30 Years of Focus, Resilience and Growth.

INVESTING IN COMMUNITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Three and Nine Months Ended September 30, 2019

TRICON

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NON-IFRS MEASURES AND FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

1. INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is dated as of November 4, 2019, the date it was approved by the Board of Directors of Tricon Capital Group Inc. ("Tricon", "us", "we" or the "Company"), and reflects all material events up to that date. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2019.

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

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

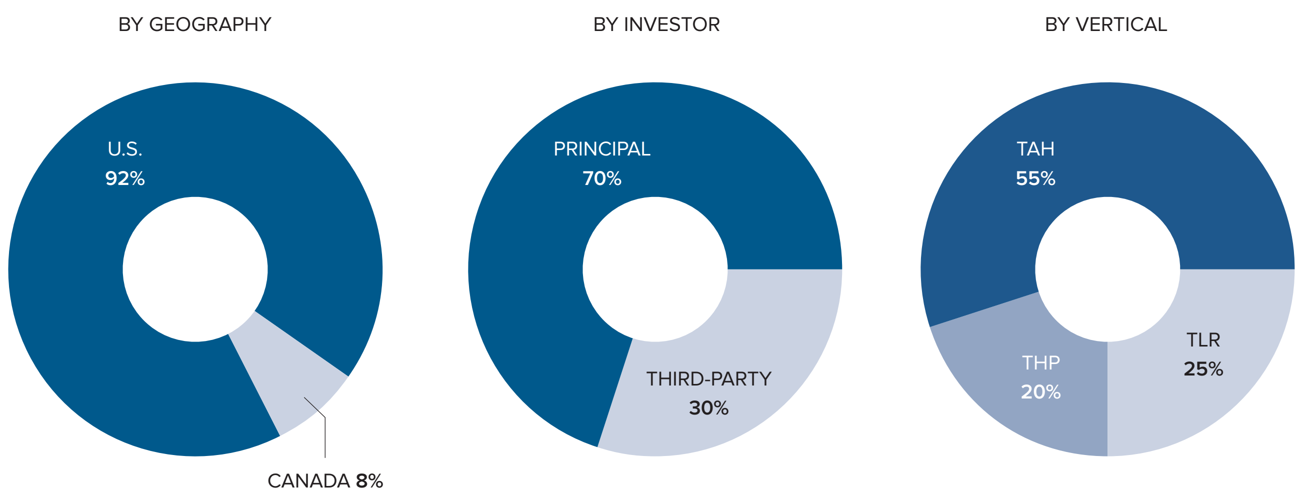
All dollar amounts in this MD&A are expressed in U.S. dollars unless otherwise indicated.

1.1 Who we are and what we do

Tricon Capital Group (TSX: TCN) is a residential real estate company primarily focused on rental housing in North America, with approximately $7.9 billion (C$10.5 billion) of assets under management as of September 30, 2019. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately $22 billion.

$7.9 BILLION

Assets Under Management (AUM)



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

1. Principal Investments

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

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

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

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

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

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

2. Private Funds and Advisory

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

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

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

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

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

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

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

1.2 How we invest and create value

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

Tricon American Homes

Tricon American Homes, the Company's single-family rental home investment vertical, has an integrated platform responsible for the acquisition, renovation, leasing, ongoing maintenance and property management of single-family rental homes within major U.S. cities, predominantly in the U.S. Sun Belt. TAH is headquartered in Orange County, California and is operationally distinct from the investment management activities of the Company. TAH employs its own senior management team and approximately 505 employees that oversee all aspects of TAH's day-to-day business activities.

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

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

Since its launch in 2012, TAH has grown its portfolio of U.S. single-family rental homes under management to 19,962 homes in 18 markets across ten states as of September 30, 2019. In June 2018, the Company entered into a joint venture arrangement with two leading institutional investors to assemble a portfolio of single-family rental homes which will be acquired and managed by TAH. The joint venture is funded by a total equity commitment of $750 million and approximately $2 billion of buying power, when taking into account leverage, and is projected to acquire 10,000–12,000 homes over its three-year investment period.

Tricon Lifestyle Rentals

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

In the U.S., TLR invests in and operates multi-family rental apartments, with a current focus on garden-style apartments in the Sun Belt. TLR U.S. targets the middle market demographic by providing an affordable, high-quality housing solution that is attractive to the broader workforce. TLR U.S.' active portfolio includes 23 properties totalling 7,289 suites in 13 major markets following the completion of the Company's acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund (the "U.S. Multi-Family Portfolio") on June 11, 2019 (see Section 4.2).

TLR U.S. also has legacy investments in multi-family developments. Tricon previously announced that it will be pursuing an orderly exit from its existing U.S. multi-family development business, and is on track to liquidate its last active U.S. development project, The Maxwell, by the end of 2019. Thereafter, TLR U.S. will focus on managing and enhancing the existing stabilized portfolio in line with its business plan.

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

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

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

Tricon Housing Partners

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

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

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

As part of its transformation into a predominantly rental housing company, Tricon intends to reduce its balance sheet exposure to THP and will consider syndicating or divesting for-sale housing assets to expedite this process. Notwithstanding this goal, THP remains an important source of future cash flow for the Company, and is a business vertical that Tricon plans to grow primarily using third-party capital with the intention of earning recurring contractual fee income.

In this regard, on September 17, 2019, the Company announced that it had entered into a joint venture arrangement ("THPAS JV-1") with the Arizona State Retirement System. Through this joint venture, Tricon aims to grow THP's and Johnson's integrated MPC business and to fund the development of single-family "build-to-rent" communities. This joint venture is expected to provide Tricon with increased scale and operational synergies across its diversified housing platform. The total equity committed to this venture is $450 million, including $400 million from the investor and $50 million from Tricon. See Section 4.4 for further details.

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

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

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

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

1.3 How we integrate Environmental, Social and Governance priorities

For the past 31 years, Environmental, Social and Governance ("ESG") principles have guided Tricon's decision-making and have been a cornerstone of the Company's success. Tricon firmly believes that the Company has a responsibility to contribute to the well-being of its people and communities, and to operate responsibly across all business activities.

In order to drive more impact from the ESG initiatives that Tricon conducts across its diverse portfolio, the Company has developed an overarching ESG roadmap. This roadmap articulates Tricon's ESG vision as well as five strategic ESG priority areas where the Company will focus its activities over the next three years.

Tricon's top ESG priority is always its people, with a commitment to providing the training and support to enrich their lives so they can thrive, and in turn, help Tricon's residents thrive. When building new communities, the Company prioritizes creating environments that contribute to the well-being of residents and the broader community, so that people can connect, grow and prosper. At the same time, Tricon's ESG priorities include leveraging innovative technologies and housing solutions to meet the current and future needs of residents and the broader housing needs of North America.

Tricon also prioritizes sustainable real estate practices that reduce the impact of its buildings and deliver positive environmental outcomes. For instance, the Company strives to incorporate green spaces and protect wildlife and biodiversity in master-planned communities, and looks at ways to minimize waste when redeveloping assets, including refurbishing existing fixtures rather than replacing them. Tricon's final ESG priority acknowledges the Company's ongoing commitment to responsible governance, with a focus on ethics, integrity, trust and transparency in all its business activities.

The ESG roadmap is intended to act as a catalyst for the Company's ongoing ESG journey. Three-year targets have been established for each priority area, to ensure that tangible progress is made towards achieving its vision. Going forward, Tricon will finalize a supporting ESG implementation plan, which will include establishing structures and systems to govern the Company's approach to ESG across all business activities.

The ESG roadmap and implementation plan will ensure that the Company's ESG activities are well aligned and value-driven, and will provide a key framework with which to monitor and report on progress over time.

Tricon's ESG roadmap will be formally published in the coming months.

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		Nine months	
For the periods ended September 30	2019	2018	2019	2018
Total revenue and investment income from continuing operations	$ 58,670	$ 65,889	$ 172,771	$ 215,814
Total investment income from discontinued operations	–	–	–	21,170
Net income	32,457	33,826	68,876	173,058
Basic earnings per share from:				
Continuing operations	0.16	0.25	0.41	1.11
Discontinued operations	–	–	–	0.17
Basic earnings per share	0.16	0.25	0.41	1.28
Diluted earnings per share from:				
Continuing operations	0.15	0.24	0.39	0.92
Discontinued operations	–	–	–	0.14
Diluted earnings per share	0.15	0.24	0.39	1.06
Dividends per share	C$ 0.07	C$ 0.07	C$ 0.21	C$ 0.21
Non-IFRS measures[1]				
Adjusted net income	$ 33,924	$ 41,010	$ 100,650	$ 177,520
Adjusted EBITDA	82,584	74,954	218,415	283,190
Less:				
Fair value gain included in investment income – TAH	18,734	42,345	72,063	155,706
Adjusted EBITDA from discontinued operations – TLC	–	–	–	31,394
Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA	63,850	32,609	146,352	96,090
Adjusted basic EPS attributable to shareholders of Tricon	0.17	0.30	0.61	1.32
Adjusted diluted EPS attributable to shareholders of Tricon	0.17	0.27	0.58	1.15
Funds from operations (FFO)	$ 23,629	$ 10,965	$ 46,407	$ 24,992
Funds from operations (FFO) per share	0.11	0.07	0.25	0.15
Funds from operations (FFO) per share (CAD)[2]	C$ 0.15	C$ 0.09	C$ 0.33	C $ 0.19

As at September 30	2019	2018
Total assets	$ 2,286,521	$ 1,644,729
Total liabilities	660,431	520,638
Investments (including investments held for sale)	2,178,598	1,542,392
Debt	492,334	396,545
Assets under management (AUM)[3]	$ 7,899,855	$ 5,664,371

(1) Non-IFRS measures including Adjusted EBITDA, Adjusted net income, Adjusted basic and diluted earnings per share, FFO and FFO 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) USD/CAD exchange rates used are 1.3243 at September 30, 2019 and 1.2945 at September 30, 2018.

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

Investment highlights by vertical

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

For the periods ended September 30 (in thousands of U.S. dollars, except for percentages and units)	Three months		Nine months	
	2019	2018	2019	2018
TRICON AMERICAN HOMES *(Refer to Sections 3.1, 3.2 and 4.1)*				
Investments – TAH			**$ 1,328,853**	**$ 1,107,962**
Investment income – TAH	**$ 35,958**	**$ 53,650**	**119,742**	**180,773**
Fair value gain included in investment income – TAH	18,734	42,345	72,063	155,706
Net operating income (NOI)	49,728	37,670	140,493	109,771
Net operating income (NOI) margin	64.7%	61.6%	64.9%	62.1%
Core funds from operations	21,423	12,929	57,288	36,984
Total homes managed			19,962	16,766
Occupancy			92.6%	93.1%
Stabilized occupancy			96.3%	96.3%
Total number of homes in same home portfolio			14,446	14,446
Same home net operating income (NOI)	38,803	35,287	115,033	104,382
Same home net operating income (NOI) growth	10.0%	N/A	10.2%	N/A
Same home net operating income (NOI) margin	65.2%	62.7%	65.4%	62.6%
TRICON LIFESTYLE RENTALS *(Refer to Sections 3.1, 3.2, 4.2 and 4.3)*				
Investments – TLR			**$ 531,321**	**$ 116,243**
Investment income – TLR	**$ 10,280**	**$ 1,189**	**18,168**	**4,753**
TLR U.S.[1]				
Net operating income (NOI)[2]	17,177	–	20,995	–
Net operating income (NOI) margin[2]	59.3%	–	59.4%	–
Core funds from operations[2]	6,853	–	8,426	–
Total suites managed			7,289	–
Occupancy			94.7%	–
TLR Canada				
Units under development or lease-up			3,334	3,200
TRICON HOUSING PARTNERS *(Refer to Sections 3.1, 3.2 and 4.4)*				
Investments – THP			**$ 318,424**	**$ 318,187**
Investment income – THP	**$ 1,109**	**$ 3,309**	**6,682**	**9,506**
TRICON LIFESTYLE COMMUNITIES *(Refer to Section 3.1)*				
Investments held for sale – TLC			**$ –**	**$ –**
Investment income from discontinued operations – TLC	**$ –**	**$ –**	**–**	**21,170**
PRIVATE FUNDS AND ADVISORY *(Refer to Sections 3.1 and 4.5)*				
Third-party assets under management			$ 2,332,418	$ 1,754,272
Contractual fees and GP distributions	**$ 8,341**	**$ 7,269**	**23,296**	**19,464**
Performance fees	**2,982**	**472**	**4,883**	**1,318**

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

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

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

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

3. FINANCIAL REVIEW

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

3.1 Review of income statements

Consolidated statements of income

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	Three months			Nine months		
	2019	2018	Variance	2019	2018	Variance
Revenue						
Contractual fees	$ 8,068	$ 6,897	$ 1,171	$ 22,506	$ 18,383	$ 4,123
General partner distributions	273	372	(99)	790	1,081	(291)
Performance fees	2,982	472	2,510	4,883	1,318	3,565
	11,323	7,741	3,582	28,179	20,782	7,397
Investment income						
Investment income – Tricon American Homes	35,958	53,650	(17,692)	119,742	180,773	(61,031)
Investment income – Tricon Lifestyle Rentals	10,280	1,189	9,091	18,168	4,753	13,415
Investment income – Tricon Housing Partners	1,109	3,309	(2,200)	6,682	9,506	(2,824)
	47,347	58,148	(10,801)	144,592	195,032	(50,440)
Total revenue and investment income	**$ 58,670**	**$ 65,889**	**$ (7,219)**	**$ 172,771**	**$ 215,814**	**$ (43,043)**
Expenses						
Compensation expense	8,561	8,576	15	27,937	28,254	317
General and administration expense	2,799	2,147	(652)	8,807	7,142	(1,665)
Interest expense	8,493	8,227	(266)	23,531	24,794	1,263
Other expenses (income)	549	7,447	6,898	29,289	(9,617)	(38,906)
Realized and unrealized foreign exchange loss (gain)	115	1,028	913	136	(1,949)	(2,085)
	20,517	27,425	6,908	89,700	48,624	(41,076)
Income before income taxes	**38,153**	**38,464**	**(311)**	**83,071**	**167,190**	**(84,119)**
Income tax expense – current	(5,295)	(1,187)	(4,108)	(7,384)	(1,870)	(5,514)
Income tax expense – deferred	(401)	(3,451)	3,050	(6,811)	(15,389)	8,578
Net income from continuing operations	**32,457**	**33,826**	**(1,369)**	**68,876**	**149,931**	**(81,055)**
Net income from discontinued operations	**–**	**–**	**–**	**–**	**23,127**	**(23,127)**
Net income	**$ 32,457**	**$ 33,826**	**$ (1,369)**	**$ 68,876**	**$ 173,058**	**$ (104,182)**
Attributable to:						
Shareholders of Tricon	$ 31,658	$ 33,599	$ (1,941)	$ 67,506	$ 172,853	$ (105,347)
Non-controlling interest	799	227	572	1,370	205	1,165
Net income	**$ 32,457**	**$ 33,826**	**$ (1,369)**	**$ 68,876**	**$ 173,058**	**$ (104,182)**
Basic EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.16	$ 0.25	$ (0.09)	$ 0.41	$ 1.11	$ (0.70)
Discontinued operations	–	–	–	–	0.17	(0.17)
Basic EPS attributable to shareholders of Tricon	**$ 0.16**	**$ 0.25**	**$ (0.09)**	**$ 0.41**	**$ 1.28**	**$ (0.87)**
Diluted EPS attributable to shareholders of Tricon						
Continuing operations	$ 0.15	$ 0.24	$ (0.09)	$ 0.39	$ 0.92	$ (0.53)
Discontinued operations	–	–	–	–	0.14	(0.14)
Diluted EPS attributable to shareholders of Tricon	**$ 0.15**	**$ 0.24**	**$ (0.09)**	**$ 0.39**	**$ 1.06**	**$ (0.67)**
Weighted average shares outstanding – basic	**195,182,431**	**135,066,491**	**60,115,940**	**165,111,005**	**134,619,881**	**30,491,124**
Weighted average shares outstanding – diluted[1]	**213,371,947**	**153,776,332**	**59,595,615**	**183,413,037**	**161,875,071**	**21,537,966**

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

Contractual fees

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2019	2018	Variance	2019	2018	Variance
Management fees – private Investment Vehicles	$ 3,550	$ 3,776	$ (226)	$ 10,954	$ 9,704	$ 1,250
Development fees – TLR Canada projects	249	535	(286)	1,335	1,602	(267)
Development fees – Johnson	4,269	2,586	1,683	10,217	7,077	3,140
Contractual fees	**$ 8,068**	**$ 6,897**	**$ 1,171**	**$ 22,506**	**$ 18,383**	**$ 4,123**

Contractual fees for the three months ended September 30, 2019 totalled $8.1 million, an increase of $1.2 million from the same period in the prior year. The increase is attributable to:

- An increase of $1.7 million in Johnson development fees which was mainly driven by an increase in lot closings at Johnson communities this quarter compared to the same period in the prior year (see Section 4.5).
- An offsetting decrease of $0.3 million in TLR development fees primarily as a result of construction completion at The Selby.
- An additional offsetting decrease of $0.2 million in management fees from THP investments as distributions were made during the period, thereby reducing outstanding invested capital.

Contractual fees for the nine months ended September 30, 2019 totalled $22.5 million, an increase of $4.1 million from the same period in the prior year. The increase is primarily attributable to:

- An increase of $3.1 million in Johnson development fees for the same reasons noted above.
- An increase of $1.3 million in management fees driven by an increase of $1.9 million in management fees earned from TAH JV-1 which was launched at the end of the second quarter of 2018, partially offset by a decrease in fees from THP investments as distributions resulted in lower investment balances.

Investment income – Tricon American Homes

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Total revenue	$ 76,837	$ 61,170	$ 15,667	$ 216,608	$ 176,751	$ 39,857
Total operating expenses	(27,109)	(23,500)	(3,609)	(76,115)	(66,980)	(9,135)
Net operating income (NOI)[1,2]	**$ 49,728**	**$ 37,670**	**$ 12,058**	**$ 140,493**	**$ 109,771**	**$ 30,722**
Fair value gain[2]	21,354	42,345	(20,991)	74,683	155,706	(81,023)
Other expenses[2,3,4]	(8,612)	(9,177)	565	(25,876)	(29,960)	4,084
Interest expense[2]	(23,119)	(19,606)	(3,513)	(66,997)	(57,162)	(9,835)
Third-party investor interests[2,4]	(3,393)	2,418	(5,811)	(2,561)	2,418	(4,979)
Investment income – TAH	**$ 35,958**	**$ 53,650**	**$(17,692)**	**$ 119,742**	**$ 180,773**	**$ (61,031)**

(1) KPI measure; see Section 8.1.

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

(3) Other expenses are comprised of:

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Corporate overhead[4]	$ (5,186)	$ (4,701)	$ (485)	$ (16,208)	$ (15,191)	$ (1,017)
Transaction costs and non-recurring items	(70)	289	(359)	(629)	(8,082)	7,453
Depreciation and non-cash items[4]	(1,006)	(1,061)	55	(3,307)	(2,985)	(322)
Deferred tax (expense) recovery	(360)	–	(360)	(244)	2	(246)
TAH JV-1 partner-level expenses[4,5]	(1,990)	(3,704)	1,714	(5,488)	(3,704)	(1,784)
Other expenses	**$ (8,612)**	**$ (9,177)**	**$ 565**	**$ (25,876)**	**$ (29,960)**	**$ 4,084**

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

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

TAH's investment income was $36.0 million for the three months ended September 30, 2019, a decrease of $17.7 million compared to the same period in 2018. The variance in investment income is attributable to:

- A fair value gain of $21.4 million in the quarter compared to $42.3 million in the same period in 2018, a decrease of $21.0 million. Consistent with previous quarters, fair value gain is determined by using Broker Price Opinions ("BPOs") and the Home Price Index ("HPI") methodology on the remaining homes not subject to BPOs (see Section 9.1). This quarter, the HPI increase net of capital expenditures was 0.6% (2.4% annualized) compared to a 1.5% increase in the third quarter of 2018 (6.0% annualized). There were 2,627 homes valued using the BPO method in the third quarter of 2019 compared to 154 homes valued using this method in the same period in 2018.
- An increase of $12.1 million in net operating income ("NOI", a key performance indicator ("KPI"); refer to Section 8.1 for a description; see also footnote 2 in the table above) as a result of a larger leased portfolio, strong rent growth and continued improvement in cost containment across the portfolio (see Section 4.1).
- An increase of $3.5 million in interest expense attributable to a higher outstanding debt balance necessary to finance additional homes in the growing TAH JV-1 rental portfolio. TAH currently has approximately 79% of its total debt locked in with fixed-rate financing, thereby reducing its exposure to LIBOR fluctuations.
- An increase of $5.8 million in third-party investor interests as a result of TAH JV-1 earning positive income during the quarter compared to the same period in 2018 when it was operating at a loss.

TAH's investment income for the nine months ended September 30, 2019 was $119.7 million compared to $180.8 million for the same period in 2018, a decrease of $61.0 million. The variance is primarily attributable to a decrease in fair value gain of $81.0 million and an increase in interest expense on incremental debt of $9.8 million. These changes were partially offset by additional NOI contribution from a larger leased portfolio and an increase in NOI margin (see Section 4.1), net of an increase of third-party investor interests from positive TAH JV-1 income.

Investment income – Tricon Lifestyle Rentals

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Investment income – TLR U.S.	$ 5,499	$ –	$ 5,499	$ 6,775	$ –	$ 6,775
Investment income – TLR Canada	378	1,932	(1,554)	2,788	366	2,422
Gain (loss) on investments held for sale within TLR	4,403	(743)	5,146	8,605	4,387	4,218
Total investment income – TLR	**$ 10,280**	**$ 1,189**	**$ 9,091**	**$ 18,168**	**$ 4,753**	**$ 13,415**

Investment income – Tricon Lifestyle Rentals U.S.

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

(in thousands of U.S. dollars)	For the three months ended September 30, 2019	For the period from June 11, 2019 to September 30, 2019
Total revenue	$ 28,944	$ 35,368
Total operating expenses	11,767	14,373
Net operating income (NOI)	**$ 17,177**	**$ 20,995**
Fair value gain	–	–
Other expenses[1]	(1,996)	(2,416)
Interest expense	(9,682)	(11,804)
Investment income – TLR U.S.	**$ 5,499**	**$ 6,775**

(1) Other expenses are comprised of:

(in thousands of U.S. dollars)	For the three months ended September 30, 2019	For the period from June 11, 2019 to September 30, 2019
Corporate overhead[2]	$ (642)	$ (765)
Deferred tax expense	(1,354)	(1,651)
Other expenses	**$ (1,996)**	**$ (2,416)**

(2) Corporate overhead for the three months ended September 30, 2019 includes transition service expenses of $250 and other general and administration expenses of $392. For the period from June 11, 2019 to September 30, 2019, the balance includes transition service expense of $306 and other general and administration expenses of $459.

TLR U.S. generated investment income of $5.5 million for the three months ended September 30, 2019. The balance is predominantly comprised of the following items:

- Net operating income ("NOI") (KPI measure; refer to Section 8.1) of $17.2 million representing rental revenue of $28.9 million at a 94.7% occupancy rate and average monthly rent of $1,240 less operating expenses of $11.8 million mainly made up of property taxes, property management and other direct costs. Since acquiring the portfolio, Tricon's primary focus has been improving occupancy (achieving an increase to 94.7% at September 30, 2019 from 94.3% at June 30, 2019) and driving NOI growth.
- An offsetting interest expense of $9.7 million resulting from interest on the outstanding credit facility and mortgages payable at a weighted average interest rate of 4.1%.

The investment income for the period from June 11, 2019 to September 30, 2019 was similar in composition to that for the three months ended September 30, 2019.

Investment income – Tricon Lifestyle Rentals Canada

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Operating income during development and lease-up[1]	$ 353	$ 248	$ 105	$ 809	$ 582	$ 227
Other (expenses) gains[1,2]	(1,687)	448	(2,135)	596	(1,316)	1,912
Fair value gain	1,945	1,190	755	1,945	1,190	755
Interest (expense) income[1]	(233)	46	(279)	(562)	(90)	(472)
Investment income – TLR Canada	**$ 378**	**$ 1,932**	**$ (1,554)**	**$ 2,788**	**$ 366**	**$ 2,422**

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

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Unrealized foreign exchange (loss) gain	$ (960)	$ 858	$ (1,818)	$ 2,086	$ (794)	$ 2,880
Other income net of corporate overhead	(84)	(22)	(62)	(141)	(96)	(45)
Deferred tax expense	–	(387)	387	–	(419)	419
Transaction costs and non-recurring costs	(643)	(1)	(642)	(1,349)	(7)	(1,342)
Other (expenses) gains	**$ (1,687)**	**$ 448**	**$ (2,135)**	**$ 596**	**$ (1,316)**	**$ 1,912**

TLR Canada's investment income was $0.4 million for the three months ended September 30, 2019, a decrease of $1.6 million compared to $1.9 million for the same period in 2018. The variance is mainly attributable to:

- An increase of $2.1 million in other expenses, primarily driven by an increase of $1.8 million in foreign exchange loss as the Canadian dollar weakened during the quarter, and additional transaction costs of $0.6 million related to financing costs for The Selby, partially offset by a $0.4 million reduction in income tax expense as a result of a business reorganization completed in 2018.
- An increase of $0.3 million in interest expense as The Selby has shifted from the development phase to the construction completion and lease-up phase and thus interest expense is no longer capitalized as part of development costs.
- An offsetting increase of $0.8 million in fair value gain driven by the achievement of construction milestones at 8 Gloucester as well as an increase of $0.1 million in operating income during development and lease-up from The Selby.

TLR Canada's investment income was $2.8 million for the nine months ended September 30, 2019, an increase of $2.4 million compared to $0.4 million for the same period in 2018. The variance is mainly attributable to:

- An increase of $1.9 million in other gains, primarily driven by an increase of $2.9 million in favourable foreign exchange adjustment and a reduction in income tax expense of $0.4 million as discussed above, partially offset by higher transaction costs of $1.3 million relating to the acquisition of 7 Labatt and financing costs for The Selby.
- An increase of $0.8 million in fair value gain and an increase of $0.2 million in operating income, partially offset by an increase of $0.5 million in interest expense, for the reasons discussed above.

Gain (loss) on investments held for sale within TLR

For the three months ended September 30, 2019, the gain on TLR U.S. investments held for sale was $4.4 million, an increase of $5.1 million compared to a loss of $0.7 million for the same period in 2018. This increase is attributable to fair value gains recognized at The Maxwell (in Frisco, Texas) as a result of continued progress with lease-up. The building was 95% leased as of quarter-end, and TLR is on track to sell The Maxwell by the end of 2019.

For the nine months ended September 30, 2019, the gain on TLR U.S. investments held for sale was $8.6 million, an increase of $4.2 million compared to a gain of $4.4 million for the same period in 2018. The increase is attributable to fair value gains recognized on both The Maxwell and The McKenzie, the latter of which was sold in April of this year.

Investment income – Tricon Housing Partners

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2019	2018	Variance	2019	2018	Variance
Investment income – THP	**$ 1,109**	**$ 3,309**	**$ (2,200)**	**$ 6,682**	**$ 9,506**	**$ (2,824)**

Investment income for the three months ended September 30, 2019 was $1.1 million, a decrease of $2.2 million compared to $3.3 million for the same period in 2018. The variance is mainly attributable to a decrease of $2.5 million in investment income from direct investments as a result of weather-related construction delays causing postponement of lot sales, partially offset by gains on commingled funds and separate account investments which benefited from the revised business plans adopted at the close of the fourth quarter of 2018.

Investment income for the nine months ended September 30, 2019 was $6.7 million, a decrease of $2.8 million compared to $9.5 million for the same period in 2018. The variance is mainly attributable to a decrease in investment income of $9.1 million from direct investments and a partially offsetting increase of $6.3 million in investment income from commingled funds driven by the factors noted above.

Compensation expense

The table below provides a breakdown of compensation expense.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months			Nine months		
	2019	2018	Variance	2019	2018	Variance
Salaries and benefits	$ 4,520	$ 3,485	$ (1,035)	$ 14,059	$ 10,730	$ (3,329)
Annual incentive plan ("AIP")	3,537	4,161	624	10,981	13,130	2,149
Long-term incentive plan ("LTIP")	504	930	426	2,897	4,394	1,497
Total compensation expense	**$ 8,561**	**$ 8,576**	**$ 15**	**$ 27,937**	**$ 28,254**	**$ 317**

Compensation expense for the three months ended September 30, 2019 is largely unchanged compared to the same period in the prior year. This is attributable to:

- A decrease of $0.6 million in AIP expense which was accrued in accordance with the AIP framework described in Section 9.6. In 2018, a greater portion of AIP expense was accrued during the first three quarters, resulting in an accrual adjustment in the fourth quarter when performance-based payments were finalized.
- A decrease of $0.4 million in LTIP expense as a result of lower estimated future performance fees from Investment Vehicles that will be paid to management when cash is received from each investment over time.
- An offsetting increase of $1.0 million in payroll costs due to staffing increases to accommodate the Company's ongoing growth plans and normal course salary adjustments.

Compensation expense for the nine months ended September 30, 2019 decreased by $0.3 million compared to the same period in the prior year. The variance is attributable to a decrease of $2.1 million in AIP expense and $1.5 million in LTIP expense, partially offset by a $3.3 million increase in payroll costs, for the reasons discussed above.

General and administration expense

General and administration expense for the three and nine months ended September 30, 2019 increased by $0.7 million and $1.7 million, respectively, compared to the same periods in the prior year. Both variances are primarily attributable to higher consulting fees in relation to the implementation of ESG initiatives and increases in other professional fees corresponding to the greater scope of the Company's business activities. These increases are in line with expectations given the growth of the Company.

Interest expense

The table below provides a summary of interest expense.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Credit facility interest	$ 4,841	$ 3,220	$ (1,621)	$ 12,638	$ 9,403	$ (3,235)
Debentures interest	2,872	3,865	993	8,593	11,650	3,057
Debentures discount amortization	683	1,037	354	2,013	3,457	1,444
Mortgages interest	81	88	7	238	250	12
Interest on lease obligation	16	17	1	49	34	(15)
Total interest expense	**$ 8,493**	**$ 8,227**	**$ (266)**	**$ 23,531**	**$ 24,794**	**$ 1,263**

Interest expense was $8.5 million for the three months ended September 30, 2019 compared to $8.2 million for the same period last year, an increase of $0.3 million. The increase was primarily driven by a higher outstanding credit facility balance, offset by a reduction in debentures interest and debentures discount amortization from the previously outstanding 5.60% convertible unsecured subordinated debentures (the "2020 convertible debentures") which were redeemed in full on October 9, 2018.

Interest expense was $23.5 million for the nine months ended September 30, 2019 compared to $24.8 million for the same period last year, a decrease of $1.3 million. The decrease was mainly attributable to the redemption of the previously outstanding 2020 convertible debentures, as described above, offset by a higher outstanding debt balance and weighted average interest rate.

Other expenses (income)

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Net change in fair value of derivative financial instruments and other liability	$ (3,134)	$ 629	$ 3,763	$ (4,309)	$ (19,097)	$ (14,788)
Loss on debt extinguishment	–	5,349	5,349	–	5,349	5,349
Transaction costs	2,102	–	(2,102)	28,913	180	(28,733)
Amortization and depreciation expense	1,581	1,469	(112)	4,685	3,951	(734)
Total other expenses (income)	**$ 549**	**$ 7,447**	**$ 6,898**	**$ 29,289**	**$ (9,617)**	**$ (38,906)**

In the three months ended September 30, 2019, the fair value of derivative financial instruments and other liability decreased by $3.1 million (2018 – increase of $0.6 million), which is reflected as income of the Company (2018 – expense). The decrease was primarily a result of an overall decrease in the value of the conversion option of the 2022 convertible debentures driven by a reduction in the time remaining until option expiration, among other factors.

In the nine months ended September 30, 2019, the fair value of derivative financial instruments and other liability decreased by $4.3 million (2018 – decrease of $19.1 million), which is reflected as income of the Company (2018 – income). The net decrease is attributable to (i) a $3.8 million decrease in the fair value of the embedded derivative payable on the Company's 2022 convertible debentures for the reasons discussed above, and (ii) a $0.5 million decrease in the fair value of the put liability as a result of the decrease in the Company's share price between the issuance of the puttable shares on June 11, 2019 and the valuation date of September 30, 2019. The significant change in the comparative period was mainly driven by a decrease in the Company's share price on the Toronto Stock Exchange ("TSX") during the period that had an impact for both the 2020 convertible debentures and the 2022 convertible debentures.

In the three months ended September 30, 2018, the Company incurred a $5.3 million loss on debt extinguishment related to the redemption in full of the outstanding balance of the 2020 convertible debentures on October 9, 2018.

For the three months ended September 30, 2019, transaction costs were $2.1 million, an increase of $2.1 million compared to the same period in the prior year, related primarily to the amendment and restatement of the Company's revolving term credit facility (see Section 3.2).

For the nine months ended September 30, 2019, transaction costs were $28.9 million, an increase of $28.7 million compared to the same period in the prior year. The change was driven primarily by transaction costs totalling $25.8 million related to the acquisition of the U.S. Multi-Family Portfolio of which $25.5 million was expensed (comprised of investment banking, consulting and other transitional services, legal, finance and tax, due diligence and other fees) and the remainder was charged directly to share capital in connection with the issuance of Tricon common shares as part of the acquisition. As at September 30, 2019, transaction costs of $12.2 million remained payable.

Income tax expense

For the three months ended September 30, 2019, income tax expense increased by $1.1 million compared to the same period in the prior year. This was a result of an increase in the current tax expense of $4.1 million, partially offset by a decrease in the deferred tax expense of $3.1 million. The increase in current income tax expense was mainly attributable to the tax impacts of the gain on investments held for sale within TLR as well as growth in contractual fees. The decrease in deferred income tax expense was driven by lower fair value gains and investment income at TAH.

For the nine months ended September 30, 2019, income tax expense was $3.1 million lower than the same period in the prior year as a result of a significant decrease in the deferred tax expense of $8.6 million, partially offset by an increase in the current tax expense of $5.5 million, which was driven by the reasons discussed above.

Disposition of Tricon Lifestyle Communities

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

3.2 Review of selected balance sheet items

As at (in thousands of U.S. dollars)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Assets							
Cash	$ 7,608	$ 4,911	$ 13,292	$ 7,773	$ 6,720	$ 21,792	$ 11,809
Amounts receivable	11,339	14,276	13,063	17,934	17,257	17,657	13,465
Prepaid expenses and deposits	945	461	419	819	970	479	674
Investments – Tricon American Homes	1,328,853	1,262,571	1,207,137	1,145,221	1,107,962	1,064,140	1,012,757
Investments – Tricon Lifestyle Rentals	531,321	517,143	142,058	129,838	116,243	107,074	90,759
Investments – Tricon Housing Partners	318,424	329,629	328,425	307,564	318,187	312,727	309,273
Investments held for sale – Tricon Lifestyle Communities	–	–	–	–	–	–	63,946
Intangible assets	17,476	18,556	19,638	20,733	21,829	22,924	18,893
Deferred income tax assets	42,117	42,252	38,937	36,135	33,732	29,950	26,787
Other assets	28,438	22,218	21,941	21,645	21,829	21,077	17,033
Total assets	**$ 2,286,521**	**$ 2,212,017**	**$ 1,784,910**	**$ 1,687,662**	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**
Liabilities							
Amounts payable and accrued liabilities	$ 30,744	$ 28,351	$ 8,079	$ 6,429	$ 14,532	$ 19,438	$ 6,432
Dividends payable	10,257	10,398	7,514	7,350	7,503	7,115	7,251
Long-term incentive plan	20,805	22,875	21,720	21,407	16,492	16,154	16,145
Debt	492,334	434,674	437,846	374,716	396,545	417,659	448,738
Deferred income tax liabilities	93,607	93,150	87,487	81,226	71,404	64,386	57,647
Derivative financial instruments	147	3,332	10,821	3,936	14,162	17,768	8,241
Other liability	12,537	12,486	–	–	–	–	–
Total liabilities	**660,431**	**605,266**	**573,467**	**495,064**	**520,638**	**542,520**	**544,454**
Equity							
Share capital	1,199,695	1,201,678	794,857	793,521	758,830	717,485	715,288
Share capital reserve	(13,057)	(13,057)	–	–	–	–	–
Contributed surplus	20,019	19,594	18,422	17,468	19,096	17,473	16,426
Cumulative translation adjustment	19,429	19,255	19,507	19,525	19,189	19,336	20,420
Retained earnings	391,915	371,193	369,646	353,220	317,472	291,319	258,907
Total shareholders' equity	1,618,001	1,598,663	1,202,432	1,183,734	1,114,587	1,045,613	1,011,041
Non-controlling interest	8,089	8,088	9,011	8,864	9,504	9,687	9,901
Total equity	**1,626,090**	**1,606,751**	**1,211,443**	**1,192,598**	**1,124,091**	**1,055,300**	**1,020,942**
Total liabilities and equity	**$ 2,286,521**	**$ 2,212,017**	**$ 1,784,910**	**$ 1,687,662**	**$ 1,644,729**	**$ 1,597,820**	**$ 1,565,396**

Investments – Tricon American Homes

Investments in TAH increased by $0.2 billion to $1.3 billion as at September 30, 2019, from $1.1 billion as at December 31, 2018. The increase was driven by:

- Investment income of $119.7 million consisting of $140.5 million of NOI and $74.7 million of fair value gains, partially offset by $67.0 million of interest expense and $28.5 million of overhead and other expenses, net of third-party investor interests;
- Advances of $79.9 million primarily for the acquisition and renovation of rental homes, including a $64.7 million contribution to TAH JV-1; and
- Offsetting cash distributions of $16.0 million to Tricon.

(in thousands of U.S. dollars)	As at December 31, 2018	Advances	Investment income	Distributions	As at September 30, 2019
Investments – TAH	**$ 1,145,221**	**$ 79,890**	**$ 119,742**	**$ (16,000)**	**$ 1,328,853**

Investments – Tricon Lifestyle Rentals

Investments in TLR increased by $401.5 million to $531.3 million as at September 30, 2019, from $129.8 million as at December 31, 2018. The increase was predominantly related to total advances of $433.1 million (comprised of equity consideration of $405.7 million for the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund and cash advances of $27.4 million to various Investment Vehicles) along with investment income of $18.2 million (see Section 3.1), partially offset by distributions of $49.8 million from the sale of The McKenzie, a U.S. development asset that was sold in the second quarter of 2019.

(in thousands of U.S. dollars)	As at December 31, 2018	Advances	Investment income	Distributions	As at September 30, 2019
Investments – TLR U.S.[1]	$ –	$ 419,552	$ 6,775	$ –	$ 426,327
Investments – TLR Canada	70,199	11,869	2,788	–	84,856
Assets held for sale within TLR	59,639	1,728	8,605	(49,834)	20,138
Investments – TLR	**$ 129,838**	**$ 433,149**	**$ 18,168**	**$ (49,834)**	**$ 531,321**

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

Investments – Tricon Housing Partners

Investments in THP increased by $10.9 million to $318.4 million as at September 30, 2019, from $307.6 million as at December 31, 2018. The increase was primarily attributable to advances of $31.8 million (including the acquisition of a direct investment in a master-planned community in Austin, Texas) and investment income of $6.7 million, partially offset by distributions of $27.7 million to Tricon.

(in thousands of U.S. dollars)	As at December 31, 2018	Advances	Investment income	Distributions	As at September 30, 2019
Investments – THP[1]	**$ 307,564**	**$ 31,840**	**$ 6,682**	**$ (27,662)**	**$ 318,424**

(1) Advances, investment income and distributions per quarter are as follows:

(in thousands of U.S. dollars)	Opening balance	Advances	Investment income	Distributions	Ending balance
From January 1, 2019 to March 31, 2019	$ 307,564	$ 22,915	$ 2,227	$ (4,281)	$ 328,425
From April 1, 2019 to June 30, 2019	328,425	3,894	3,346	(6,036)	329,629
From July 1, 2019 to September 30, 2019	329,629	5,031	1,109	(17,345)	318,424

Debt

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

	Terms				Debt balance (in thousands of U.S. dollars)[1]	
(in thousands of dollars)	Currency	Total principal amount	Maturity date	Interest rate terms	September 30, 2019	December 31, 2018
Revolving term credit facility	USD	$ 500,000	July 2022	LIBOR+3.75%	$ 320,000	$ 209,250
2022 convertible debentures	USD	$ 172,400	March 2022	5.75%	160,208	157,112
Mortgages[1]	CAD	$ 14,577	November 2024	4.25%	11,006	7,150
Lease obligation	USD	$ 1,120	March 2026	5.60%	1,120	1,204
					$ 492,334	**$ 374,716**

(1) Balances shown are presented in U.S. dollars and exclude the fair value of derivative financial instruments embedded in the convertible debentures (see Section 3.1, Other expenses (income)). The mortgages are denominated in Canadian dollars. USD/CAD exchange rates used to present debt balances in U.S. dollars are at September 30, 2019: 1.3243 and at December 31, 2018: 1.3642.

On July 31, 2019, the Company and its syndicate of lenders completed an amendment and restatement of Tricon's corporate revolving credit facility (the "Credit Facility Amendment"), increasing the total available credit facility by $135 million to $500 million. The Credit Facility Amendment includes extending the maturity of the facility to July 31, 2022, reducing interest rates by up to 50 basis points and reducing standby fees by up to 21.25 basis points. The remaining key terms of the facility remain substantially unchanged. As of September 30, 2019, $320.0 million was drawn from the facility, and the Company had a cash balance of $7.6 million.

As of September 30, 2019, there was $172.4 million in outstanding aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures of the Company (the "2022 convertible debentures"). The 2022 convertible debentures bear interest at 5.75% per annum and are convertible into 16,481,837 common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount, or a conversion price of approximately $10.46 per common share (equivalent to C$13.85 as of September 30, 2019). In the first nine months of 2019, $0.1 million principal amount was converted into 9,560 common shares.

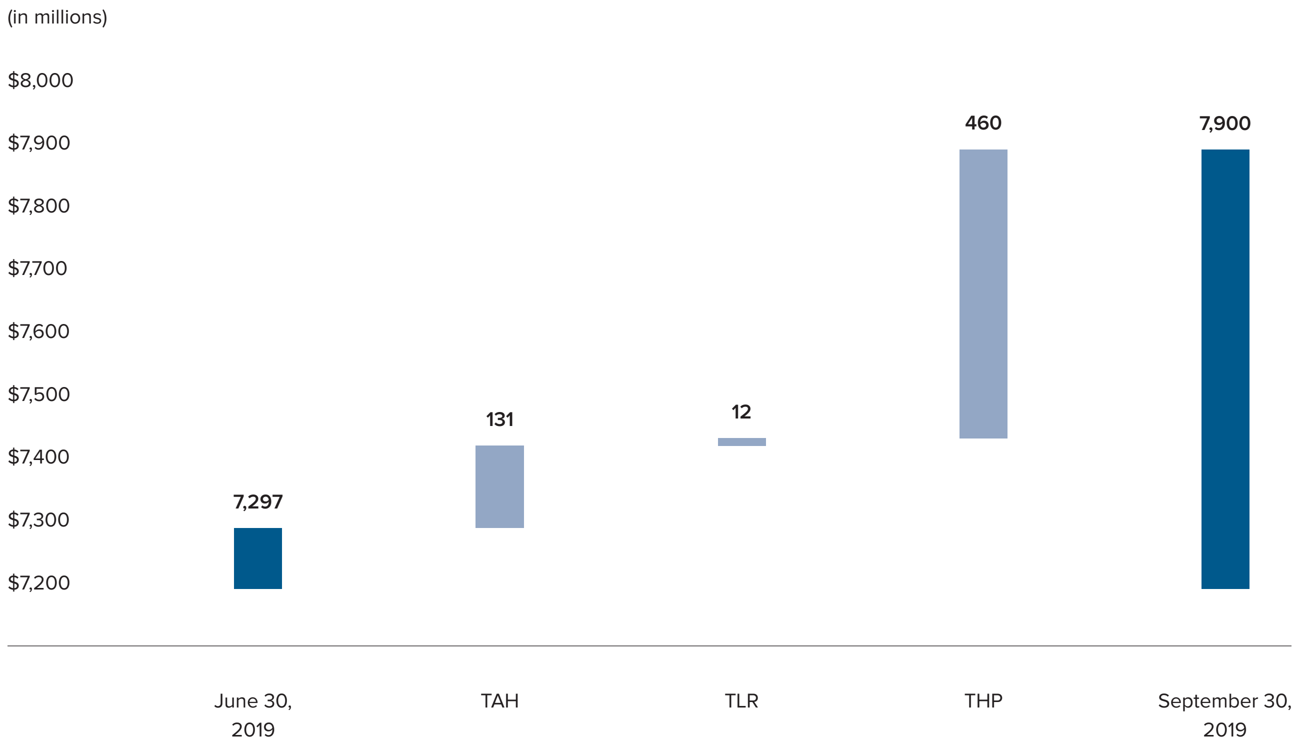
As of September 30, 2019, the Company had two outstanding mortgage loans totalling $11.0 million (C$14.6 million). In November 2017, the Company financed the acquisition of its head office in Toronto with a mortgage carrying a fixed interest rate of 4.38% per annum compounded semi-annually. On September 19, 2019, the Company obtained a new mortgage loan to purchase additional space within its existing head office building in Toronto, which carries a fixed interest rate of 3.99% compounded semi-annually. Both mortgages mature in November 2024.

On April 1, 2018, the Company entered into an agreement to lease office space at 260 California Street, San Francisco, with an expiration date of March 2026. The initial lease obligation recognized was $1.2 million, and the carrying value was $1.1 million as at September 30, 2019.

3.3 Assets under management

Assets under management ("AUM") (KPI measure; refer to Section 8.2) were $7.9 billion as at September 30, 2019, representing an increase of $0.6 billion since June 30, 2019. Refer to Section 8.2 for a detailed description of AUM.

CHANGES IN ASSETS UNDER MANAGEMENT



As shown in the chart above, which summarizes the changes in AUM over the period on a vertical-by-vertical basis, the changes in AUM since June 30, 2019 were:

- An increase of $130.8 million in TAH AUM driven primarily by substantial home acquisitions and renovations for the TAH JV-1 portfolio as well as $22.8 million of fair value adjustments (excluding projected future disposition fees) related to home price appreciation (see Section 4.1).
- An increase of $11.6 million in TLR AUM consisting of construction and other capital expenditures made at various projects and fair value gains recognized during the quarter.
- An increase of $460.0 million in THP AUM driven primarily by $450.0 million of committed capital for THPAS JV-1 as well as $35.5 million of additional commitments to side-car projects, partially offset by distributions from separate account investments.

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

(in thousands of U.S. dollars)	September 30, 2019[1]	June 30, 2019[1]	March 31, 2019[1]	December 31, 2018[1]	September 30, 2018[1]	June 30, 2018[1]	March 31, 2018[1]
PRINCIPAL INVESTMENTS[2]							
Tricon American Homes	**$ 3,584,680**	**$ 3,518,844**	**$ 3,435,719**	**$ 3,333,773**	**$ 3,267,062**	**$ 3,247,512**	**$ 2,866,838**
Tricon Lifestyle Rentals							
U.S.	1,340,195	1,339,161	–	–	–	–	–
Canada	177,857	177,272	172,222	141,871	134,846	119,314	71,290
Assets held for sale	61,244	56,328	173,264	163,545	154,284	139,738	119,697
Tricon Lifestyle Rentals	**1,579,296**	**1,572,761**	**345,486**	**305,416**	**289,130**	**259,052**	**190,987**
Tricon Housing Partners							
Commingled funds	137,570	138,815	138,629	136,874	147,157	147,567	149,444
Direct investments	133,201	142,427	143,264	117,643	114,014	111,545	107,882
Separate accounts and side-cars	132,690	82,107	84,293	88,255	92,736	94,541	95,020
Tricon Housing Partners	**403,461**	**363,349**	**366,186**	**342,772**	**353,907**	**353,653**	**352,346**
Tricon Lifestyle Communities[3]	**–**	**–**	**–**	**–**	**–**	**–**	**146,000**
Principal investments	**$ 5,567,437**	**$ 5,454,954**	**$ 4,147,391**	**$ 3,981,961**	**$ 3,910,099**	**$ 3,860,217**	**$ 3,556,171**
PRIVATE FUNDS AND ADVISORY							
Tricon American Homes	**$ 738,717**	**$ 673,754**	**$ 609,957**	**$ 561,069**	**$ 497,500**	**$ 497,500**	**$ –**
Tricon Lifestyle Rentals	**369,078**	**364,062**	**345,576**	**274,528**	**275,918**	**268,364**	**178,555**
Tricon Housing Partners							
Commingled funds	184,844	197,520	216,176	254,397	331,100	346,552	356,395
Separate accounts and side-cars	1,024,312	591,515	604,827	616,941	629,809	643,977	643,977
Syndicated investments	15,467	15,651	15,327	15,014	19,945	20,970	22,301
Tricon Housing Partners	**1,224,623**	**804,686**	**836,330**	**886,352**	**980,854**	**1,011,499**	**1,022,673**
Private Funds and Advisory	**$ 2,332,418**	**$ 1,842,502**	**$ 1,791,863**	**$ 1,721,949**	**$ 1,754,272**	**$ 1,777,363**	**$ 1,201,228**
Total assets under management	**$ 7,899,855**	**$ 7,297,456**	**$ 5,939,254**	**$ 5,703,910**	**$ 5,664,371**	**$ 5,637,580**	**$ 4,757,399**

(1) USD/CAD exchange rates used at each balance sheet date are: at September 30, 2019: 1.3243; June 30, 2019: 1.3087; March 31, 2019: 1.3363; December 31, 2018: 1.3642; September 30, 2018: 1.2945; June 30, 2018: 1.3168; March 31, 2018: 1.2894.

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

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

3.4 Subsequent events

On October 2, 2019, the Board of Directors of the Company approved the early removal of the transfer restrictions, or "lock-up", previously in place on the Company's common shares issued as part of Tricon's acquisition of the U.S. Multi-Family Portfolio (see Section 5.3).

On November 4, 2019, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after January 15, 2020 to shareholders of record on December 31, 2019.

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

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

4.1 Tricon American Homes

TAH generated solid operational results across the portfolio with continued rent growth, strong occupancy levels, and increased operational efficiencies. Highlights for the quarter for the consolidated portfolio include a 64.7% NOI margin, 6.1% blended rent growth, and 96.3% stabilized leased occupancy. Highlights for the same home portfolio for the quarter include a 65.2% NOI margin, 10.0% year-over-year NOI growth, 6.4% blended rent growth and 96.1% leased occupancy.

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

TAH purchased 918 homes during the quarter (882 net of dispositions) through its organic acquisitions program. As of September 30, 2019, TAH managed 19,886 rental homes (19,962 total homes, including 76 homes held for sale) of which 15,500 were wholly-owned by TAH and 4,462 were owned by TAH JV-1.

TAH's stabilized leased occupancy rate (which excludes homes that were recently acquired and not yet leased) was 96.3% at September 30, 2019, representing consistently strong demand across all markets from residents for high-quality, professionally managed rental homes. The overall leased portfolio occupancy rate was 92.6% at September 30, 2019, down from 93.9% at June 30, 2019, as a result of the high volume of recently-acquired homes still in the initial renovation and leasing process.

During the quarter, TAH realized strong average blended rent growth of 6.1% on its consolidated portfolio, comprised of 9.5% growth on new leases and 4.7% on renewals, reflecting strong demand for reasonably priced single-family housing in desirable locations. The annualized turnover rate was 29.2% during the third quarter of 2019, a 1.5% increase from 27.7% recorded in the same period in 2018.

On September 26, 2019, TAH JV-1 closed a new securitization loan, TAH JV-1 2019-1, which involved the issuance and sale of six classes of fixed-rate pass-through certificates with a weighted average coupon of 3.12% and a term to maturity of 6.5 years. The gross transaction proceeds represented approximately 70% of the value of the securitized portfolio. The certificates have an aggregate face amount of $333.4 million and approximately $265 million of the gross transaction proceeds were used to pay down the existing TAH JV-1 warehouse credit facility and approximately $56 million were retained within TAH JV-1 to fund the ongoing growth of the portfolio (net of transaction costs and funding of reserves). TAH currently has approximately 79% of its total debt locked in with fixed-rate financing, thereby reducing its exposure to future LIBOR fluctuations.

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

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
TAH wholly-owned homes	15,500	15,535	15,563	15,439	15,547	15,995	15,584
TAH JV-1 homes	4,462	3,545	2,568	2,003	1,219	–	–
Total homes managed	19,962	19,080	18,131	17,442	16,766	15,995	15,584
Less homes held for sale	76	64	37	28	147	47	89
Rental homes	19,886	19,016	18,094	17,414	16,619	15,948	15,495
Homes acquired	918	977	730	802	810	505	396
Less homes disposed	(36)	(28)	(41)	(126)	(39)	(94)	(30)
Net homes acquired during the quarter	882	949	689	676	771	411	366
Occupancy	92.6%	93.9%	94.8%	92.4%	93.1%	95.2%	95.3%
Stabilized occupancy	96.3%	97.3%	97.4%	96.2%	96.3%	97.1%	96.9%
Annualized turnover rate	29.2%	28.0%	20.8%	23.6%	27.7%	30.9%	24.9%
Average monthly rent	$ 1,403	$ 1,383	$ 1,364	$ 1,350	$ 1,336	$ 1,315	$ 1,296
Average quarterly rent growth – renewal	4.7%	4.7%	4.7%	5.6%	5.4%	4.8%	4.3%
Average quarterly rent growth – new move-in	9.5%	9.6%	7.6%	7.9%	9.4%	9.4%	6.3%
Average quarterly rent growth – blended	6.1%	6.2%	5.7%	6.4%	6.7%	6.4%	5.0%

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Total revenue[1]	$ 76,837	$ 61,170	$ 15,667	$ 216,608	$ 176,751	$ 39,857
Property taxes	12,601	9,472	(3,129)	35,350	27,366	(7,984)
Repairs, maintenance and turnover[2]	5,647	6,857	1,210	15,672	18,998	3,326
Property management fees	5,409	4,266	(1,143)	15,338	12,418	(2,920)
Property insurance	1,155	986	(169)	3,365	2,925	(440)
Homeowners' association (HOA) costs	980	772	(208)	2,636	2,234	(402)
Other direct expenses	1,317	1,147	(170)	3,754	3,039	(715)
Total operating expenses	27,109	23,500	(3,609)	76,115	66,980	(9,135)
Net operating income (NOI)	**$ 49,728**	**$ 37,670**	**$ 12,058**	**$ 140,493**	**$ 109,771**	**$ 30,722**
Net operating income (NOI) margin	**64.7%**	**61.6%**		**64.9%**	**62.1%**	
Net operating income (NOI), excluding impact of hurricanes	**$ 49,728**	**$ 37,236**	**$ 12,492**	**$ 140,493**	**$ 109,337**	**$ 31,156**
Net operating income (NOI) margin, excluding impact of hurricanes	**64.7%**	**60.9%**		**64.9%**	**61.9%**	
Fair value gain	21,354	42,345	(20,991)	74,683	155,706	(81,023)
Other expenses[3]	(8,612)	(9,177)	565	(25,876)	(29,960)	4,084
Interest expense[3]	(23,119)	(19,606)	(3,513)	(66,997)	(57,162)	(9,835)
Third-party investor interests	(3,393)	2,418	(5,811)	(2,561)	2,418	(4,979)
Investment income – TAH (per Tricon income statement)	**$ 35,958**	**$ 53,650**	**$ (17,692)**	**$ 119,742**	**$ 180,773**	**$ (61,031)**

	Three months 2019	Three months 2018	Three months Variance	Nine months 2019	Nine months 2018	Nine months Variance
Warehouse credit facility interest	$ 1,639	$ 1,459	$ (180)	$ 4,735	$ 5,326	$ 591
Securitization debt 2016-1 interest	3,349	3,371	22	10,076	10,118	42
Securitization debt 2017-1 interest	4,163	4,169	6	12,496	12,506	10
Securitization debt 2017-2 interest	3,431	3,436	5	10,295	10,295	–
Securitization debt 2018-1 interest	3,158	3,158	–	9,468	5,711	(3,757)
Silver Bay acquisition warehouse facility interest	–	384	384	–	2,869	2,869
Term loan interest	3,700	3,629	(71)	11,580	10,337	(1,243)
TAH JV-1 warehouse credit facility interest	3,517	–	(3,517)	8,185	–	(8,185)
Securitization debt TAH JV-1 2019-1 interest	162	–	(162)	162	–	(162)
Interest expense	$ 23,119	$ 19,606	$ (3,513)	$ 66,997	$ 57,162	$ (9,835)
Weighted average interest rate	3.7%	3.7%		3.8%	3.7%	

(1) Includes bad debt expense of $610 (2018 – $489) and $1,733 (2018 – $1,388), respectively, for the three and nine months ended September 30, 2019. Bad debt expense represents 0.8% of total revenue for all the periods stated above.

(2) Includes $434 of non-recurring storm-related insurance recoveries for the three and nine months ended September 30, 2018. Hurricane-related impacts in 2019 were immaterial.

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

Total portfolio

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

During the third quarter of 2019, the total portfolio revenue increased by $15.7 million or 26% to $76.8 million compared to $61.2 million in the same period in 2018. The increase is attributable to (i) a growing average leased portfolio (18,414 homes for Q3 2019 versus 15,472 in Q3 2018) as a result of strong acquisition activities and high leasing volumes, (ii) higher in-place rents achieved across the entire portfolio (average monthly rent of $1,403 in Q3 2019 versus $1,336 in Q3 2018), and (iii) higher ancillary revenue from early lease termination fees and other ancillary fees.

Total operating expenses for the three months ended September 30, 2019 were $27.1 million compared to $23.5 million in the same period in the prior year, an increase of $3.6 million or 15%. The increase is primarily attributable to operating a larger portfolio as well as increased property taxes driven by increases in home values. While most operating expenses increased as a result of managing a growing portfolio, the repairs, maintenance and turnover expense decreased by $1.2 million or 18% to $5.6 million in the third quarter of 2019 compared to $6.9 million in the same period in 2018. These significant cost savings are driven by TAH's continued effort to utilize in-house personnel for its repairs and maintenance; for example, an additional 15% of all work orders were handled by in-house maintenance resources in the third quarter of 2019 compared to the same period in 2018.

As revenue growth outpaced the growth in expenses, TAH's NOI margin increased to 64.7% for the third quarter of 2019 compared to 61.6% for the same period in the prior year.

The strong revenue growth during the quarter as well as management's continued emphasis on cost containment of controllable operating expenses resulted in a $12.1 million or 32% net increase in NOI to $49.7 million in the third quarter of 2019 compared to $37.7 million in the same period in 2018.

TAH's fair value gain in the three months ended September 30, 2019 was $21.4 million compared to $42.3 million in the three months ended September 30, 2018. This quarter, the HPI increase net of capital expenditures was 0.6% (2.4% annualized) compared to a 1.5% increase in the third quarter of 2018 (6.0% annualized). The current quarter fair value gain is in line with management's expected national home price appreciation for 2019, which has moderated over the past several quarters, yet remains in line with long-term historical trends.

Funds from operations and core funds from operations

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

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Investment income – TAH	$ 35,958	$ 53,650	$ (17,692)	$ 119,742	$ 180,773	$ (61,031)
Fair value gain[1]	(21,354)	(42,345)	20,991	(74,683)	(155,706)	81,023
Depreciation and non-cash items[2]	1,006	1,061	(55)	3,307	2,985	322
Deferred tax expense (recovery)	360	–	360	244	(2)	246
TAH JV-1 partner-level expenses	1,990	3,704	(1,714)	5,488	3,704	1,784
Third-party investor interests	3,393	(2,418)	5,811	2,561	(2,418)	4,979
Funds from operations (FFO)	**$ 21,353**	**$ 13,652**	**$ 7,701**	**$ 56,659**	**$ 29,336**	**$ 27,323**
Transaction costs and non-recurring items[3]	70	(723)	793	629	7,648	(7,019)
Core funds from operations (Core FFO)[4]	**$ 21,423**	**$ 12,929**	**$ 8,494**	**$ 57,288**	**$ 36,984**	**$ 20,304**

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

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

(3) Results for the nine months ended September 30, 2019 include loan facility financing costs of $468 and other non-recurring costs of $161. Results for the nine months ended September 30, 2018 include loan facility issuance costs of $7,570 and other non-recurring costs of $2,956 (including Silver Bay integration-related expenses of $851 and other non-recurring costs of $890), offset by $2,878 in storm-related insurance recoveries.

(4) Tricon's share of Core FFO for the three and nine months ended September 30, 2019 was $19,107 and $52,737, respectively.

For the third quarter of 2019, Core FFO increased by $8.5 million or 66% to $21.4 million compared to $12.9 million in the same period in the prior year. The increase was largely a result of a larger leased portfolio and an increase in NOI margin (as noted above), partly offset by higher interest expense on a larger outstanding debt balance to finance the growing portfolio.

Same home portfolio

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

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars, except per home data)	2019	2018	Variance	2019	2018	Variance
Operating metrics – same home						
Rental homes	14,446	14,446	–	14,446	14,446	–
Occupancy	96.1%	96.3%	(0.2%)	96.1%	96.3%	(0.2%)
Annualized turnover rate	30.7%	29.9%	(0.8%)	27.5%	29.1%	1.6%
Average monthly rent	$ 1,404	$ 1,341	$ 63	$ 1,404	$ 1,341	$ 63
Average quarterly rent growth – renewal	4.8%	5.4%	(0.6%)	4.8%	4.9%	(0.1%)
Average quarterly rent growth – new move-in	10.1%	9.3%	0.8%	9.2%	8.4%	0.8%
Average quarterly rent growth – blended	6.4%	6.7%	(0.3%)	6.2%	6.1%	0.1%

For the 14,446 homes comprising the same home portfolio, blended rent growth for the quarter was 6.4% (including 10.1% on new leases), offset by a 20 basis point decrease in occupancy to 96.1% from 96.3% recorded in the same period in 2018. TAH continues to focus on maintaining an occupancy rate of 95.0% or higher while increasing rents where appropriate, in particular for new move-ins. The portfolio's annualized turnover rate increased by 80 basis points to 30.7% for the three months ended September 30, 2019 compared to 29.9% in the same period in 2018, a nominal change.

For the periods ended September 30	Three months					Nine months				
(in thousands of U.S. dollars)	2019	% of revenue	2018	% of revenue	Variance	2019	% of revenue	2018	% of revenue	Variance
Income statement – same home										
Rental revenue	$ 57,643		$ 54,928		$ 2,715	$ 171,306		$ 162,739		$ 8,567
Fees and other revenue	2,315		1,831		484	6,075		5,188		887
Bad debt	(478)		(457)		(21)	(1,418)		(1,304)		(114)
Total revenue	59,480	100%	56,302	100%	3,178	175,963	100%	166,623	100%	9,340
Revenue growth					5.6%					5.6%
Property taxes	9,246	16%	8,694	15%	(552)	27,708	16%	25,775	15%	(1,933)
Repairs, maintenance and turnover	4,738	8%	5,844	10%	1,106	13,565	8%	17,396	10%	3,831
Property management fees	4,169	7%	3,927	7%	(242)	12,376	7%	11,711	7%	(665)
Property insurance	969	2%	919	2%	(50)	2,904	2%	2,766	2%	(138)
Homeowners' association (HOA) costs	682	1%	721	1%	39	1,967	1%	2,132	1%	165
Other direct expenses	873	1%	910	2%	37	2,410	1%	2,461	1%	51
Total operating expenses	20,677		21,015		338	60,930		62,241		1,311
Operating expense variance					1.6%					2.1%
Net operating income (NOI)	**$ 38,803**		**$ 35,287**		**$ 3,516**	**$ 115,033**		**$ 104,382**		**$ 10,651**
Net operating income (NOI) growth					**10.0%**					**10.2%**
Net operating income (NOI) margin	**65.2%**		**62.7%**			**65.4%**		**62.6%**		

Total revenue for the same home portfolio increased by $3.2 million or 6% to $59.5 million in the third quarter of 2019 compared to $56.3 million for the same period in the prior year. The increase in revenue was primarily due to higher average monthly rent and higher ancillary revenue from early lease termination fees and other ancillary fees.

Same home operating expenses decreased by $0.3 million or 2% to $20.7 million in the third quarter of 2019 from $21.0 million in the same period in 2018. This variance is largely attributable to favourable reductions in repairs, maintenance and turnover costs, partly offset by increases in property taxes. The following is a description of these key expenses:

- **Repairs, maintenance and turnover** – TAH realized a $1.1 million or 19% decrease in repairs, maintenance and turnover costs to $4.7 million primarily as a result of operating efficiencies from increased utilization of its internalized repairs and maintenance technicians, as discussed in the consolidated portfolio review. During the third quarter of 2019, TAH increased the percentage of work orders completed in-house by 15% compared to the same period in the prior year, realizing substantial labour cost savings.
- **Property taxes** – Higher property taxes were accrued in the current period as home prices have appreciated in TAH's target markets, increasing the expense by $0.6 million or 6% to $9.2 million. TAH is working with a property tax consultant to monitor tax assessments throughout the year, and an increase of 6% (year-over-year) is in line with expectations.

With strong revenue growth and nominally lower expenses, same home NOI increased by 10.0% year-over-year to $38.8 million in the third quarter of 2019 compared to $35.3 million in the third quarter of 2018. Same home NOI margin increased to 65.2% in the third quarter of 2019 from 62.7% in the same period in the prior year.

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

(in thousands of U.S. dollars)		NOI			NOI margin		
Geography	Homes	Q3 2019	Q3 2018	Change	Q3 2019	Q3 2018	Change
Atlanta	3,425	$ 8,596	$ 7,571	13.5%	67.2%	62.9%	4.3%
Phoenix	1,762	5,004	4,274	17.1%	72.8%	66.5%	6.3%
Tampa	1,435	3,833	3,741	2.5%	59.4%	61.2%	(1.8%)
Charlotte	1,331	3,372	3,214	4.9%	69.9%	68.8%	1.1%
Dallas	1,087	2,594	2,455	5.7%	55.9%	55.4%	0.5%
Northern California	995	3,845	3,522	9.2%	72.2%	70.4%	1.8%
Houston	825	1,818	1,631	11.5%	55.6%	52.2%	3.4%
Southeast Florida	702	1,894	1,639	15.6%	53.9%	49.9%	4.0%
Las Vegas	583	1,794	1,583	13.3%	74.9%	70.3%	4.6%
Jacksonville	431	1,086	1,046	3.8%	64.0%	63.7%	0.3%
Orlando	427	1,115	1,059	5.3%	61.3%	60.9%	0.4%
Columbia	390	701	675	3.9%	54.3%	54.5%	(0.2%)
Indianapolis	372	868	778	11.6%	64.3%	59.9%	4.4%
Reno	247	975	904	7.9%	80.6%	79.0%	1.6%
Southern California	238	842	801	5.1%	66.9%	67.8%	(0.9%)
San Antonio	196	466	394	18.3%	60.8%	55.0%	5.8%
Total/Weighted average	**14,446**	**$ 38,803**	**$ 35,287**	**10.0%**	**65.2%**	**62.7%**	**2.5%**

Assets under management and investment balance

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

	TAH principal investments			
(in thousands of U.S. dollars)	TAH's share of investment vehicle	Fair value of homes A	Unfunded equity commitment B	Principal investment AUM A + B
TAH wholly-owned	100.0%	$ 3,167,182	$ –	$ 3,167,182
TAH JV-1	33.7%	277,639	139,859	417,498
Total		**$ 3,444,821**	**$ 139,859**	**$ 3,584,680**

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

(in thousands of U.S. dollars)		Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Purchase price of homes		$ 2,968,151	$ 2,808,561	$ 2,639,801	$ 2,510,590	$ 2,378,431	$ 2,259,951	$ 2,180,878
Cumulative capital expenditures[1]		368,159	331,515	303,541	278,629	252,218	234,301	220,058
Total cost basis of rental homes		$ 3,336,310	$ 3,140,076	$ 2,943,342	$ 2,789,219	$ 2,630,649	$ 2,494,252	$ 2,400,936
Cost of homes held for sale		9,312	5,743	3,585	2,863	15,816	4,078	11,904
Cumulative fair value adjustment[2]		646,230	623,402	598,230	565,885	540,698	496,682	453,998
Portfolio home price appreciation during the quarter		0.6%	0.8%	0.9%	1.4%	1.5%	1.7%	1.5%
Fair value of managed homes		**$ 3,991,852**	**$ 3,769,221**	**$ 3,545,157**	**$ 3,357,967**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**
Less projected future disposition fees		32,880	31,980	31,307	30,563	30,340	30,713	29,303
Fair value of managed homes, net	A	3,958,972	3,737,241	3,513,850	3,327,404	3,156,823	2,964,299	2,837,535
Add:								
Other net assets (liabilities)[3]	B	(78,216)	(84,029)	(46,020)	(44,837)	(29,784)	76,729	83,689
Less:								
Warehouse credit facility (LIBOR+2.65%)		121,468	123,660	123,660	100,546	74,443	99,687	216,251
Securitization debt 2016-1 (3.59% fixed)		358,239	359,431	361,168	361,440	361,906	362,234	362,470
Securitization debt 2017-1 (3.50% fixed)		461,698	462,004	462,105	462,594	462,594	462,594	462,594
Securitization debt 2017-2 (3.58% fixed)		364,574	364,574	364,574	364,574	364,819	365,000	365,000
Securitization debt 2018-1 (3.86% fixed)		313,865	313,865	313,865	313,865	313,865	313,865	–
Silver Bay acquisition warehouse facility (LIBOR+3.26% blended)		–	–	–	–	22,602	25,926	154,570
Term loan (LIBOR+2.00%)		347,309	347,309	347,582	347,582	347,582	347,582	347,582
TAH JV-1 warehouse credit facility (LIBOR+2.50%)		30,286	265,709	169,533	95,832	–	–	–
Securitization debt TAH JV-1 2019-1 (3.12% fixed)		333,358	–	–	–	–	–	–
Total debt	C	2,330,797	2,236,552	2,142,487	2,046,433	1,947,811	1,976,888	1,908,467
Third-party investor interests[4]	D	221,106	154,089	118,206	90,913	71,266	–	–
Investments – TAH (per Tricon balance sheet)	A + B – C – D	**$ 1,328,853**	**$ 1,262,571**	**$ 1,207,137**	**$ 1,145,221**	**$ 1,107,962**	**$ 1,064,140**	**$ 1,012,757**
Fair value of TAH wholly-owned homes	E	$ 3,167,182	$ 3,132,194	$ 3,093,189	$ 3,013,157	$ 2,983,297	$ 2,995,012	$ 2,866,838
Fair value of TAH JV-1 homes	F	824,670	637,027	451,968	344,810	203,866	–	–
Fair value of managed homes	G = E + F	**$ 3,991,852**	**$ 3,769,221**	**$ 3,545,157**	**$ 3,357,967**	**$ 3,187,163**	**$ 2,995,012**	**$ 2,866,838**
Tricon's ownership interest of total fair value	(E +33.7% of F)/G	86.3%	88.8%	91.5%	93.2%	95.8%	100.0%	100.0%
Cash		99,551	81,553	77,502	82,214	79,992	84,142	84,499
Debt-to-cost (net of cash)		66.7%	68.5%	70.1%	70.3%	70.6%	75.8%	75.6%
Debt-to-value (net of cash)		55.9%	57.2%	58.2%	58.5%	58.6%	63.2%	63.6%

(1) Cumulative capital expenditures include initial, post-rehab and other capital expenditures.
(2) Cumulative fair value adjustment is net of capital expenditures.
(3) Other net assets (liabilities) include working capital of Tricon SF Home Rental ULC and its wholly-owned subsidiaries as well as TAH JV-1 working capital and partner-level debt.
(4) The portion of the fair value of homes, debt and other net assets (liabilities) not attributable to the Company is adjusted for as third-party investor interests.

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

(in thousands of U.S. dollars) Debt structure	Balance	% of total	Weighted average interest rate	Weighted average years to maturity
Fixed	$ 1,831,734	78.6%	3.4%	3.7
Floating	499,063	21.4%	4.6%	2.5
Total/Weighted average	**$ 2,330,797**	**100.0%**	**3.7%**	**3.5**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars) Year	Warehouse credit facility	TAH JV-1 warehouse credit facility	Securitization debt 2016-1	Securitization debt 2017-1	Term loan	Securitization debt 2017-2	Securitization debt 2018-1	TAH JV-1 securitization debt 2019-1	Total	% of total
2019	$ 121,468	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 121,468	5.3%
2020	–	30,286	–	–	–	–	–	–	30,286	1.3%
2021	–	–	358,239	–	–	–	–	–	358,239	15.4%
2022	–	–	–	461,698	347,309	–	–	–	809,007	34.7%
2023	–	–	–	–	–	–	–	–	–	–
Thereafter	–	–	–	–	–	364,574	313,865	333,358	1,011,797	43.3%
Total/Weighted average	**$ 121,468**	**$ 30,286**	**$ 358,239**	**$ 461,698**	**$ 347,309**	**$ 364,574**	**$ 313,865**	**$ 333,358**	**$ 2,330,797**	**100.0%**

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

	Three months			Nine months		
For the periods ended September 30, 2019 (in thousands of U.S. dollars)	Tricon's share	Total managed portfolio	Tricon's share (%)	Tricon's share	Total managed portfolio	Tricon's share (%)
Net operating income (NOI)	$ 44,149	$ 49,728	88.8%	$ 128,354	$ 140,493	91.4%
Core funds from operations (Core FFO)	19,107	21,423	89.2%	52,737	57,288	92.1%
Fair value gain	18,734	21,354	87.7%	72,063	74,683	96.5%
Fair value of homes	3,444,821	3,991,852	86.3%	3,444,821	3,991,852	86.3%
Total debt	2,089,580	2,330,797	89.7%	2,089,580	2,330,797	89.7%

	Three months			Nine months		
For the periods ended September 30, 2018 (in thousands of U.S. dollars)	Tricon's share	Total managed portfolio	Tricon's share (%)	Tricon's share	Total managed portfolio	Tricon's share (%)
Net operating income (NOI)	$ 37,427	$ 37,670	99.4%	$ 109,528	$ 109,771	99.8%
Core funds from operations (Core FFO)[1]	12,947	12,929	100.0%	37,002	36,984	100.0%
Fair value gain	42,345	42,345	100.0%	155,706	155,706	100.0%
Fair value of homes	3,051,932	3,187,163	95.8%	3,051,932	3,187,163	95.8%
Total debt	1,947,811	1,947,811	100.0%	1,947,811	1,947,811	100.0%

(1) Core FFO for TAH's total managed portfolio for Q3 2018 includes losses from TAH JV-1 homes that were still in the leasing process.

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

(in thousands of U.S. dollars) Geography	Total homes managed[1]	Rental homes	Homes leased	Vacant homes under marketing, turn or renovation	Occupancy	Stabilized occupancy	NOI	NOI margin
Atlanta	4,801	4,790	4,416	374	92.2%	96.1%	$ 11,590	67.7%
Charlotte	2,191	2,165	1,993	172	92.0%	95.5%	5,384	70.5%
Phoenix	2,021	2,021	1,970	51	97.5%	97.9%	5,727	71.9%
Tampa	1,671	1,665	1,597	68	95.9%	96.5%	4,330	58.9%
Dallas	1,590	1,583	1,433	150	90.5%	95.1%	3,485	54.6%
Houston	1,367	1,366	1,205	161	88.5%	94.3%	2,644	54.0%
Northern California	1,008	1,007	987	20	98.0%	98.0%	3,883	72.2%
Columbia	919	911	774	137	85.0%	94.8%	1,584	55.8%
Indianapolis	808	807	718	89	89.0%	95.7%	1,722	65.8%
Southeast Florida	718	714	671	43	94.0%	94.0%	1,906	53.7%
Las Vegas	603	602	595	7	98.8%	98.8%	1,862	75.3%
Jacksonville	600	599	554	45	92.5%	97.0%	1,371	63.3%
San Antonio	460	457	397	60	86.9%	96.0%	871	57.5%
Orlando	455	453	442	11	97.6%	98.2%	1,171	61.9%
Southern California	279	275	270	5	98.2%	98.2%	971	67.2%
Reno	251	251	244	7	97.2%	97.2%	984	80.5%
Raleigh	111	111	59	52	53.2%	94.7%	58	40.5%
Nashville	109	109	76	33	69.7%	100.0%	185	74.6%
Total/Weighted average	**19,962**	**19,886**	**18,401**	**1,485**	**92.6%**	**96.3%**	**$ 49,728**	**64.7%**

(1) Includes 76 homes held for sale.

Geography	Average purchase price per home	Average capital expenditures per home[1]	Average total cost per home	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Atlanta	$ 134,000	$ 15,000	$ 149,000	1,770	$ 1,306	$ 0.74
Charlotte	138,000	21,000	159,000	1,596	1,294	0.81
Phoenix	172,000	8,000	180,000	1,688	1,322	0.78
Tampa	156,000	20,000	176,000	1,556	1,533	0.99
Dallas	143,000	18,000	161,000	1,577	1,469	0.93
Houston	131,000	24,000	155,000	1,610	1,394	0.87
Northern California	196,000	25,000	221,000	1,304	1,820	1.40
Columbia	111,000	21,000	132,000	1,504	1,232	0.82
Indianapolis	127,000	21,000	148,000	1,637	1,260	0.77
Southeast Florida	121,000	44,000	165,000	1,406	1,717	1.22
Las Vegas	164,000	14,000	178,000	1,648	1,375	0.83
Jacksonville	149,000	7,000	156,000	1,522	1,345	0.88
San Antonio	129,000	27,000	156,000	1,607	1,353	0.84
Orlando	172,000	8,000	180,000	1,494	1,443	0.97
Southern California	152,000	34,000	186,000	1,300	1,774	1.36
Reno	150,000	27,000	177,000	1,537	1,635	1.06
Raleigh	193,000	10,000	203,000	1,564	1,433	0.92
Nashville	237,000	9,000	246,000	1,658	1,629	0.98
Total/Weighted average	**$ 146,000**	**$ 19,000**	**$ 165,000**	**1,612**	**$ 1,403**	**$ 0.87**

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

4.2 Tricon Lifestyle Rentals U.S.

TLR U.S. invests in and operates multi-family rental apartments in the United States, with a current focus on garden-style apartments in the Sun Belt. The business targets the middle market demographic by providing affordable, high-quality housing that is attractive to the broader workforce. The TLR U.S. active portfolio includes 23 properties totalling 7,289 suites in 13 major markets, with an average vintage of 2012 and average rent of $1,240 per month in the third quarter of 2019.

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

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

Portfolio results for current and historical periods

Tricon's U.S. Multi-Family Portfolio delivered strong operating results during its first full quarter under Tricon's ownership, achieving a 59.3% NOI margin, 6.8% year-over-year NOI growth and 94.7% average occupancy. Since acquiring the portfolio, Tricon's primary focus has been on improving occupancy, with a secondary focus on increasing rental revenue and driving NOI growth by offering in-suite value-add improvements and enhancing resident amenities.

The portfolio's occupancy rate of 94.7% for the quarter reflects strong rental demand across most markets as well as the high quality and recent vintage of the TLR U.S. assets. Occupancy increased 120 basis points compared to 93.5% reported by the U.S. Multi-Family Portfolio in the third quarter of 2018 and is in line with Tricon's long-term objectives. The turnover rate of 52.9% is consistent with historical performance; however, over time Tricon aims to drive this to 50.0% or lower based on a combination of a superior value offering and enhanced customer service (forward-looking statements; refer to page 1). Lastly, renewal rent growth of 3.8% remained strong and new lease growth was essentially flat, reflecting the strategic decision to stabilize occupancy before pushing for higher pricing on new leases.

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

	Q3 2019	Q3 2018
Number of suites	7,289	7,289
Occupancy(1)	94.7%	93.5%
Annualized turnover rate(2)	52.9%	N/A
Average monthly rent	$ 1,240	$ 1,230
Average rent growth – renewals(2)	3.8%	N/A
Average rent growth – new move-in(2)	(0.4%)	N/A
Average rent growth – blended(2)	1.6%	N/A

(1) The occupancy rate for Q3 2019 represents physical occupancy (refer to Section 8.1 for Tricon's definition of this KPI) while the occupancy rate for Q3 2018 represents economic occupancy as previously reported by the U.S. Multi-Family Portfolio. Economic occupancy for Q3 2019 was 95.0% and was calculated by taking effective net rent after considering vacancy and concessions, divided by gross potential rent.

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

For the periods ended September 30	Three months				Nine months			
(in thousands of U.S. dollars)	2019	2018	Variance ($)	Variance (%)	2019	2018	Variance ($)	Variance (%)
Total revenue[1]	$ 28,944	$ 28,283	$ 661	2.3%	$ 85,747	$ 82,367	$ 3,380	4.1%
Property operating costs[1]	7,442	7,666	224	2.9%	21,294	21,888	594	2.7%
Property taxes	4,325	4,539	214	4.7%	13,977	13,561	(416)	(3.1%)
Net operating income (NOI)	**$ 17,177**	**$ 16,078**	**$ 1,099**	**6.8%**	**$ 50,476**	**$ 46,918**	**$ 3,558**	**7.6%**
Net operating income (NOI) margin	**59.3%**	**56.8%**			**58.9%**	**57.0%**		

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

(1) For the three and nine months ended September 30, 2019, bad debt expense of $273 and $760 (representing 0.9% of revenue for both periods), respectively, was reclassified from property operating costs to total revenue to conform with Tricon's current period presentation; the U.S. Multi-Family Portfolio historically presented these balances in operating expenses. The classification change did not impact NOI but had a favourable impact on NOI margin of 50 basis points for both the three and nine months ended September 30, 2019 compared to the 2018 comparative period presentation.

Total portfolio NOI for the three months ended September 30, 2019 was $17.2 million, an increase of $1.1 million or 6.8% compared to $16.1 million for the same period in 2018. This increase is primarily attributable to an increase in revenue in addition to decreases in property taxes and property operating costs, as discussed below.

For the three months ended September 30, 2019, revenue increased by $0.7 million or 2.3% to $28.9 million compared to $28.3 million for the same period in 2018. The increase is primarily attributable to (i) higher leasing activity which resulted in improved occupancy, (ii) higher average monthly rent of $1,240 compared to $1,230 in the third quarter of 2018, and (iii) higher ancillary revenue driven by bundled service offerings.

Property taxes decreased by $0.2 million or 4.7% to $4.3 million compared to $4.5 million in the same period in 2018. The variance is attributable to $0.3 million of recoveries for 2018 and 2019 final tax amounts at certain properties, which partially offset normal course property tax increases driven by higher property values.

Operating expenses decreased by $0.2 million or 2.9% to $7.4 million in the third quarter of 2019 compared to $7.7 million in the same period in 2018 as a result of cost savings from the successful renegotiation of service contracts at favourable rates (trash removal and revenue management software).

Portfolio results under Tricon ownership

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

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

(in thousands of U.S. dollars)	For the three months ended September 30, 2019	% of revenue	For the period from June 11, 2019 to September 30, 2019	% of revenue
Rental revenue[1]	$ 25,211		$ 30,818	
Other revenue	3,733		4,550	
Total revenue	28,944	100%	35,368	100%
Property taxes	4,325	15%	5,367	15%
Repairs, maintenance and turnover	1,058	4%	1,269	4%
Property management	3,135	11%	3,802	11%
Utilities and other direct costs[2]	1,948	7%	2,347	7%
Property insurance	457	2%	552	2%
Marketing and leasing	375	1%	460	1%
General and administration expenses	469	2%	576	2%
Total operating expenses	11,767		14,373	
Net operating income (NOI)	**$ 17,177**		**$ 20,995**	
Net operating income (NOI) margin	**59.3%**		**59.4%**	
Fair value gain[3]	–		–	
Other expenses[4]	(1,996)		(2,416)	
Interest expense	(9,682)		(11,804)	
Investment income – TLR U.S.	**$ 5,499**		**$ 6,775**	

Interest on mortgage payable	$ 7,820	$ 9,537
Interest and standby charges on credit facility	1,862	2,267
Interest expense	$ 9,682	$ 11,804
Weighted average interest rate	4.1%	4.1%

(1) Rental revenue for the three months ended September 30, 2019 and the period from June 11, 2019 to September 30, 2019 includes bad debt expense of $273 and $319, respectively (representing 0.9% of revenue for both periods).

(2) Utilities and other direct costs include water and sewer expense, trash expense, electricity and gas and cable contract costs.

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

(4) Refer to Section 3.1 for the breakdown of other expenses.

During the quarter, the total revenue generated by the U.S. multi-family rental portfolio was $28.9 million. Rental revenue of $25.2 million is largely attributable to the average monthly rent of $1,240 and occupancy of 94.7% across the portfolio of 7,289 suites. Other revenue of $3.7 million includes revenue from the provision of ancillary services and amenities for residents including utilities, parking and trash disposal. In summary, the total portfolio and same property NOI for the quarter was $17.2 million reflecting an NOI margin of 59.3%.

Funds from operations

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

(in thousands of U.S. dollars)	For the three months ended September 30, 2019	For the period from June 11, 2019 to September 30, 2019
Investment income – TLR U.S.	$ 5,499	$ 6,775
Fair value gain	–	–
Depreciation and non-cash items	–	–
Deferred tax adjustment	1,354	1,651
Funds from operations (FFO)	**$ 6,853**	**$ 8,426**
Other non-recurring items	–	–
Core funds from operations (Core FFO)	**$ 6,853**	**$ 8,426**

For the three months ended September 30, 2019, Core FFO was $6.9 million. Adjustments to investment income include deferred taxes and there were no fair value changes or other non-recurring items during the period.

Assets under management and investment balance

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

(in thousands of U.S. dollars)		Q3 2019	Q2 2019
Purchase price of properties		$ 1,338,683	$ 1,338,683
Cumulative capital expenditures		1,512	478
Total cost basis of rental properties[1]		$ 1,340,195	$ 1,339,161
Cumulative fair value adjustment[2]		–	–
Fair value of properties (AUM)	A	**$ 1,340,195**	**$ 1,339,161**
Add:			
Other net assets[3]	B	3,972	507
Less:			
Credit facility (LIBOR+3.75%)		117,390	118,390
Portfolio mortgage – Tranche A (LIBOR+1.15%)		160,090	160,090
Portfolio mortgage – Tranche B (3.92% fixed)		400,225	400,225
Portfolio mortgage – Tranche C (3.95% fixed)		240,135	240,135
Total debt	C	917,840	918,840
Investments – TLR U.S.	A + B – C	**$ 426,327**	**$ 420,828**
Cash		22,534	16,456
Debt-to-cost (net of cash)		66.8%	67.4%
Debt-to-value (net of cash)		66.8%	67.4%

(1) The balance is net of $116,830 of deferred tax liabilities related to the fair value of investment properties as at September 30, 2019.
(2) The portfolio was held at cost given the close proximity of the acquisition date and the period-end date.
(3) Other net assets include working capital.

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

(in thousands of U.S. dollars) Debt structure	Balance	% of total	Weighted average interest rate	Weighted average years to maturity
Fixed	$ 640,360	69.8%	3.9%	5.5
Floating	277,480	30.2%	4.5%	2.9
Total/Weighted average	**$ 917,840**	**100.0%**	**4.1%**	**4.7**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars) Year	Mortgage	Credit facility	Total	% of total	Weighted average interest rate of maturing debt
2019	$ –	$ 1,500	$ 1,500	0.2%	–
2020	–	115,890	115,890	12.6%	5.9%
2021	292	–	292	–	–
2022	3,463	–	3,463	0.4%	–
2023	157,269	–	157,269	17.1%	3.3%
Thereafter	639,426	–	639,426	69.7%	3.9%
Total/Weighted average	**$ 800,450**	**$ 117,390**	**$ 917,840**	**100.0%**	**4.1%**

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

Geography	Properties	Suites	Occupancy	Average size (sq. feet)	Average monthly rent	Average monthly rent per sq. foot
Austin	4	1,454	96.0%	941	$ 1,162	$ 1.23
Orlando	4	1,215	94.4%	1,059	1,412	1.33
Houston	3	1,098	94.2%	942	1,153	1.22
Dallas	2	640	92.8%	922	1,186	1.29
Atlanta	2	607	93.2%	860	1,339	1.56
Charlotte	1	320	93.3%	973	1,179	1.21
Las Vegas	1	320	94.7%	1,042	1,204	1.16
Tampa	1	304	95.3%	998	1,318	1.32
Nashville	1	288	96.4%	1,085	1,193	1.10
San Antonio	1	276	97.3%	874	1,122	1.28
Phoenix	1	274	94.1%	966	1,212	1.25
Raleigh	1	265	94.9%	996	1,197	1.20
Denver	1	228	96.8%	930	1,469	1.58
Total/Weighted average	**23**	**7,289**	**94.7%**	**966**	**$ 1,240**	**$ 1.28**

Portfolio results by market for current and historical periods

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

(in thousands of U.S. dollars, except average monthly rents which are in U.S. dollars)		NOI			NOI margin[1]			Average monthly rent		
Geography	Suites	Q3 2019	Q3 2018	Change	Q3 2019	Q3 2018	Change	Q3 2019	Q3 2018	Change
Austin	1,454	$ 3,104	$ 2,775	11.9%%	55.5%	52.0%	3.5%	$ 1,162	$ 1,148	1.2%
Orlando	1,215	3,530	3,383	4.3%	64.0%	63.1%	0.9%	1,412	1,413	(0.1%)
Houston	1,098	2,118	2,023	4.7%	53.2%	51.0%	2.2%	1,153	1,144	0.8%
Dallas	640	1,171	1,182	(0.9%)	52.0%	49.1%	2.9%	1,186	1,193	(0.6%)
Atlanta	607	1,548	1,380	12.2%	62.3%	55.1%	7.2%	1,339	1,340	(0.1%)
Charlotte	320	777	722	7.6%	63.4%	59.0%	4.4%	1,179	1,181	(0.2%)
Las Vegas	320	805	792	1.6%	66.4%	66.9%	(0.5%)	1,204	1,153	4.4%
Tampa	304	838	778	7.7%	65.9%	61.7%	4.2%	1,318	1,317	0.1%
Nashville	288	713	636	12.1%	63.9%	59.7%	4.2%	1,193	1,182	0.9%
San Antonio	276	493	488	1.0%	49.5%	50.9%	(1.4%)	1,122	1,113	0.8%
Phoenix	274	704	640	10.0%	65.1%	65.1%	–	1,212	1,127	7.5%
Raleigh	265	644	534	20.6%	59.8%	55.7%	4.1%	1,197	1,182	1.3%
Denver	228	732	745	(1.7%)	64.6%	69.6%	(5.0%)	1,469	1,422	3.3%
Total/Weighted average	**7,289**	**$ 17,177**	**$ 16,078**	**6.8%**	**59.3%**	**56.8%**	**2.5%**	**$ 1,240**	**$ 1,230**	**0.8%**

(1) In Q3 2019, bad debt expense of $273 was reclassified from property operating costs to total revenue in line with Tricon's current period presentation. The classification change does not impact NOI but had a positive impact on the NOI margin of 50 basis points on average in Q3 2019 when compared to Q3 2018.

4.3 Tricon Lifestyle Rentals Canada

TLR Canada continues to execute on its strategy of establishing itself as the leading developer, owner and operator of Class A rental apartments in Toronto. During the quarter, development of TLR Canada's portfolio of 3,334 units progressed according to business plans, and leasing is well advanced at its first project, The Selby, which has achieved 73% lease-up as at September 30, 2019. TLR Canada continues to evaluate select high-quality development opportunities in Toronto, including marketed sites, off-market opportunities, and partnerships with multiple levels of government seeking more rental housing.

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

(in thousands of U.S. dollars)	Location	TLR's share of Investment Vehicle	Projected rental and condominium units[1]	Estimated commercial area (sq. feet)[1]	Projected total cost[1]	Cost to date	Projected remaining costs[1]
Stabilized projects							
Shops of Summerhill	Toronto, ON	25.0%	–	31,000	N/A	N/A	N/A
Subtotal – Stabilized projects			**–**	**31,000**	**N/A**	**N/A**	**N/A**
Projects in lease-up							
The Selby (592 Sherbourne)	Toronto, ON	15.0%	500	5,000	$ 154,000	$ 154,000	$ –
Subtotal – Projects in lease-up			**500**	**5,000**	**154,000**	**154,000**	**–**
Projects under development/construction							
The Taylor (57 Spadina)	Toronto, ON	30.0%	286	44,000	124,000	53,000	71,000
The James (Scrivener Square)	Toronto, ON	50.0%	115	31,000	206,000	40,000	166,000
West Don Lands – Blocks 8/20	Toronto, ON	33.3%	770	4,500	270,000	7,000	263,000
West Don Lands – Blocks 3/4/7	Toronto, ON	33.3%	836	40,000	302,000	2,000	300,000
8 Gloucester	Toronto, ON	47.0%	232	3,000	108,000	26,000	82,000
7 Labatt	Toronto, ON	30.0%	595	65,000	262,000	56,000	206,000
Subtotal – Projects under development/construction			**2,834**	**187,500**	**1,272,000**	**184,000**	**1,088,000**
Total		**~30.0%**	**3,334**	**223,500**	**$ 1,426,000**	**$ 338,000**	**$ 1,088,000**

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

	Estimated/Actual dates for[1]			As of September 30, 2019	
	Construction start	Initial occupancy	Construction completion[2]	% leased	% occupied
Stabilized projects					
Shops of Summerhill	N/A	N/A	N/A	100.0%	100.0%
Projects in lease-up					
The Selby (592 Sherbourne)	Q3 2015	Q4 2018	Q2 2019	73.0%	70.0%
Projects under development/construction					
The Taylor (57 Spadina)	Q2 2018	Q3 2021	Q3 2021	–	–
The James (Scrivener Square)	Q1 2020	Q1 2023	Q2 2023	–	–
West Don Lands – Blocks 8/20	Q4 2019	Q4 2022	Q2 2023	–	–
West Don Lands – Blocks 3/4/7	Q3 2020	Q1 2024	Q4 2024	–	–
8 Gloucester	Q4 2019	Q1 2022	Q2 2022	–	–
7 Labatt	Q3 2020	Q3 2023	Q2 2024	–	–

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

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

Operational highlights

Leasing at The Selby continues to be supported by strong tenant demand, with rental rates currently tracking ahead of budget. During the quarter, The Selby reported 112 leases signed and achieved 73% lease-up, with average in-place rents of C$3.75 per square foot. The Selby also secured a 10-year mortgage insured by Canada Mortgage and Housing Corporation (CMHC) at attractive terms. The mortgage is expected to be fully funded in early 2020 upon construction completion and rental stabilization.

At The Taylor, forming of the above-grade structure is underway, and the project is progressing in line with budget with approximately 75% of trades awarded. The Entertainment District continues to be one of the most desirable submarkets with high demand for rental units at strong pricing.

At The James, located in the prestigious Rosedale/Summerhill neighbourhood, zoning and design continue to advance. Subsequent to quarter-end, the project received a positive ruling from the Land Planning Appeal Tribunal (LPAT) on its proposed density. The final official plan amendment and zoning by-law amendment approvals are expected in late 2019, and site construction is on track to commence in early 2020.

At 8 Gloucester, TLR Canada's 232-unit project located close to the prime intersection of Yonge and Bloor streets, the project is well underway with preparations to start demolition before the end of 2019. Given the project's central location near multiple subway stations, the project is seeking to reduce the parking requirement which could lead to construction cost savings.

At 7 Labatt, the project is advancing the architectural design in preparation for site plan approval. TLR Canada is targeting a sales launch in the first quarter of 2020 for the project's estimated 295 condominium units. Given strong market conditions, launch pricing is expected to be above underwritten levels. The condominium units will be complemented by 300 rental units.

TLR Canada made substantial progress at the West Don Lands project, which is located in Toronto's Downtown East submarket and adjacent to the historic Distillery District neighbourhood. TLR Canada and its joint venture partners continue to advance the design and entitlements on Blocks 8/20 in preparation for construction commencement in the next few months. During the quarter, the project closed on a 10-year $357 million loan insured by CMHC as part of the Rental Construction Financing initiative. Design on Blocks 3/4/7 is also progressing with a zoning submission expected in late 2019. In September 2019, TLR Canada and its joint venture partners entered into an agreement to expand their multi-family rental portfolio to include Block 10 of the West Don Lands, which is expected to close in early 2020. Once closed, the joint venture partners together will control over eleven acres of prime land representing more than 1,800 rental units at build-out within the West Don Lands, bringing TLR Canada's development portfolio to over 3,600 units.

Assets under management and investment balance

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

(in thousands of U.S. dollars)	TLR principal investments Outstanding invested capital (at cost)	Investment at fair value[1] A	Share of outstanding project debt B	Unfunded equity commitment C	Principal investment AUM A + B + C
TLR Canada	$ 58,428	$ 84,484	$ 45,388	$ 47,985	$ 177,857

(1) Investments – TLR per Tricon's balance sheet of $531,321 includes investment in TLR Canada of $84,856 (see Section 3.2). In the table above, TLR Canada investment at fair value of $84,484 is shown before other net liabilities of $372.

4.4 Tricon Housing Partners

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

	THP principal investments					Tricon's cash flows		
(in thousands of U.S. dollars)	THP's share of Investment Vehicle	Outstanding invested capital (at cost)	Investment at fair value A	Unfunded commitment B	Principal investment AUM A + B	Advances to date	Distributions to date[1]	Projected distributions net of advances remaining[2]
Commingled funds[3]	31.6%	$ 86,644	$ 120,797	$ 16,773	$ 137,570	$ 304,016	$ 292,025	$ 143,034
Direct investments[4]	100.0%	102,162	127,489	5,712	133,201	113,862	11,700	306,228
Separate accounts and side-cars[5]	10.9%	72,950	70,138	62,552	132,690	95,047	46,379	134,713
Total		**$ 261,756**	**$ 318,424**	**$ 85,037**	**$ 403,461**	**$ 512,925**	**$ 350,104**	**$ 583,975**

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

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

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

(4) Direct investments include Trinity Falls and Bryson.

(5) Separate accounts and side-cars include Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman, Arantine Hills and THPAS JV-1.

As part of its transformation into a predominantly rental housing company, Tricon intends to reduce its balance sheet exposure to THP and will consider syndicating or divesting for-sale housing assets to expedite this process. Notwithstanding this goal, THP remains an important source of future cash flow for the Company, and is a business vertical that Tricon plans to grow primarily using third-party capital with the intention of earning recurring contractual fee income. During the quarter, THP investments distributed approximately $60.1 million to its investors; Tricon's share of these cash flows included $17.3 million in distributions and $3.0 million in performance fees (see Sections 3.2 and 4.5).

For the three months ended September 30, 2019, THP Adjusted EBITDA was $1.3 million, which remains below management's target. During the quarter, new home sales increased modestly across several communities, driven by improved mortgage rates and continued employment and population growth in our targeted U.S. Sun Belt markets. Although new home sales have been better, THP remains cautious on the near-term outlook as it continues to experience margin compression and extended development timelines. Rising construction costs and regulation challenges (lengthened municipal permitting and approvals) continue to impede housing development, and these unfavourable conditions are causing muted fair value gains, and in some cases fair value losses when discount rates are applied to future cash flows to determine the present value.

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

Commingled funds

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

Direct investments

At the Trinity Falls master-planned community in Dallas-Fort Worth, Texas, lot and home sales continued to increase, with a total of 69 lots (Q3 2018 – 18 lots) sold to homebuilders and 116 homes (Q3 2018 – 42 homes) sold by homebuilders to end consumers. Although home sales increased year-over-year, weather-related construction delays have resulted in realized lot sales being postponed by approximately one quarter.

At the Bryson master-planned community in Austin, Texas, lot and home sales continued during the quarter with a total of 45 lots sold to homebuilders, ahead of expectations, and 24 homes sold by homebuilders to end consumers, in line with expectations.

Separate accounts, side-cars and new joint venture

The Cross Creek Ranch master-planned community in Houston, Texas distributed $13.3 million to its investors, including $1.3 million to Tricon, during the quarter. A total of 110 lots (Q3 2018 – 138 lots) were sold to homebuilders and 127 homes (Q3 2018 – 122 homes) were sold by homebuilders to end consumers in the third quarter of 2019. Cross Creek Ranch was again ranked among the "50 Top-Selling Master-Planned Communities" according to RCLCO in the first half of 2019.

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

On September 17, 2019, the Company announced that it had entered into a joint venture arrangement ("THPAS JV-1") with a leading institutional investor which will target investments in master-planned communities and the development of single-family "build-to-rent" communities in U.S. Sun Belt markets. The total equity committed to this venture is $450.0 million, including $400.0 million from the investor and $50.0 million from Tricon. Tricon currently has an attractive pipeline of potential investments including two wholly-owned master-planned communities, which it intends to offer as potential seed assets to this venture. Tricon will fund its co-investment largely with internally generated cash flow.

4.5 Private Funds and Advisory

Tricon manages $2.3 billion of third-party capital across Tricon's TAH, TLR and THP investments through private commingled funds, separate accounts, syndicated investments and joint ventures. Tricon manages capital on behalf of Canadian, American and international institutional investors, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations, as well as family offices and high net-worth accredited investors. The Company's strategy is to continue raising and managing third-party capital in each of its investment verticals to scale its business faster, generate additional fee income and drive shareholder value. Tricon manages third-party capital for seven of the top 50 investors listed on the PERE 2018 Top 50 Global Investor report published in November 2018. In addition, Tricon ranked 68th globally (third in Canada) based on the amount of private real estate direct investment capital raised since 2014 according to the PERE 100 report published in June 2019.

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

(in thousands of U.S. dollars)	Outstanding invested capital (at cost) A	Share of outstanding project debt B	Unfunded equity commitment[1] C	Third-party AUM as at September 30, 2019 A + B + C	Third-party AUM as at September 30, 2018	Change ($)	Change (%)
TAH[2]	$ 226,535	$ 340,345	$ 171,837	$ 738,717	$ 497,500	$ 241,217	48%
TLR Canada[3]	126,631	151,518	90,929	369,078	275,918	93,160	34%
THP[4]	678,229	–	546,394	1,224,623	980,854	243,769	25%
Total – Third-party AUM	**$ 1,031,395**	**$ 491,863**	**$ 809,160**	**$ 2,332,418**	**$ 1,754,272**	**$ 578,146**	**33%**

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

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

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

(4) THP includes THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Heritage Valley, 5 St. Joseph, Mahogany, Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman, Arantine Hills and THPAS JV-1.

Third-party AUM increased by $578.1 million or 33% to $2.3 billion as at September 30, 2019, from $1.8 billion as at September 30, 2018. This increase was driven by $400.0 million of committed capital raised for the formation of THPAS JV-1, funded debt at TAH JV-1 to finance the acquisition of 3,242 homes in its portfolio, the formation of a new TLR Canada separate account for the acquisition of 7 Labatt, along with additional construction financing for TLR Canada development projects. These increases were partially offset by a reduction in THP third-party AUM as a result of significant distributions as projects matured.

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

For the periods ended September 30	Three months			Nine months		
(in thousands of U.S. dollars)	2019	2018	Variance	2019	2018	Variance
Tricon American Homes						
Management fees	$ 1,014	$ 1,003	$ 11	$ 2,987	$ 1,047	$ 1,940
Subtotal – TAH	**1,014**	**1,003**	**11**	**2,987**	**1,047**	**1,940**
Tricon Lifestyle Rentals						
Management fees	155	214	(59)	543	637	(94)
Development fees – TLR Canada projects	249	535	(286)	1,335	1,602	(267)
Subtotal – TLR	**404**	**749**	**(345)**	**1,878**	**2,239**	**(361)**
Tricon Housing Partners						
Management fees and general partner distributions	2,654	2,931	(277)	8,214	9,101	(887)
Development fees – Johnson	4,269	2,586	1,683	10,217	7,077	3,140
Performance fees	2,982	472	2,510	4,883	1,318	3,565
Subtotal – THP	**9,905**	**5,989**	**3,916**	**23,314**	**17,496**	**5,818**
Total revenue	**$ 11,323**	**$ 7,741**	**$ 3,582**	**$ 28,179**	**$ 20,782**	**$ 7,397**

Private Funds and Advisory revenue for the three months ended September 30, 2019 increased by $3.6 million compared to the same period in the prior year. The variance is primarily attributable to:

- An increase in performance fees of $2.5 million from THP commingled funds and separate accounts.
- An increase in development fees of $1.7 million, which was mainly driven by increased lot sales at Johnson communities.
- An offsetting decrease of $0.3 million in TLR development fees primarily as a result of construction completion at The Selby and a decrease of $0.3 million in THP management fees as a result of distributions made during the period thereby reducing outstanding invested capital.

Private Funds and Advisory revenue for the nine months ended September 30, 2019 increased by $7.4 million compared to the same period in the prior year. The variance is primarily attributable to:

- An increase in performance fees of $3.6 million from THP commingled funds and separate accounts.
- An increase in development fees of $3.1 million which was mainly driven by increased lot sales at Johnson communities.
- An increase of $1.9 million in management fees earned from TAH JV-1, which was launched during the second quarter of 2018.
- Offsetting decreases of $0.9 million in THP management fees and $0.3 million in TLR development fees for the same reasons discussed above.

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

	Projected returns				Estimated performance fees to Tricon remaining
(in thousands of U.S. dollars)	Gross ROI	Gross IRR	Net ROI	Net IRR	
TAH[1]	2.1x	14%	2.0x	12%	$ 32,000
TLR Canada[2]	2.7x	13%	2.6x	13%	12,115
THP[3]	1.8x	12%	1.7x	10%	43,608
Total					**$ 87,723**

(1) TAH includes TAH JV-1.

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

(3) THP includes THP1 US, THP2 US, THP1 Canada, THP2 Canada, THP3 Canada, Heritage Valley, 5 St. Joseph, Mahogany, Cross Creek Ranch, Grand Central Park, Fulshear Farms, Trilogy at Verde River, Viridian, THP US SP1, THP US SP2, Trilogy at Vistancia West, Trilogy Lake Norman, Arantine Hills and THPAS JV-1.

The Johnson Companies LP ("Johnson")

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

For the periods ended September 30 (in thousands of U.S. dollars, except for land, lot and home sales)	Three months			Nine months		
	2019	2018	Variance	2019	2018	Variance
Development fees – Johnson	$ 4,269	$ 2,586	$ 1,683	$ 10,217	$ 7,077	$ 3,140
Lot closings	876	658	218	1,990	1,687	303
Land sales (acres)	27	63	(36)	191	103	88
Third-party home sales	935	897	38	2,993	3,068	(75)

Development fees were $4.3 million for the three months ended September 30, 2019, an increase of $1.7 million from the same period in the prior year. The increase is primarily attributable to a significant increase in lot closings during the period as a result of record third-party home sales in 2018 which have driven the demand for lots in 2019 as homebuilders replenish inventories. In addition, adverse weather conditions in the first quarter of 2019 delayed certain lot closings into the second and third quarters of this year. The increased demand for lots has been the main driver for Johnson's strong development fees generated across its portfolio.

Development fees for the nine months ended September 30, 2019 were $10.2 million, an increase of $3.1 million from the same period in the prior year. The increase was mainly driven by additional lot closings as noted above as well as the bulk sale of a significant residential parcel to a national homebuilder at Cross Creek Ranch in the first quarter of 2019.

Johnson's reputation for developing high-quality master-planned communities is further evidenced by Johnson being the only master-planned community developer in the United States to have six MPCs ranked in the top 50 in the last two years according to RCLCO Real Estate Advisors and John Burns Real Estate Consulting; Johnson reported five MPCs in the top 50 based on year-to-date sales in the first half of 2019.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 Financing strategy

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

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

5.2 Liquidity

Tricon generates substantial liquidity through:

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

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

Working capital

As at September 30, 2019, Tricon had a net working capital deficit of $11.2 million, reflecting current assets of $19.9 million, offset by payables and accrued liabilities of $31.1 million. The Company has determined that its current financial obligations and working capital deficit are adequately funded from the available borrowing capacity and from operating cash flows.

5.3 Capital resources

Debt structure

Management mitigates interest rate risk by maintaining the majority of its debt at fixed rates. The impact of variable interest rate increases or decreases is discussed in the Company's annual consolidated financial statements. Management also mitigates its exposure to fixed-rate interest risk by staggering maturities with the objective of achieving even, annual maturities over a ten-year time horizon to reduce Tricon's exposure to interest rate fluctuations in any one period. On July 31, 2019, the Company completed the amendment and restatement of its corporate revolving credit facility, which provides additional financial flexibility through an increased facility size, reduced borrowing costs, and extended maturity. The Company's long-term debt structure is summarized in Section 3.2.

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

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

Equity issuance and cancellations

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

As of September 30, 2019, there were 194,044,544 common shares issued by the Company, of which 193,803,888 were outstanding and 240,656 shares were reserved to settle restricted share awards in accordance with the Company's Restricted Share Plan.

On July 10, 2019, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid (the "NCIB") to repurchase up to two million of its common shares during the twelve-month period commencing July 15, 2019. To date, the Company has repurchased 495,402 of its common shares for $3.8 million (C$4.9 million) under the NCIB. Common shares that are purchased under the NCIB are cancelled by the Company.

Subsequent to quarter-end, on October 2, 2019, the Company announced that its Board of Directors had approved the early removal of the transfer restrictions, or "lock-up", previously in place on the Company's common shares issued as part of Tricon's acquisition of the U.S. Multi-Family Portfolio on June 11, 2019 (the "Acquisition"). The removal of the transfer restrictions on common shares issued to "non-insiders" of the U.S. Multi-Family Portfolio was effective immediately and such restricted shares have become freely tradeable on the Toronto Stock Exchange. The contractual lock-up in respect of the Tricon common shares issued to Starlight Group Property Holdings Inc. ("Starlight Group") and members of its management will be removed on January 31, 2020 in exchange for an early termination right in respect of the Transitional Services Agreement entered into in connection with the Acquisition. It is expected that the Transitional Services Agreement will be terminated on January 31, 2020. In connection with the termination of the lock-up, the Company also agreed to extend the duration of the put right and the call right applicable to the 1,634,217 Tricon common shares issued to Starlight Group and its management (refer to the Company's Management Information Circular dated May 2, 2019 for further details). The put right is now exercisable at any time between January 31, 2020 and June 11, 2020, and the Company's call right is now exercisable between December 11, 2019 and December 11, 2020, subject in each case to the terms of those rights previously disclosed.

6. NON-IFRS MEASURES

The Company has included in this MD&A certain supplemental measures of performance, including those described below. Management utilizes these measures in managing the Company's 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. Management also considers FFO and FFO per share important measures of the Company's operating performance, considering the recent expansion of its residential rental portfolio. FFO and FFO per share are metrics commonly used by securities analysts, investors and other interested parties in the evaluation of real estate entities, particularly those that own and operate income-producing properties. For development assets, management uses investment income adjusted for transaction costs and other non-recurring and non-cash expenses as a proxy for FFO, as investment income is driven by fair value gains calculated by discounting expected future cash flows. Management believes that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. Refer to the discussion of our use of non-IFRS measures on page 1.

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

- Adjusted EBITDA is defined as net income (loss) from continuing and discontinued operations attributable to shareholders of Tricon before income tax (from both consolidating and investment entities), interest (from both consolidating and investment entities), amortization, stock option expense, transaction costs and non-recurring and non-cash expenses.
- Adjusted net income is defined as net income (loss) from continuing and discontinued operations attributable to shareholders of Tricon before transaction costs and non-recurring and non-cash expenses.
- Adjusted basic EPS is defined as adjusted net income divided by the weighted average basic common shares outstanding in the period. Adjusted diluted EPS is defined as adjusted net income, plus the interest expense recognized on any dilutive convertible debt (net of the tax impact of that interest), divided by the weighted average diluted common shares outstanding in the period, assuming the conversion of all potentially dilutive shares (including convertible debt). See the notes to the table entitled Consolidated statements of income in Section 3.1 for a description of the potential dilutive impact of outstanding convertible debt.
- FFO is defined as Tricon's share of TAH and TLR U.S. Core FFO (KPI measures; see Section 8.1), TLR Canada and THP investment income excluding transaction costs and other non-recurring or non-cash expenses, and contractual fee income attributable to Tricon, less cash outflows in relation to Tricon's corporate overhead, interest expense and current tax expense. FFO per share is defined as FFO divided by the weighted average common shares outstanding in the period, assuming the conversion of all potentially dilutive shares (including convertible debt).

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

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months			Nine months	
	2019	2018	Variance	2019	2018	Variance
TAH Adjusted EBITDA (A)	$ 58,668	$ 73,721	$ (15,053)	$ 186,996	$ 248,356	$ (61,360)
TLR Adjusted EBITDA (B)	23,446	974	22,472	33,854	6,303	27,551
THP Adjusted EBITDA (C)	1,328	3,307	(1,979)	5,457	10,040	(4,583)
TLC Adjusted EBITDA (D)	–	–	–	–	31,394	(31,394)
Fee income net of adjusted non-controlling interest (E)	10,115	7,101	3,014	25,573	19,214	6,359
Adjusted EBITDA before corporate overhead	93,557	85,103	8,454	251,880	315,307	(63,427)
Adjusted compensation expense (F)	(8,174)	(8,002)	(172)	(24,658)	(24,975)	317
General and administration expense	(2,799)	(2,147)	(652)	(8,807)	(7,142)	(1,665)
Adjusted EBITDA	**82,584**	**74,954**	**7,630**	**218,415**	**283,190**	**(64,775)**
Stock option expense	(206)	(309)	103	(596)	(925)	329
Adjusted interest expense (G)	(39,293)	(27,051)	(12,242)	(98,525)	(80,452)	(18,073)
Adjusted amortization expense (H)	(1,172)	(1,056)	(116)	(3,449)	(2,588)	(861)
Adjusted net income before taxes	**41,913**	**46,538**	**(4,625)**	**115,845**	**199,225**	**(83,380)**
Adjusted income tax expense (I)	(7,989)	(5,528)	(2,461)	(15,195)	(21,705)	6,510
Adjusted net income	**$ 33,924**	**$ 41,010**	**$ (7,086)**	**$ 100,650**	**$ 177,520**	**$ (76,870)**
Adjusted basic EPS attributable to shareholders of Tricon	**$ 0.17**	**$ 0.30**	**$ (0.13)**	**$ 0.61**	**$ 1.32**	**$ (0.71)**
Adjusted diluted EPS attributable to shareholders of Tricon	**$ 0.17**	**$ 0.27**	**$ (0.10)**	**$ 0.58**	**$ 1.15**	**$ (0.57)**
Weighted average shares outstanding – basic	**195,182,431**	**135,066,491**	**60,115,940**	**165,111,005**	**134,619,881**	**30,491,124**
Weighted average shares outstanding – diluted	**213,371,947**	**162,298,437**	**51,073,510**	**183,413,037**	**161,875,071**	**21,537,966**
TAH Adjusted EBITDA before fair value gain	39,934	31,376	8,558	114,933	92,650	22,283
Tricon's share of TAH fair value gain	18,734	42,345	(23,611)	72,063	155,706	(83,643)
TAH Adjusted EBITDA	**$ 58,668**	**$ 73,721**	**$ (15,053)**	**$ 186,996**	**$ 248,356**	**$ (61,360)**
Adjusted EBITDA	82,584	74,954	7,630	218,415	283,190	(64,775)
Less:						
Tricon's share of TAH fair value gain	18,734	42,345	(23,611)	72,063	155,706	(83,643)
TLC Adjusted EBITDA	–	–	–	–	31,394	(31,394)
Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA	**$ 63,850**	**$ 32,609**	**$ 31,241**	**$ 146,352**	**$ 96,090**	**$ 50,262**

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

- For the three months ended September 30, 2019, Adjusted EBITDA increased by $7.6 million or 10% to $82.6 million compared to $75.0 million in the same period in the prior year. This variance was driven by a $22.5 million increase in TLR Adjusted EBITDA, primarily as a result of the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund on June 11, 2019. The increase was offset by a $15.1 million reduction in TAH Adjusted EBITDA, attributable to a decrease in fair value gain net of a smaller increase in NOI. Excluding Tricon's share of TAH fair value gains, Adjusted EBITDA would have increased by $31.2 million or 96% to $63.9 million for the three months ended September 30, 2019 compared to $32.6 million in the same period in the prior year.
- For the nine months ended September 30, 2019, Adjusted EBITDA decreased by $64.8 million or 23% to $218.4 million compared to $283.2 million in the same period in the prior year. This decrease was mainly attributable to a reduction in TAH Adjusted EBITDA, which included an $83.6 million decrease in fair value gain partially offset by a $30.7 million increase in NOI for the reasons discussed above (see Section 4.1). Further, TLC Adjusted EBITDA decreased by $31.4 million as its portfolio of 14 manufactured housing communities was disposed of in June 2018. Excluding Tricon's share of TAH fair value gains and TLC Adjusted EBITDA, Adjusted EBITDA would have increased by $50.3 million or 52% to $146.4 million for the nine months ended September 30, 2019 compared to $96.1 million in the same period in the prior year.
- Adjusted net income, which excludes non-recurring items, decreased by $7.1 million or 17% to $33.9 million for the three months ended September 30, 2019 compared to $41.0 million for the same period in the prior year. The decrease is associated with higher Adjusted interest expense primarily attributable to interest expense on the newly acquired TLR U.S. properties and financing additional homes in the growing TAH JV-1 rental portfolio, partially offset by higher Adjusted EBITDA as discussed above.
- Adjusted net income decreased by $76.9 million or 43% to $100.7 million for the nine months ended September 30, 2019 compared to $177.5 million for the same period in the prior year. The decrease is attributable to the reasons discussed above, partially offset by a $6.5 million reduction in income tax expense corresponding to a decrease in investment income.
- Adjusted basic EPS decreased by $0.13 or 43% to $0.17 and decreased by $0.71 or 54% to $0.61 for the three and nine months ended September 30, 2019, respectively, compared to $0.30 and $1.32 in the same periods in the prior year. Adjusted diluted EPS decreased by $0.10 or 37% to $0.17 and $0.57 or 50% to $0.58 for the three and nine months ended September 30, 2019, respectively, compared to $0.27 and $1.15 in the same periods in the prior year. The decrease in Adjusted basic and diluted EPS is attributable to lower Adjusted net income for the reasons noted above, along with a higher weighted average share count reflecting the common shares issued on June 11, 2019 in connection with the acquisition of the U.S. Multi-Family Portfolio.

The table below provides a breakdown of FFO and FFO per share.

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)		Three months			Nine months		
		2019	2018	Variance	2019	2018	Variance
Single-family rental FFO[1]		$ 19,107	$ 12,947	$ 6,160	$ 52,737	$ 37,002	$ 15,735
Multi-family rental FFO[2]		6,853	–	6,853	8,426	–	8,426
Residential developments FFO[3]	J	3,309	4,769	(1,460)	7,508	11,626	(4,118)
Fee income net of adjusted non-controlling interest	E	10,115	7,101	3,014	25,573	19,214	6,359
		39,384	24,817	14,567	94,244	67,842	26,402
Corporate overhead[4]	K	(10,306)	(9,340)	(966)	(32,312)	(31,293)	(1,019)
Corporate interest expense[5]	L	(4,938)	(3,325)	(1,613)	(12,925)	(9,687)	(3,238)
Current income tax expense[6]	M	(511)	(1,187)	676	(2,600)	(1,870)	(730)
Funds from operations (FFO)		**$ 23,629**	**$ 10,965**	**$ 12,664**	**$ 46,407**	**$ 24,992**	**$ 21,415**
Funds from operations (FFO) per share		**$ 0.11**	**$ 0.07**	**$ 0.04**	**$ 0.25**	**$ 0.15**	**$ 0.10**
Funds from operations (FFO) per share (CAD)[7]		**C$ 0.15**	**C$ 0.09**	**C$ 0.06**	**C$ 0.33**	**C$ 0.19**	**C$ 0.14**
Weighted average shares outstanding – diluted		**213,371,947**	**162,298,437**	**51,073,510**	**183,413,037**	**161,875,071**	**21,537,966**

(1) Includes Tricon's share of TAH Core FFO (see Section 4.1).
(2) Includes TLR U.S. Core FFO (see Section 4.2).
(3) Includes investment income from TLR Canada and THP excluding the impact of transaction costs, translation adjustments, deferred tax expense, and other non-recurring and non-cash expenses (see Section 3.1).
(4) Includes compensation expense and general and administration expense per Tricon's income statement, excluding non-cash and non-recurring expenses (see Section 3.1).
(5) Includes interest expense per Tricon's income statement, excluding debentures interest and debentures discount amortization (see Section 3.1).
(6) Includes current income tax expense per Tricon's income statement, excluding current income tax on TLR U.S. assets sold during the year.
(7) USD/CAD exchange rates used are 1.3243 at September 30, 2019 and 1.2945 at September 30, 2018.

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

- For the three months ended September 30, 2019, FFO increased by $12.7 million to $23.6 million compared to $11.0 million in the same period in the prior year. The increase is mainly attributable to (i) an increase in single-family rental FFO of $6.2 million driven by a larger leased portfolio and higher NOI margin, (ii) an increase in multi-family rental FFO of $6.9 million as a result of the acquisition of the U.S. Multi-Family Portfolio in the second quarter of 2019, and (iii) an increase in contractual fees, largely from higher performance fees and Johnson development fees driven by a higher number of lot closings at Johnson communities. The increase was partially offset by a decrease in residential developments FFO, primarily as a result of weather-related development lags at Trinity Falls, along with higher corporate interest expense due to a larger outstanding credit facility balance.
- For the nine months ended September 30, 2019, FFO increased by $21.4 million to $46.4 million compared to $25.0 million in the same period in the prior year. This was mainly attributable to an increase in single-family rental FFO and multi-family FFO, for the reasons discussed above. The higher FFO from rental activities was partially offset by increases in both corporate interest expense along with corporate overhead mainly attributable to incremental payroll costs due to a growth in staffing needs and normal course salary adjustments.
- FFO per share increased by $0.04 or 57% to $0.11 and increased by $0.10 or 67% to $0.25 for the three and nine months ended September 30, 2019, respectively, compared to $0.07 and $0.15 in the same periods in the prior year. The increase in FFO per share is attributable to higher FFO for the reasons noted above, partially offset by a higher weighted average share count driven by the common shares issued to acquire the U.S. Multi-Family Portfolio in the second quarter of 2019.

7. RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

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

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Nine months 2019	Nine months 2018
Net income	**$ 32,457**	**$ 33,826**	**$ 68,876**	**$ 173,058**
Non-recurring adjustments:				
Transaction costs and non-recurring items	3,821	466	35,037	15,676
Non-cash adjustments:				
Non-controlling interest	(799)	(227)	(1,370)	(205)
Net change in fair value of derivative financial instruments	(3,134)	629	(4,309)	(19,097)
Debentures discount amortization	683	1,037	2,013	3,457
Loss on debt extinguishment	–	5,349	–	5,349
Unrealized foreign exchange loss (gain) at investment level	1,043	(1,011)	(2,301)	1,093
Realized and unrealized foreign exchange loss (gain)	115	1,028	136	(1,949)
Accrued LTIP and non-recurring expenses[1]	181	265	2,683	2,354
Tax expense on non-recurring and non-cash expenses	(443)	(352)	(115)	(2,216)
Adjusted net income[2]	**$ 33,924**	**$ 41,010**	**$ 100,650**	**$ 177,520**
Add:				
Stock option expense	$ 206	$ 309	$ 596	$ 925
Adjusted interest expense[2]	39,293	27,051	98,525	80,452
Adjusted amortization expense[2]	1,172	1,056	3,449	2,588
Adjusted income tax expense[2]	7,989	5,528	15,195	21,705
Adjusted EBITDA[2]	**$ 82,584**	**$ 74,954**	**$ 218,415**	**$ 283,190**

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

(2) Non-IFRS measure; see items marked "A" to "I" below, which provide details on the reconciliation.

For the periods ended September 30 (in thousands of U.S. dollars)	Three months 2019	Three months 2018	Nine months 2019	Nine months 2018
Net income	**$ 32,457**	**$ 33,826**	**$ 68,876**	**$ 173,058**
Fair value gain[1]	(18,734)	(42,345)	(72,063)	(155,706)
Deferred and non-recurring tax expense[2]	7,035	3,989	12,480	16,041
Third-party investor and non-controlling interest[2,3]	(352)	1,077	(492)	1,099
Realized and unrealized foreign exchange loss (gain)[2]	1,158	17	(2,165)	(856)
Debentures interest and discount amortization	3,555	4,902	10,606	15,107
Net change in fair value of derivative financial instruments	(3,134)	629	(4,309)	(19,097)
Non-recurring and non-cash compensation expense	1,054	1,383	4,432	4,103
Amortization and depreciation expense	1,172	1,056	3,449	2,588
Investment (income) loss – TLR assets held for sale	(4,403)	743	(8,605)	(4,387)
Net income from discontinued operations	–	–	–	(23,127)
Transaction costs and non-recurring items[2]	3,821	339	34,198	10,820
Loss on debt extinguishment	–	5,349	–	5,349
Funds from operations (FFO)	**$ 23,629**	**$ 10,965**	**$ 46,407**	**$ 24,992**

(1) Includes fair value gain recognized by TAH; no fair value gain was recognized by TLR U.S. during the reporting periods.

(2) Includes adjustments at both corporate and investment level.

(3) Includes third-party investor interests in TAH.

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

For the periods ended September 30 (in thousands of U.S. dollars)		Three months		Nine months	
		2019	2018	2019	2018
Investment income – TAH per financial statements		**$ 35,958**	**$ 53,650**	**$ 119,742**	**$ 180,773**
Interest expense		21,274	19,606	63,074	57,162
Transaction costs, non-recurring and non-cash expenses		1,076	465	3,936	10,423
Tax expense (recovery)		360	–	244	(2)
TAH Adjusted EBITDA	A	**$ 58,668**	**$ 73,721**	**$ 186,996**	**$ 248,356**
Investment income – TLR per financial statements		**$ 10,280**	**$ 1,189**	**$ 18,168**	**$ 4,753**
Interest expense		10,209	255	13,933	330
Transaction costs, non-recurring and non-cash expenses		643	1	2,188	7
Unrealized foreign exchange loss (gain)		960	(858)	(2,086)	794
Tax expense		1,354	387	1,651	419
TLR Adjusted EBITDA	B	**$ 23,446**	**$ 974**	**$ 33,854**	**$ 6,303**
Investment income – THP per financial statements		**$ 1,109**	**$ 3,309**	**$ 6,682**	**$ 9,506**
Tax expense (recovery)		136	151	(1,010)	235
Unrealized foreign exchange loss (gain)		83	(153)	(215)	299
THP Adjusted EBITDA	C	**$ 1,328**	**$ 3,307**	**$ 5,457**	**$ 10,040**
Net income from discontinued operations – TLC per financial statements		**$ –**	**$ –**	**$ –**	**$ 23,127**
Interest expense		–	–	–	1,623
Transaction costs and non-cash expenses		–	–	–	5,066
Tax expense		–	–	–	1,578
TLC Adjusted EBITDA	D	**$ –**	**$ –**	**$ –**	**$ 31,394**
Contractual fees, GP distributions and performance fees per financial statements		**$ 11,323**	**$ 7,741**	**$ 28,179**	**$ 20,782**
NCI change per financial statements		**(799)**	**(227)**	**(1,370)**	**(205)**
NCI portion of amortization		(409)	(413)	(1,236)	(1,363)
Fee income net of adjusted non-controlling interest	E	**$ 10,115**	**$ 7,101**	**$ 25,573**	**$ 19,214**
Compensation expense per financial statements		**$ (8,561)**	**$ (8,576)**	**$ (27,937)**	**$ (28,254)**
Accrued LTIP and non-recurring expenses		181	265	2,683	2,354
Stock option expense		206	309	596	925
Adjusted compensation expense	F	**$ (8,174)**	**$ (8,002)**	**$ (24,658)**	**$ (24,975)**
Interest expense per financial statements		**$ (8,493)**	**$ (8,227)**	**$ (23,531)**	**$ (24,794)**
TAH interest expense		(21,274)	(19,606)	(63,074)	(57,162)
TLR interest expense		(10,209)	(255)	(13,933)	(330)
TLC interest expense		–	–	–	(1,623)
Debentures discount amortization		683	1,037	2,013	3,457
Adjusted interest expense	G	**$ (39,293)**	**$ (27,051)**	**$ (98,525)**	**$ (80,452)**
Amortization expense per financial statements		**$ (1,581)**	**$ (1,469)**	**$ (4,685)**	**$ (3,951)**
NCI portion of Johnson's amortization expense		409	413	1,236	1,363
Adjusted amortization expense	H	**$ (1,172)**	**$ (1,056)**	**$ (3,449)**	**$ (2,588)**
Tax expense per financial statements		**$ (5,696)**	**$ (4,638)**	**$ (14,195)**	**$ (17,259)**
TAH tax (expense) recovery		(360)	–	(244)	2
TLR tax expense		(1,354)	(387)	(1,651)	(419)
THP tax (expense) recovery		(136)	(151)	1,010	(235)
TLC tax expense		–	–	–	(1,578)
Tax expense on non-recurring and non-cash expenses		(443)	(352)	(115)	(2,216)
Adjusted income tax expense	I	**$ (7,989)**	**$ (5,528)**	**$ (15,195)**	**$ (21,705)**

Items J to M are first introduced in the FFO table in Section 6 above and are non-IFRS measures. Refer to page 1 for a discussion of our use of non-IFRS measures.

For the periods ended September 30 (in thousands of U.S. dollars)		Three months 2019	Three months 2018	Nine months 2019	Nine months 2018
Investment income – TLR Canada per Section 3.1		**$ 378**	**$ 1,932**	**$ 2,788**	**$ 366**
Deferred tax expense		–	387	–	419
Unrealized foreign exchange loss (gain)		960	(858)	(2,086)	794
Transaction costs and non-recurring costs		643	1	1,349	7
Subtotal – TLR Canada		**$ 1,981**	**$ 1,462**	**$ 2,051**	**$ 1,586**
Investment income – THP per financial statements		**$ 1,109**	**$ 3,309**	**$ 6,682**	**$ 9,506**
Tax expense (recovery)		136	151	(1,010)	235
Unrealized foreign exchange loss (gain)		83	(153)	(215)	299
Subtotal – THP		**$ 1,328**	**$ 3,307**	**$ 5,457**	**$ 10,040**
Residential developments FFO	J	**$ 3,309**	**$ 4,769**	**$ 7,508**	**$ 11,626**
Compensation expense per financial statements		**$ (8,561)**	**$ (8,576)**	**$ (27,937)**	**$ (28,254)**
Non-recurring and non-cash compensation expense		1,054	1,383	4,432	4,103
General and administration expense per financial statements		**(2,799)**	**(2,147)**	**(8,807)**	**(7,142)**
Corporate overhead	K	**$ (10,306)**	**$ (9,340)**	**$ (32,312)**	**$ (31,293)**
Interest expense per financial statements		**$ (8,493)**	**$ (8,227)**	**$ (23,531)**	**$ (24,794)**
Debentures interest		2,872	3,865	8,593	11,650
Debentures discount amortization		683	1,037	2,013	3,457
Corporate interest expense	L	**$ (4,938)**	**$ (3,325)**	**$ (12,925)**	**$ (9,687)**
Current income tax expense per financial statements		**$ (5,295)**	**$ (1,187)**	**$ (7,384)**	**$ (1,870)**
Current income tax expense related to sale of the TLR U.S. asset		4,784	–	4,784	–
Current income tax recovery (expense)	M	**$ (511)**	**$ (1,187)**	**$ (2,600)**	**$ (1,870)**

8. OPERATIONAL KEY PERFORMANCE INDICATORS

8.1 Key performance indicators

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

Tricon American Homes

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

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

Tricon Lifestyle Rentals

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

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

Tricon Housing Partners

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

8.2 Assets under management

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

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

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

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

9.1 Revenue, investments and fair value determination

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

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

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

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

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

Tricon American Homes ("TAH")

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

Tricon Lifestyle Rentals ("TLR")

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

Tricon Housing Partners ("THP")

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

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

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

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

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

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

9.2 Accounting estimates and policies

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

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

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

9.3 Controls and procedures

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

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

9.4 Transactions with related parties

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

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

9.5 Dividends

On November 4, 2019, the Board of Directors of the Company declared a dividend of seven cents per share in Canadian dollars payable on or after January 15, 2020 to shareholders of record on December 31, 2019.

9.6 Compensation incentive plan

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

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

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from Investment Vehicles, paid in cash when received; and (ii) 15% of THP1 US investment income, payable in DSUs which vest in equal tranches over a three-year period (previously a five-year period), pursuant to the LTIP as amended on May 6, 2019.

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

9.7 Risk definition and management

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

10. HISTORICAL FINANCIAL INFORMATION

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

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Financial statement results				
Total revenue and investment income	$ 58,670	$ 55,445	$ 58,656	$ 60,320
Net income	32,457	12,356	24,063	43,297
Basic earnings per share	0.16	0.08	0.17	0.30
Diluted earnings per share	0.15	0.04	0.16	0.23

For the three months ended (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Financial statement results				
Total revenue and investment income from continuing operations	$ 65,889	$ 54,014	$ 95,911	$ 60,226
Total investment income from discontinued operations	–	19,602	1,568	1,187
Net income	33,826	39,763	99,469	25,724
Basic earnings per share	0.25	0.29	0.74	0.19
Diluted earnings per share	0.24	0.29	0.46	0.19

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