$ 1,194,530**	**$ 1,112,966**	**$ 1,034,346**	**$ 967,578**	**$ 912,177**	**$ 735,561**
Less imputed selling costs[3]	13,233	12,329	11,945	11,130	8,833	9,706	9,187	7,453
Fair value of homes, net C	1,226,111	1,220,533	1,182,585	1,101,836	1,025,513	957,872	902,990	728,108
Warehouse credit facility (LIBOR+300 bps)	63,038	351,612	313,486	277,606	240,907	218,374	179,056	335,177
Securitization debt 2015 (LIBOR+196 bps) D	350,595	360,397	360,647	361,260	361,260	361,260	361,260	–
Securitization debt 2016 (359 bps fixed)	362,601	–	–	–	–	–	–	–
Other debt	–	1,200	1,200	1,200	1,200	1,200	15,684	16,497
Partner equity (minority interest)	3,000	57,224	52,050	48,638	48,514	49,959	48,959	53,932
Other net assets[4]	(33,061)	(54,974)	(56,822)	(59,863)	(52,398)	(56,908)	(65,836)	(52,206)
Investments – TAH (per Tricon balance sheet) C – D	**$ 479,938**	**$ 505,074**	**$ 512,024**	**$ 472,995**	**$ 426,030**	**$ 383,987**	**$ 363,867**	**$ 374,708**
Debt-to-cost	74.6%	68.4%	65.8%	66.9%	68.0%	69.9%	70.6%	56.2%
Debt-to-value	62.6%	57.8%	56.5%	57.5%	58.3%	60.0%	61.0%	47.8%

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.
(2) Cumulative fair value adjustment is net of capital expenditures and third-party operator performance fees.
(3) Imputed selling costs are approximately 1% of the fair value of the rental investment properties and 5% of the fair value for properties identified as for sale homes.
(4) Other net assets include working capital at TAH's local operating subsidiaries and payables to subsidiary general partners as a result of minority interests buyout.

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

Geography	Total homes owned[1]	Rental homes	Homes leased	Vacant homes under marketing	Vacant homes under turn or rehab	Occupancy	Stabilized occupancy
Atlanta	1,062	1,021	938	40	43	91.9%	94.6%
Charlotte	1,321	1,230	1,201	13	16	97.6%	98.5%
Columbia	426	420	383	25	12	91.2%	94.1%
Dallas	614	605	566	25	14	93.6%	96.8%
Houston	820	818	774	35	9	94.6%	97.2%
Indianapolis	353	352	333	13	6	94.6%	94.6%
Las Vegas	295	295	293	2	–	99.3%	99.3%
Northern California	631	631	626	5	–	99.2%	99.2%
Phoenix	409	409	397	3	9	97.1%	97.1%
Reno	251	251	246	4	1	98.0%	98.0%
San Antonio	204	201	187	11	3	93.0%	94.0%
Southeastern Florida	600	588	561	18	9	95.4%	95.9%
Southern California	279	274	272	1	1	99.3%	99.3%
Tampa	500	500	481	14	5	96.2%	96.8%
Total/Weighted average	**7,765**	**7,595**	**7,258**	**209**	**128**	**95.6%**	**96.9%**

Geography	Average purchase price per home	Average capital expenditures per home	Total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 85,000	$ 29,000	$ 114,000	1,750	$ 1,112	$ 0.64
Charlotte	74,000	29,000	103,000	1,424	1,020	0.72
Columbia	90,000	17,000	107,000	1,416	1,032	0.73
Dallas	125,000	16,000	141,000	1,518	1,269	0.84
Houston	119,000	18,000	137,000	1,613	1,279	0.79
Indianapolis	112,000	17,000	129,000	1,553	1,171	0.75
Las Vegas	136,000	18,000	154,000	1,589	1,197	0.75
Northern California	124,000	25,000	149,000	1,252	1,379	1.10
Phoenix	115,000	14,000	129,000	1,974	1,082	0.55
Reno	150,000	20,000	170,000	1,537	1,378	0.90
San Antonio	93,000	30,000	123,000	1,634	1,192	0.73
Southeastern Florida	100,000	36,000	136,000	1,427	1,524	1.07
Southern California	149,000	27,000	176,000	1,300	1,538	1.18
Tampa	90,000	35,000	125,000	1,384	1,351	0.98
Total/Weighted average	**$ 104,000**	**$ 25,000**	**$ 129,000**	**1,526**	**$ 1,227**	**$ 0.80**

(1) Includes 170 investment properties held for sale.

4.3 Tricon Lifestyle Communities

TLC grew its portfolio significantly throughout the year by acquiring nine additional manufactured housing communities (MHCs) in Arizona and California. TLC added communities with the potential to unlock value through active asset management and capital improvement plans designed to drive occupancy and rental growth, as well as fully stabilized communities in attractive coastal markets that improve the overall portfolio quality.

A portfolio of five age-restricted MHCs in Mesa and Apache Junction, Arizona (referred to as Glenhaven, Newhaven, Parkhaven, Rosehaven and Sundowner) was purchased in the first quarter of the year. The portfolio is comprised of 101.4 acres of land and 1,348 residential pads. TLC acquired another age-restricted MHC in Mesa, Arizona, referred to as Brighthaven in the third quarter totaling 177 residential pads. Subsequent to the acquisition, an initial average rent increase of 3.4% was implemented at the six aforementioned communities.

In December 2016, TLC completed the acquisition of a portfolio of three MHCs in California comprising a total of 421 residential pads. Two of the communities, Riverdale and Palmdale, are age-restricted properties totaling 336 rental pads located in Indio, California. The third community, Springdale, is located in San Marcos, California and is a family community consisting of 85 residential pads.

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

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total number of parks	14	11	10	10	5	2	2	1
Parks acquired during the period	3	1	–	5	3	–	1	–
Total number of rental sites	3,065	2,644	2,467	2,467	1,119	506	506	314
Rental sites acquired during the period	421	177	–	1,348	613	–	192	–
Occupancy	82.2%	72.5%	69.8%	75.6%	88.7%	89.8%	87.6%	87.9%
Long-term occupancy	73.9%	70.0%	67.7%	66.4%	82.4%	89.8%	87.6%	87.6%
Annualized turnover rate	5.8%	4.7%	5.5%	5.8%	2.6%	2.7%	N/A	N/A
Average gross monthly rent per site	$ 413	$ 385	$ 376	$ 378	$ 354	$ 462	$ 481	N/A
Average rent increase	3.9%	4.0%	3.3%	3.4%	4.3%	0.0%	0.0%	4.0%

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

For the periods ended December 31	Three months			Twelve months		
(in thousands of U.S. dollars)	2016	2015	Variance	2016	2015	Variance
Long-term rental revenue	$ 2,646	$ 989	$ 1,657	$ 8,931	$ 2,539	$ 6,392
Seasonal rental revenue	179	38	141	660	38	622
Rental revenue[1]	$ 2,825	$ 1,027	$ 1,798	$ 9,591	$ 2,577	$ 7,014
Property taxes	179	53	126	497	149	348
Repairs and maintenance	119	50	69	425	111	314
Property insurance	49	23	26	167	50	117
Utilities	377	136	241	1,416	344	1,072
Property management[2]	560	165	395	1,654	383	1,271
Operating expenses	1,284	427	857	4,159	1,037	3,122
Net operating income	**$ 1,541**	**$ 600**	**$ 941**	**$ 5,432**	**$ 1,540**	**$ 3,892**
Operating margin	**55%**	**58%**		**57%**	**60%**	
Other expenses[3]	863	(660)	1,523	455	(1,790)	2,245
Fair value gain	54	1,057	(1,003)	1,766	1,057	709
Interest expense	(727)	(288)	(439)	(2,545)	(710)	(1,835)
Investment income – TLC (per Tricon income statement)	**$ 1,731**	**$ 709**	**$ 1,022**	**$ 5,108**	**$ 97**	**$ 5,011**

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

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

(3) Other expenses are broken down in Section 3.1.

During 2016, rental revenue increased by $7.0 million to $9.6 million compared to $2.6 million in 2015. This increase stems from the acquisition of nine communities comprising 1,946 rental pads during 2016, which contributed an additional $4.7 million of rental revenue in 2016. Additionally, the four communities acquired in 2015 contributed $2.0 million of incremental revenue from the inclusion of a full year of results. The remainder of the increase in rental revenue relates to the rental of home inventory.

Occupancy decreased by 6.5% from 88.7% as at December 31, 2015 to 82.2% as at December 31, 2016 as a result of a change in portfolio mix. The nine communities acquired in 2016 have an average occupancy as at December 31, 2016 of 77.4% as compared to the communities held since 2015 which have an average occupancy of 90.6%. TLC expects to increase occupancy across the portfolio through active management and a capital expenditure program.

Occupancy increased by 9.7% to 82.2% as at December 31, 2016 compared to 72.5% as at September 30, 2016. The increase in occupancy was a direct result of the acquisition of the California portfolio, which achieved an average occupancy of 95.5% as of December 31, 2016, as well as increased seasonal occupancy. Additionally, long-term occupancy across the portfolio has continued to improve to 73.9%, representing a 3.9% increase compared to the third quarter of 2016. The increase in long-term occupancy is largely due to the acquisition of the California portfolio, which contributed to 3.4% of the increase, as well as a successful used home sale and leasing program intended to attract permanent residents to TLC's Phoenix communities.

The operating margin for 2016 was 57%, which is lower than 60% for 2015. The lower operating margin was a result of new properties acquired in 2016, which initially had lower margins stemming from higher operating costs and sub-optimal occupancy, as well as a higher percentage of seasonal tenants; this was offset by higher margins from previously-owned properties. TLC expects to increase the operating margin and occupancy of its newly-acquired parks over time by upgrading the infrastructure and amenities, improving the home quality, and rebranding the communities, leading to an overall improvement in property quality and star rating.

TLC is currently on track with its planned capital expenditure programs at its newly-acquired communities. At Skyhaven, the capital improvement program is now officially complete, and the community achieved a 6.3% increase in occupancy in 2016. TLC substantially completed the capital improvement process at Brookhaven, Sunhaven, Newhaven and Glenhaven during the fourth quarter. Each community received new front entrance signage, monumentation and landscaping, as well as significant upgrades to the common amenities. The improvements to Springhaven are expected to be completed in early 2017, and are expected to commence at Rosehaven and Parkhaven in mid-2017.

Funds from operations and core funds from operations

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

For the periods ended December 31 (in thousands of U.S. dollars)	Three months 2016	Three months 2015	Twelve months 2016	Twelve months 2015
Investment income – TLC	$ 1,731	$ 709	$ 5,108	$ 97
Fair value gain	(54)	(1,057)	(1,766)	(1,057)
Loss on sale of homes	76	11	172	28
Non-controlling interest	17	23	89	40
Deferred tax expense (recovery)[1]	(1,170)	(146)	(1,446)	385
Funds from operations (FFO)	**$ 600**	**$ (460)**	**$ 2,157**	**$ (507)**
Transaction costs and non-recurring costs (recovery)	(3)	632	25	1,080
Core funds from operations (Core FFO)	**$ 597**	**$ 172**	**$ 2,182**	**$ 573**

(1) Deferred tax recovery is a result of depreciation claimed in excess of taxable income, resulting in a tax loss carryforward that can be deducted against future taxable income.

Core FFO for the last quarter of 2016 increased to $0.6 million compared to $0.2 million for the same period in 2015, mainly as a result of the contribution of newly-acquired MHCs. For the same reason, Core FFO for the year ended December 31, 2016 increased to $2.2 million compared to $0.6 million in the prior year.

Assets under management and investment balance

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

(in thousands of U.S. dollars)		Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Purchase price of parks		$ 121,820	$ 91,420	$ 82,620	$ 82,619	$ 48,370	$ 23,370	$ 23,370	$ 14,121
Transaction-related costs		2,065	1,434	1,107	1,024	(49)	2	1	–
Cumulative capital expenditures[1] net of homes sold		3,852	3,179	2,002	1,264	978	576	326	289
Total cost basis of parks		$ 127,737	$ 96,033	$ 85,729	$ 84,907	$ 49,299	$ 23,948	$ 23,697	$ 14,410
Cumulative fair value adjustment		2,823	2,769	1,904	1,057	1,057	–	–	–
Fair value of parks (AUM)	A	**$ 130,560**	**$ 98,802**	**$ 87,633**	**$ 85,964**	**$ 50,356**	**$ 23,948**	**$ 23,697**	**$ 14,410**
Partner equity (minority interest)	B	623	549	491	475	334	216	213	121
Debt	B	79,000	60,356	54,478	54,598	32,497	15,800	15,812	10,575
Other net assets[2]	B	(1,654)	(607)	(442)	(745)	(1,628)	(1,949)	(473)	(493)
Investments – TLC (per Tricon balance sheet)	A – B	**$ 52,591**	**$ 38,504**	**$ 33,106**	**$ 31,636**	**$ 19,153**	**$ 9,881**	**$ 8,145**	**$ 4,207**
Debt-to-cost		61.8%	62.8%	63.5%	64.3%	65.9%	66.0%	66.7%	73.4%
Debt-to-value		60.5%	61.1%	62.2%	63.5%	64.5%	66.0%	66.7%	73.4%

(1) Cumulative capital expenditures include costs incurred under the capital enhancement program.
(2) Other net assets include working capital.

Loan maturity	Outstanding debt	Weighted average interest rate
2020	$ 15,896	3.69% fixed
2022	13,348	4.48% fixed
2023	8,790	4.59% fixed
2024	16,566	4.51% fixed
2026	24,400	4.09% fixed
Total/Weighted average	**$ 79,000**	**4.22% fixed**

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

Property	Location	Acres	Residential sites	Acquisition price ($000)	Acquisition price per site	Average gross monthly rent per site[1]	Occupancy[3]	Long-term occupancy[3]
Longhaven	Phoenix, AZ	38.0	314	$ 14,120	$ 44,968	$ 487	93.3%	92.0%
Skyhaven	Phoenix, AZ	17.5	192	9,250	48,177	384	96.4%	90.6%
Springhaven[2]	Phoenix, AZ	15.5	320	14,975	46,797	348	84.4%	75.0%
Brookhaven[2]	Phoenix, AZ	10.0	140	4,375	31,250	214	98.6%	90.7%
Sunhaven[2]	Phoenix, AZ	9.4	153	5,650	36,928	281	83.7%	69.9%
Glenhaven	Phoenix, AZ	11.8	164	4,910	29,939	419	74.4%	64.0%
Newhaven	Phoenix, AZ	11.3	111	2,620	23,604	320	82.0%	54.1%
Parkhaven	Phoenix, AZ	28.3	455	11,309	24,855	400	69.9%	63.3%
Rosehaven	Phoenix, AZ	36.3	411	11,578	28,170	402	74.2%	58.2%
Sundowner	Phoenix, AZ	13.7	207	3,833	18,517	368	52.7%	41.5%
Brighthaven	Phoenix, AZ	16.6	177	8,800	49,718	476	89.8%	84.2%
Riverdale	Indio, CA	21.2	185	9,339	50,481	517	91.9%	91.9%
Palmdale	Indio, CA	19.2	151	11,409	75,556	454	98.0%	98.0%
Springdale	San Marcos, CA	11.8	85	9,652	113,553	670	98.8%	98.8%
Total/Weighted average		**260.6**	**3,065**	**$ 121,820**	**$ 39,746**	**$ 413**	**82.2%**	**73.9%**

(1) Represents average of gross rents per the lease agreements, which may include utility reimbursements. The structure of utility reimbursements varies among communities.

(2) Communities with park model homes as the majority housing type.

(3) KPI measure; see Section 8.1.

4.4 Tricon Luxury Residences

During 2016, TLR progressed on the development of its existing luxury rental apartment projects. A summary of TLR's principal investments is presented below with a reconciliation of the investment balances to AUM (KPI measure; refer to Section 8.1).

		TLR principal investments					
(in thousands of U.S. dollars)	Location	TLR's share of investment vehicle	Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
The McKenzie	Dallas, TX	90%	$ 25,569	$ 27,213	$ –	$ 6,653	$ 33,866
The Maxwell	Frisco, TX	90%	14,009	17,472	–	9,324	26,796
The Selby (592 Sherbourne)	Toronto, ON	15%	6,086	7,310	2,179	–	9,489
57 Spadina	Toronto, ON	20%	6,365	6,365	3,546	–	9,911
Scrivener Square	Toronto, ON	50%	7,228	7,662	9,682	11,394	28,738
Shops of Summerhill	Toronto, ON	25%	4,783	4,883	3,317	–	8,200
Total			**$ 64,040**	**$ 70,905**	**$ 18,724**	**$ 27,372**	**$ 117,001**

(1) Investments – TLR per Tricon balance sheet of $62,410 includes the principal investments above of $70,905 as well as net liabilities and non-controlling interests of $8,495.

Operational highlights of these development projects for 2016 include the following:

At The McKenzie, adjacent to the affluent Highland Park neighbourhood of Dallas, above-grade construction continued as planned, with over 50% of trades now under contract. The eighth floor (of 22 floors) of the residential tower has been poured and construction of the 183-unit rental building is expected to be completed in mid-2018, with occupancy stabilized in early 2019. Given strong rent growth in the Dallas market, Tricon and its development partner elected in the fourth quarter to further improve building finish standards to increase the appeal of the building to its future renters, including the addition of upgraded amenity furnishings, lighting and exterior trim details. The net effect of these changes is an increase in project costs and a decrease in the expected fair market value for the quarter as no corresponding increase in rental rates was included in the budget. Potential rental rate increases will not be factored into the budget until pre-leasing commences in late 2017 or early 2018.

At The Maxwell in Frisco, Texas, construction and site work progressed as planned with over 50% of trades now under contract. The slab on grade is complete and construction is underway on the second floor of the parking deck. Construction of the 325-unit rental building is expected to be completed in the third quarter of 2018, with occupancy stabilized in early 2019. The Frisco rental market remains strong with employees just starting to relocate to the area as office campuses in the nearby Legacy West office park begin to open.

TLR Canada's first project in Toronto, The Selby, continues to progress well through the development phase. The project is currently tracking ahead of schedule with formwork now commencing on the 8th floor. The project's tender results remain positive with approximately 73% of the construction budget now secured. The project is expected to reach completion in mid-2018, and the launch of the leasing program is expected to commence six months prior to initial occupancy. With little inventory available, Toronto's Bloor East market continues to show strong leasing activity with recent demand driving above average rental growth in the second half of 2016.

57 Spadina remains in the design stage with design development scheduled to be complete in the second quarter of 2017. The development team is aiming to finalize construction drawings in the first quarter of 2018 with on-site demolition commencing in the same quarter. TLR will also aim to secure construction financing by the second quarter of 2017. As currently designed, the project is comprised of 310 units, 18,500 square feet of retail space and two floors of offices equating to approximately 28,000 of gross floor area. Similar to Bloor East, the King West submarket continues to show strong rental growth with the average days on market for a listed unit among the lowest in Toronto.

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

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

	Projected construction		Projected total cost	Projected	Projected retail	Projected development
	Start	End	($000)	rental units	(sq. feet)	yield[1]
The McKenzie	Q4 2015	Q2 2018	$ 90,500	183	–	5.50–6.00%
The Maxwell	Q2 2016	Q3 2018	58,100	325	–	6.50–7.00%
The Selby (592 Sherbourne)	Q1 2015	Q4 2018	138,400	502	–	5.25–5.75%
57 Spadina	Q1 2018	Q2 2020	108,600	325	18,500	5.25–5.75%
Scrivener Square	TBD	TBD	TBD	TBD	TBD	TBD
Shops of Summerhill	N/A	N/A	N/A	N/A	30,820	N/A
Total			**$ 395,600**	**1,335**		

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

TLR is planning to slow down its investing activities in additional U.S. investments, given tighter lending market conditions for multi-family development and heightened construction costs. These conditions present a challenge in achieving targeted rate of returns, and therefore, TLR expects to focus on new investments in Canada.

4.5 Private Funds and Advisory

In 2016, the Private Funds and Advisory business continued to generate contractual fees in its various Investment Vehicles. Details of contractual fees by Investment Vehicle are presented below, including management fees earned from private Investment Vehicles, development fees earned through the TLR investments, and advisory fees earned from Johnson.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
THP1 US	$ 512	$ 774	$ (262)	$ 2,339	$ 3,344	$ (1,005)
THP2 US	979	979	–	3,886	3,885	1
Separate accounts	900	862	38	3,378	2,896	482
Side-cars	385	313	72	1,261	1,233	28
U.S. syndicated investments	10	4	6	22	15	7
Trinity Falls	64	–	64	209	–	209
THP1 Canada	4	9	(5)	15	175	(160)
THP2 Canada	82	153	(71)	435	724	(289)
Canadian syndicated investments	65	55	10	255	325	(70)
TLR Canada	109	–	109	430	–	430
TLR U.S.	63	–	63	213	–	213
Management fees – private Investment Vehicles	3,173	3,149	24	12,443	12,597	(154)
Development fees – TDG	385	299	86	1,488	519	969
Development fees – Johnson	3,931	2,594	1,337	10,587	10,831	(244)
Contractual fees	**$ 7,489**	**$ 6,042**	**$ 1,447**	**$ 24,518**	**$ 23,947**	**$ 571**

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

	Third-party investments				Projected returns[2]				
(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM A + B + C	Gross ROI	Gross IRR	Net ROI	Net IRR	Estimated performance fees to Tricon[2]
THP1 US	$ 32,027	$ –	$ 5,231	$ 37,258	2.1x	14%	1.8x	11%	$ 12,202
THP2 US	182,072	–	53,623	235,695	1.8x	19%	1.5x	14%	25,686
Separate accounts[3]	341,757	–	73,802	415,559	2.4x	17%	2.3x	16%	28,627
Side-cars[4]	135,715	–	25,201	160,916	1.7x	16%	1.6x	15%	1,655
THP1 Canada	719	–	–	719	2.0x	16%	1.6x	12%	6,748
THP2 Canada	21,273	–	1,050	22,323	1.8x	14%	1.5x	9%	2,129
THP3 Canada	77,061	–	23,579	100,640	2.0x	13%	1.7x	10%	3,465
Canadian syndicated investments[5]	20,236	–	5,069	25,305	2.1x	11%	1.9x	10%	1,851
Total – THP	**$ 810,860**	**$ –**	**$ 187,555**	**$ 998,415**					**$ 82,363**
TLR Canada[6]	58,226	46,155	34,497	138,878	2.6x	13%	2.5x	12%	17,213
Total	**$ 869,086**	**$ 46,155**	**$ 222,052**	**$ 1,137,293**					**$ 99,576**

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

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

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

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

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

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

Third-party AUM decreased by $101.7 million from the third quarter, primarily as a result of the disposition of investments in THP1 US ($25.2 million) and the reclassification of THP2 US AUM to be based on invested capital as opposed to committed capital as the fund past the completion of its investment period in the fourth quarter ($73 million) (see Section 8.2). In terms of investment performance, projected ROI and investment profitability metrics were generally maintained for third-party investors in 2016; however, IRRs have eroded slightly in a number of instances as business plans were extended past prior year estimates. In particular, Gross IRR and Net IRR declined within separate accounts and side-cars in the fourth quarter as business plans and budgets were adjusted and extended to account for weather difficulties in Texas in early 2016 and the ongoing difficulties that homebuilders are having in retaining sufficient construction labour. While the weather issues at the Texas master planned communities are hopefully now behind us, active-adult community investments with a large homebuilding component may continue to suffer from increased labour costs and potentially decreased annual demand for new homes as prospective purchasers have elected to purchase resale homes in neighbouring communities that are move-in ready instead of waiting for new homes to be completed. As a result of the decreases in projected returns to investors, projected performance fees decreased by approximately $16 million from the third quarter, again primarily attributed to the separate accounts and side-car Investment Vehicles.

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

	Total units[2]					Total units sold				
As of December 31, 2016[1]	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)	Land (acres)	Single-family lots	Homes (units)	Multi-family units	Retail (sq. ft.)
U.S.	1,077	24,815	5,897	1,556	41,575	307	4,770	2,880	766	32,373
Canada	285	3,848	761	5,739	219,520	173	2,218	486	5,007	175,020
Total units as at December 31, 2016	**1,362**	**28,663**	**6,658**	**7,295**	**261,095**	**480**	**6,988**	**3,366**	**5,773**	**207,393**
Total units as at December 31, 2015	1,251	25,427	6,359	7,340	261,458	457	4,897	2,651	5,171	100,087
Adjustments to business plans[2]	–	(124)	(23)	–	–	(13)	204	–	–	–
Adjusted total units as at December 31, 2015	**1,251**	**25,303**	**6,336**	**7,340**	**261,458**	**444**	**5,101**	**2,651**	**5,171**	**100,087**

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

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

The Johnson Companies LP ("Johnson")

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

For the periods ended December 31 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months			Twelve months		
	2016	2015	Variance	2016	2015	Variance
Development fees – Johnson	$ 3,931	$ 2,594	$ 1,337	$ 10,587	$ 10,831	$ (244)
Land sales (acres)	85	33	52	177	148	29
Lot sales	879	452	427	2,353	2,214	139
Third-party home sales	638	584	54	2,828	2,549	279

Johnson generated 2,353 lot sales in 2016 compared to 2,214 in 2015, an increase of 6%. Third-party home sales within Johnson communities grew similarly, from 2,549 to 2,828, an increase of 11%. The increase in sales was primarily driven by the addition of Trinity Falls (acquired in July 2016; see Section 4.1) and the sales launches of Grand Central Park, Jordan Ranch and Veranda. Most notable is that despite major oil price declines and negative news articles regarding the Houston housing market, Johnson communities have weathered the downturn well and we expect them to continue to outperform the broader Houston market given the strong locations, in-place amenities and existing builder programs. Johnson once again ended the year as the only developer in the U.S. to have four communities named in the top 30 for new home sales within a master planned community as reported by Robert Charles Lesser & Co. and John Burns Real Estate Consulting.

During the fourth quarter, Johnson projects sold 879 lots, compared to sales of 452 lots in the same period last year, an increase of 94%. The rise in lot sales was primarily driven by the launch of the Veranda master planned community and the closing of 194 lots at Viridian. Johnson also continued its strong land sales trend in the fourth quarter by closing a large commercial land transaction at Riverstone, representing an increase of 158% in land acreage sales compared to the same period in 2015.

5. Liquidity and capital resources

5.1 Financing strategy

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

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

5.2 Liquidity

Tricon generates substantial liquidity through:

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

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

Working capital

As at December 31, 2016, Tricon had a net working capital surplus of $20.9 million, reflecting current assets of $37.3 million, offset by payables and accrued liabilities of $16.4 million.

5.3 Capital resources

Debt structure

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

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

As at December 31, 2016, the Company was in compliance with all of its financial covenants.

Equity issuance and cancellations

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

On October 6, 2015, the Toronto Stock Exchange approved the Company's intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. In the year ended December 31, 2016, the Company acquired 244,520 shares under the NCIB program.

As of December 31, 2016, there were 112,754,769 common shares of the Company issued and outstanding.

6. Non-IFRS measures

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

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

- Adjusted EBITDA is defined as net income (loss) attributable to shareholders of Tricon before income tax (from both consolidating and investment entities), interest (from both consolidating and investment entities), amortization (excluding non-controlling interests portion of amortization expense), stock option expense and non-recurring and non-cash expenses.
- Adjusted net income is defined as net income (loss) attributable to shareholders of Tricon before non-recurring and non-cash expenses.
- Adjusted basic EPS is defined as adjusted net income divided by the weighted average basic common shares outstanding in the period. Adjusted diluted EPS is defined as adjusted net income divided by the weighted average diluted common shares outstanding in the period.

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		
		2016	2015	Variance	2016	2015	Variance
THP Adjusted EBITDA	A	$ 11,458	$ 8,218	$ 3,240	$ 30,417	$ 26,695	$ 3,722
TAH Adjusted EBITDA	B	17,476	15,843	1,633	81,391	82,526	(1,135)
TLC Adjusted EBITDA	C	1,285	1,518	(233)	6,232	2,272	3,960
TLR Adjusted EBITDA	D	(643)	270	(913)	2,292	273	2,019
Contractual fees and GP distributions		7,822	6,357	1,465	25,815	25,237	578
Performance fees		1	367	(366)	780	414	366
Adjusted non-controlling interest EBITDA	E	(1,163)	(700)	(463)	(2,717)	(2,985)	268
Interest income		–	12	(12)	–	59	(59)
Adjusted EBITDA before corporate overhead		36,236	31,885	4,351	144,210	134,491	9,719
Adjusted compensation expense	F	(4,741)	(5,587)	846	(22,743)	(20,456)	(2,287)
General and administration expense		(1,828)	(1,346)	(482)	(6,643)	(5,273)	(1,370)
Adjusted EBITDA		**29,667**	**24,952**	**4,715**	**114,824**	**108,762**	**6,062**
Stock option expense		–	(988)	988	(766)	(1,851)	1,085
Adjusted interest expense	G	(9,876)	(6,348)	(3,528)	(33,501)	(25,046)	(8,455)
Adjusted amortization expense	H	(834)	(871)	37	(3,389)	(3,674)	285
Adjusted net income before taxes		**18,957**	**16,745**	**2,212**	**77,168**	**78,191**	**(1,023)**
Adjusted income tax expense	I	(156)	(2,621)	2,465	(7,789)	(13,940)	6,151
Adjusted net income		**$ 18,801**	**$ 14,124**	**$ 4,677**	**$ 69,379**	**$ 64,251**	**$ 5,128**
Adjusted basic EPS attributable to shareholders of Tricon		**$ 0.17**	**$ 0.13**	**$ 0.04**	**$ 0.62**	**$ 0.67**	**$ (0.05)**
Adjusted diluted EPS attributable to shareholders of Tricon		**$ 0.15**	**$ 0.12**	**$ 0.03**	**$ 0.56**	**$ 0.56**	**$ –**
Weighted average shares outstanding – basic		**112,840,046**	**107,431,917**	**5,408,129**	**112,490,019**	**96,488,659**	**16,001,360**
Weighted average shares outstanding – diluted		**124,060,472**	**122,736,950**	**1,323,522**	**123,646,532**	**114,474,851**	**9,171,681**

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

- Adjusted EBITDA increased by $6.1 million or 6% to $114.8 million in 2016 compared to $108.8 million in the prior year, as a result of higher THP, TLC and TLR investment income, offset by increases in adjusted compensation expenses and general and administration expenses, as well as a decrease in TAH investment income largely driven by lower fair value adjustments compared to 2015.
- Adjusted net income, which excludes non-recurring items, increased by $5.1 million or 8% to $69.4 million in 2016 compared to $64.3 million last year. The increase is attributable to higher investment income from THP, TLC and TLR and a lower tax expense, partly offset by higher corporate expenses and adjusted interest expense.
- Adjusted basic earnings per share for 2016 decreased by 7% to $0.62 compared to $0.67 in 2015. The change was a result of higher adjusted net income, offset by a higher number of common shares outstanding. Adjusted diluted earnings per share remained consistent at $0.56. In the third quarter of 2015, the Company completed a bought deal public offering of approximately 13.2 million common shares for gross proceeds of C$150.0 million and deployed the net proceeds into new investment opportunities that are expected to be accretive to earning per share over time.

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, 2016.

For the periods ended December 31 (in thousands of U.S. dollars)	Three months		Twelve months	
	2016	2015	2016	2015
Net income	**$ 8,964**	**$ 28,813**	**$ 59,760**	**$ 58,463**
Non-recurring adjustments:				
Transaction costs at investment level	11,520	2,153	17,492	23,083
Transaction costs and formation costs	85	535	1,829	3,546
Non-cash adjustments:				
Control premium adjustment	$ 609	$ 650	$ 2,493	$ 6,096
Non-controlling interests	(593)	(72)	(288)	(283)
Foreign exchange loss at investment level	1,109	1,418	240	1,418
LTIP accrued expenses (recoveries)[1]	1,114	1,867	(712)	712
Debentures discount amortization	462	794	1,781	3,904
Interest expense reclassification	–	12	–	59
Net change in fair value of derivative	(1,032)	(14,967)	(8,607)	1,272
Unrealized foreign exchange gain	(1,596)	(3,431)	(518)	(20,418)
Tax effect of above adjustments (expense)	(1,841)	(3,648)	(4,091)	(13,601)
Adjusted net income[2]	**$ 18,801**	**$ 14,124**	**$ 69,379**	**$ 64,251**
Add:				
Stock option expense	$ –	$ 988	$ 766	$ 1,851
Adjusted interest expense[2]	9,876	6,348	33,501	25,046
Adjusted amortization expense[2]	834	871	3,389	3,674
Adjusted income tax expense[2]	156	2,621	7,789	13,940
Adjusted EBITDA[2]	**$ 29,667**	**$ 24,952**	**$ 114,824**	**$ 108,762**

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

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

For the periods ended December 31 (in thousands of U.S. dollars)		Three months 2016	Three months 2015	Twelve months 2016	Twelve months 2015
Investment income – THP per financial statements		$ 10,098	$ 6,055	$ 27,550	$ 18,753
Control premium adjustment		609	650	2,493	6,096
Tax expense		214	387	293	720
Unrealized foreign exchange loss		537	1,126	81	1,126
THP Adjusted EBITDA[1]	A	**$ 11,458**	**$ 8,218**	**$ 30,417**	**$ 26,695**
Investment income – TAH per financial statements		$ 3,439	$ 12,746	$ 50,081	$ 57,746
Interest expense		6,475	3,880	20,872	14,285
Transaction costs and non-cash expenses		11,523	1,320	17,467	21,837
Tax recovery		(3,961)	(2,103)	(7,029)	(11,342)
TAH Adjusted EBITDA[1]	B	**$ 17,476**	**$ 15,843**	**$ 81,391**	**$ 82,526**
Investment income – TLC per financial statements		$ 1,731	$ 709	$ 5,108	$ 97
Interest expense		727	288	2,545	710
Transaction costs and non-cash expenses (recoveries)		(3)	667	25	1,080
Tax expense (recovery)		(1,170)	(146)	(1,446)	385
TLC Adjusted EBITDA[1]	C	**$ 1,285**	**$ 1,518**	**$ 6,232**	**$ 2,272**
Investment income (loss) – TLR per financial statements		$ (1,246)	$ (188)	$ 2,066	$ (185)
Interest expense		31	–	67	–
Transaction costs and non-cash expenses		–	166	–	166
Translation adjustment		572	292	159	292
TLR Adjusted EBITDA[1]	D	**$ (643)**	**$ 270**	**$ 2,292**	**$ 273**
NCI change per financial statements		$ (593)	$ (72)	$ (288)	$ (283)
NCI portion of amortization and tax		(570)	(628)	(2,429)	(2,702)
Adjusted non-controlling interests[1]	E	**$ (1,163)**	**$ (700)**	**$ (2,717)**	**$ (2,985)**
Compensation expense per financial statements		$ (5,855)	$ (8,442)	$ (22,797)	$ (23,019)
Accrued LTIP expense (recovery)		1,114	1,867	(712)	712
Stock option expense		–	988	766	1,851
Adjusted compensation expense[1]	F	**$ (4,741)**	**$ (5,587)**	**$ (22,743)**	**$ (20,456)**
Interest expense per financial statements		$ (3,105)	$ (2,974)	$ (11,798)	$ (13,955)
TAH interest expense		(6,475)	(3,880)	(20,872)	(14,285)
TLC interest expense		(727)	(288)	(2,545)	(710)
TLR interest expense		(31)	–	(67)	–
Debenture discount amortization		462	794	1,781	3,904
Adjusted interest expense[1]	G	**$ (9,876)**	**$ (6,348)**	**$ (33,501)**	**$ (25,046)**
Amortization expense per financial statements		$ (1,404)	$ (1,499)	$ (5,818)	$ (6,376)
NCI portion of Johnson's amortization expense		570	628	2,429	2,702
Adjusted amortization expense[1]	H	**$ (834)**	**$ (871)**	**$ (3,389)**	**$ (3,674)**
Tax expense per financial statements		$ (3,232)	$ (835)	$ (11,880)	$ (10,576)
THP tax expense		(214)	(387)	(293)	(720)
TAH tax recovery		3,961	2,103	7,029	11,342
TLC tax recovery (expense)		1,170	146	1,446	(385)
Tax expense on non-cash and non-recurring Items		(1,841)	(3,648)	(4,091)	(13,601)
Adjusted income tax expense[1]	I	**$ (156)**	**$ (2,621)**	**$ (7,789)**	**$ (13,940)**

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

8. Operational key performance indicators

8.1 Key performance indicators

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

Tricon Housing Partners

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

Tricon American Homes

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

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

Tricon Lifestyle Communities

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

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

8.2 Assets under management

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

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

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

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

9.1 Revenue, investments and fair value determination

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

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

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

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

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

Tricon Housing Partners ("THP")

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

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

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

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

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

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

Tricon American Homes ("TAH")

Investment income is comprised of realized rental income net of expenses from leasing single-family rental homes and investment income from changes in the fair value of single-family rental homes. The fair value of TAH homes is based on Broker Price Opinion ("BPO") methodology and supplemented by the Home Price Index ("HPI") methodology. TAH typically obtains a BPO for a home once every three years. Once a BPO is obtained, the fair value of the home is adjusted using the HPI on a quarterly basis until it is replaced by a more recent BPO. Refer to Note 6 in the financial statements for specific details of these valuation methodologies.

Tricon Lifestyle Communities ("TLC")

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

Tricon Luxury Residences ("TLR")

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

9.2 Accounting estimates and policies

Accounting estimates

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

Accounting standards adopted in the current year

IAS 1, Presentation of Financial Statements, was amended in December 2014 to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment was adopted on January 1, 2016, without a significant impact on Tricon's balance sheet and statements of comprehensive income.

Accounting standards and interpretations issued but not yet adopted

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

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

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

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

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

IAS 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendments are effective on or after January 1, 2017.

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment is effective from January 1, 2017 and earlier application is permitted.

In June 2016, the IASB issued an amendment to IFRS 2, Share-based payments, addressing (i) certain issues to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

9.3 Controls and procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the period ended December 31, 2016. 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, 2016, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.

9.4 Transactions with related parties

Tricon has a ten-year sub-lease commitment on the Company's head office premises with Mandukwe Company Inc., a company owned and controlled by a director of the Company. The annual rental amount is $32,000 (C$43,000) plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

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

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

9.5 Dividends

On February 21, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on April 14, 2017 to shareholders of record on March 31, 2017.

9.6 Compensation incentive plan

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

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

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from private funds and separate accounts, paid in cash when received, and (ii) a percentage equal to the AIP percentage (currently 15%) of THP1 US investment income, payable in DSUs which vest over a five-year period.

Complete details concerning the Company's compensation plans and the DSUs are set out in the Company's most recent Management Information Circular dated April 6, 2016 and available on SEDAR at www.sedar.com and on the Company's website at www.triconcapital.com.

9.7 Risk definition and management

There are certain risks inherent in the Company's activities and those of its investees which may impact the Company's performance, the value of its investments and the value of its securities. The 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. 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 homebuilding, renovation and rental industries are themselves highly competitive. Residential 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; 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 is 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, 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 and, in some circumstances, third-party investigations. The due diligence investigation that we will 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 re-sales 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 and 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

Our 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 co-operation 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 value of investments.

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 exposure to such jurisdictions is expected to be very minimal, any limits on TAH's or TLC's (and, as its portfolio stabilizes, 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 framework. Any change in tax legislation or policy (including in relation to taxation rates) 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 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, significant expenses of owning a home, including mortgage interest expense, are generally deductible for tax purposes (subject to various limitations). A change in tax law to eliminate or modify these benefits may increase the after-tax cost of owning a new home, which could adversely impact housing demand and/or sales prices. The impact of any tax changes on the activities of our investees could negatively impact the value of our investments and our financial performance.

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 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, and, consequently, we rely to a great extent on those developers to successfully manage their development projects. 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 Tricon Luxury Residences.

Risks related to Tricon American Homes and Tricon Lifestyle Communities

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 TLC 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 will be 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 TLC 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 becomes vacant and cannot be re-leased on economically favourable terms, the TAH and TLC properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures.

The above risks will be relevant to Tricon Luxury Residences as its portfolio stabilizes.

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. Currently, such rates are at or near historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for TAH or TLC 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.

The above risks will be relevant to Tricon Luxury Residences as its portfolio stabilizes.

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.

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.

MHC tenant financing

Tenants of manufactured housing communities typically own the manufactured home affixed to the pad that they lease from the MHC owner. The lack of "chattel financing" for tenants to acquire manufactured homes, or the terms of such chattel financing offered by lending entities, may negatively impact tenants' and prospective tenants' ability to own manufactured homes and may therefore have a negative impact on demand for pads in TLC's portfolio, which could in turn have an adverse effect on TLC's financial performance.

Reliance on Cobblestone

TLC investments involve the acquisition of properties through its joint venture with Cobblestone, which is an operating partner that has expertise in TLC's target markets. The Company's investments in Tricon Lifestyle Communities therefore involve risks, including, but not limited to, the possibility that Cobblestone may have business or economic goals which are inconsistent with those of TLC, that Cobblestone may be in a position to take action or withhold consent contrary to TLC's instructions or requests, and that TLC may be responsible to Cobblestone for indemnifiable losses. In some instances, Cobblestone may have competing interests in TLC's target markets that could create conflicts of interest. Further, Cobblestone may experience financial distress, including bankruptcy or insolvency, and TLC's performance could be adversely affected to the extent Cobblestone cannot meet its obligations.

Defaults or poor performance by Cobblestone could also result in disruptions to operations and other negative impacts on the value of TLC's portfolio that may adversely affect the Company's financial results in connection with Tricon Lifestyle Communities.

Risks related to Tricon Luxury Residences

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 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 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;
- the 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 an annual dividend of C$0.26 per common share, to be paid 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's 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, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Financial statement results				
Total revenue and investment income	$ 21,845	$ 35,860	$ 26,210	$ 27,485
Net income	8,964	23,617	14,322	12,857
Basic earnings per share	0.07	0.21	0.13	0.12
Diluted earnings per share	0.07	0.17	0.11	0.11

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Financial statement results				
Total revenue and investment income	$ 26,046	$ 27,863	$ 13,029	$ 35,124
Net income (loss)	28,813	33,675	6,931	(10,956)
Basic earnings (loss) per share	0.27	0.34	0.08	(0.12)
Diluted earnings (loss) per share	0.16	0.20	0.04	(0.12)

TRICON

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