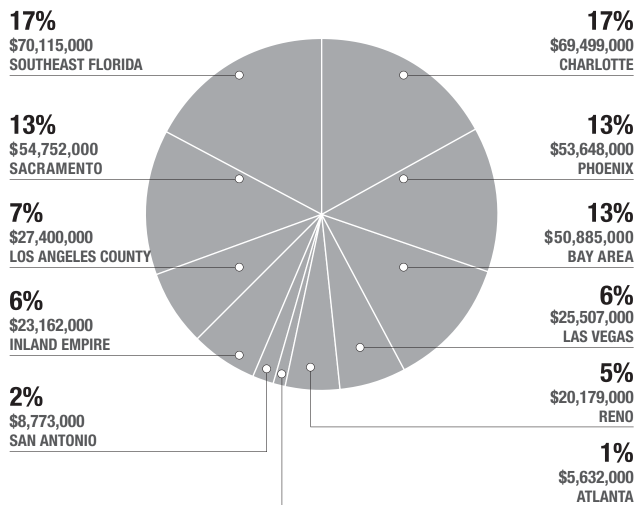
Tricon Capital Group | 2013 Annual Report

Corporate Overview

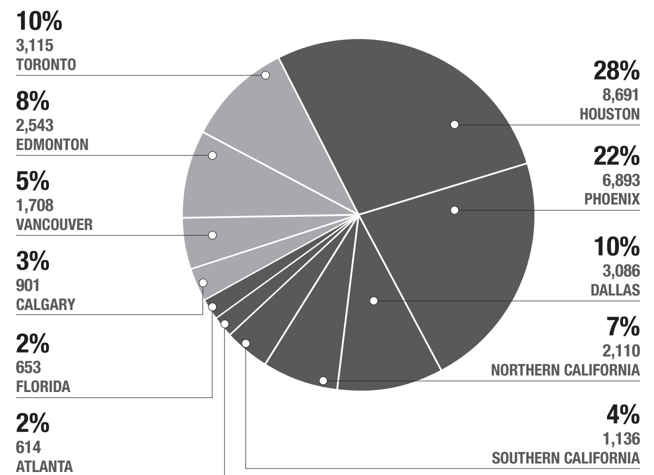
Founded in 1988, Tricon is one of North America's leading residential real estate investment companies. Tricon provides financing to local operators or developers in select markets in the United States and Canada, with a primary focus on the fastest growing geographies. Our business objective is to invest for investment income and capital appreciation through our Principal Investment business segments and to earn fee income through our Private Funds and Advisory business. We currently have $1.9 billion of assets under management, including 22,500 single-family lots, 6,300 multi-family units and a portfolio of over 3,300 U.S. single-family rental homes. Since inception, Tricon has invested in approximately 160 transactions for development projects valued at more than $11 billion. More information about Tricon is available at www.triconcapital.com.

Key Metrics

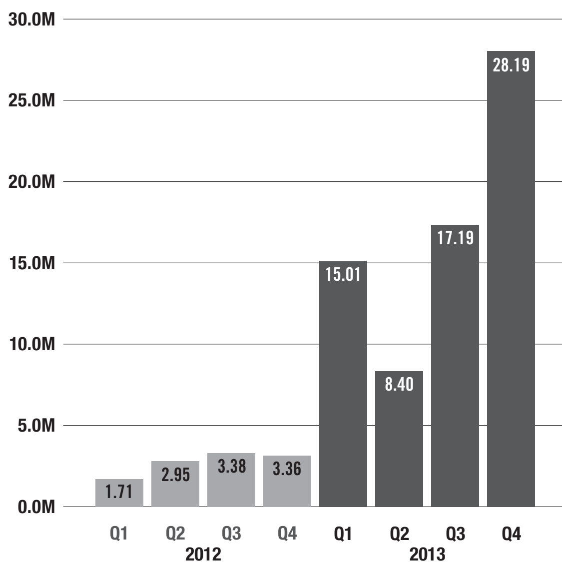
Geographic Breakdown
SINGLE-FAMILY RENTAL
(BY INVESTED CAPITAL)



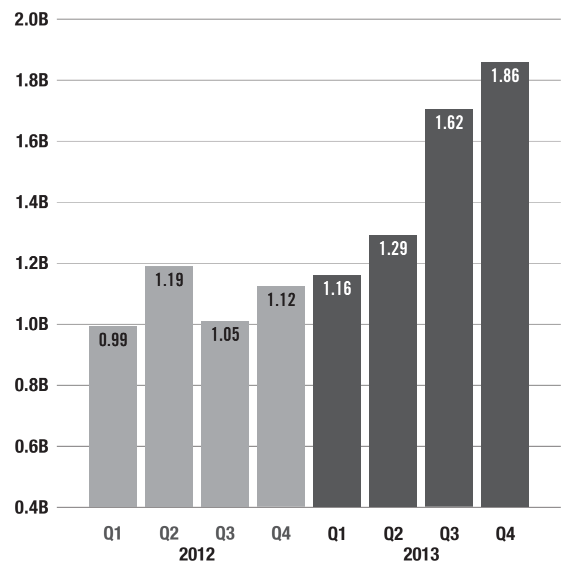
Geographic Breakdown
LAND & HOMEBUILDING
(BY LOTS, HOMES, AND MULTI-FAMILY UNITS)



ADJUSTED EBITDA
($ MILLIONS)



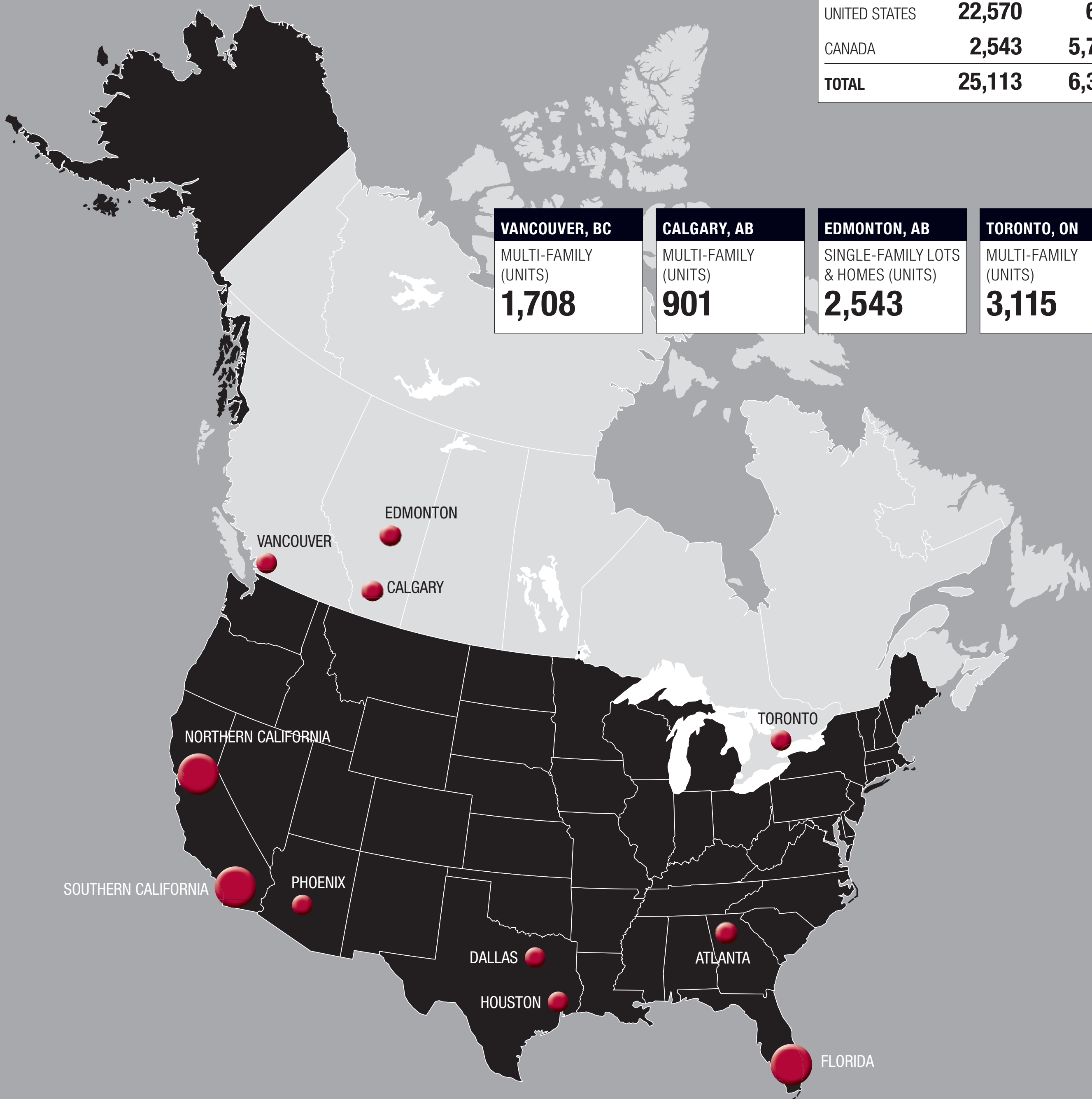
ASSETS UNDER MANAGEMENT
($ BILLIONS)



Land and Homebuilding

A BROAD GEOGRAPHIC FOOTPRINT

	Single-Family Lots and Homes (Units)	Multi-Family (Units)
UNITED STATES	22,570	613
CANADA	2,543	5,724
TOTAL	**25,113**	**6,337**



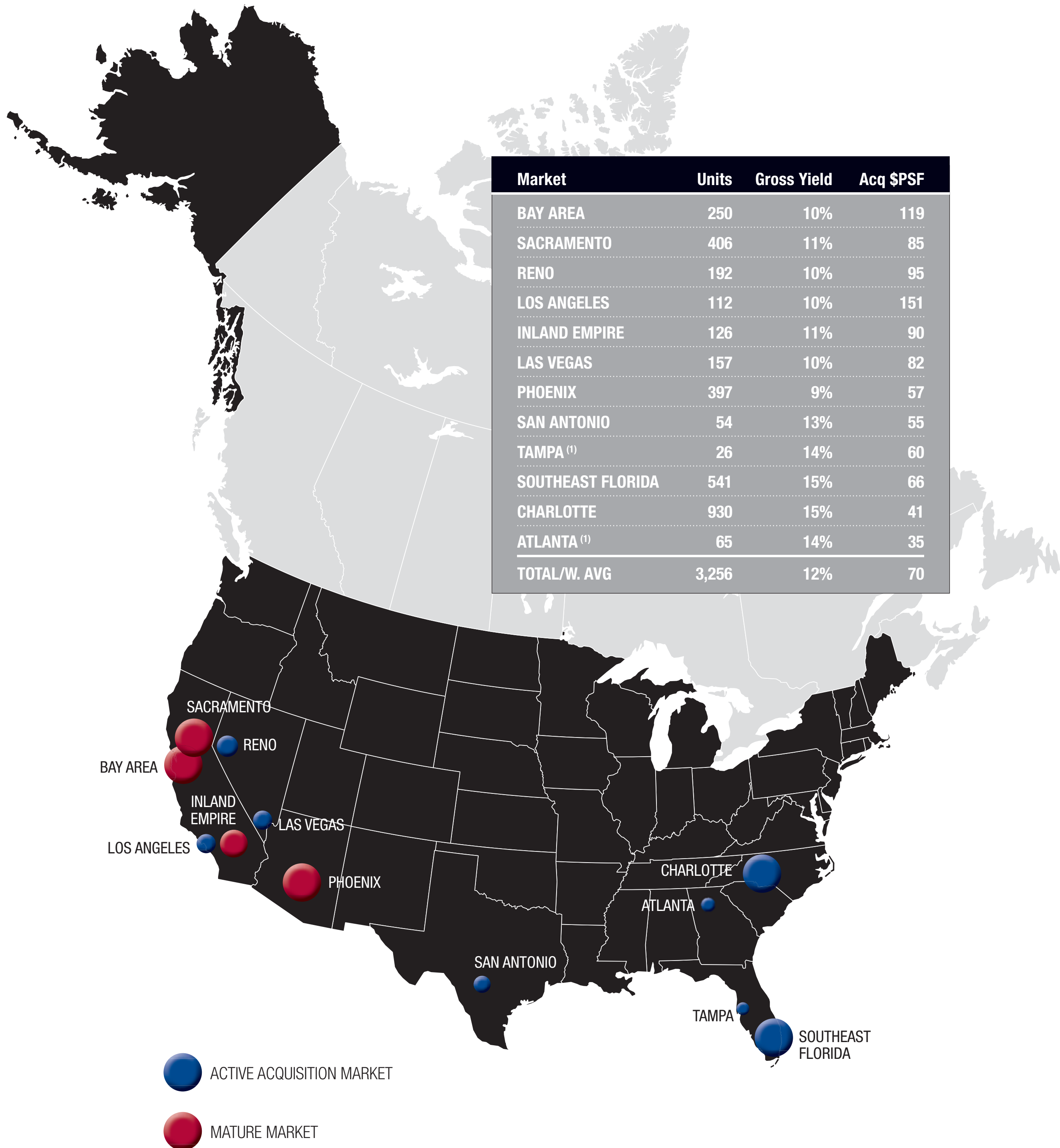
VANCOUVER, BC	CALGARY, AB	EDMONTON, AB	TORONTO, ON
MULTI-FAMILY (UNITS)	MULTI-FAMILY (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)	MULTI-FAMILY (UNITS)
1,708	901	2,543	3,115

NORTHERN CALIFORNIA	SOUTHERN CALIFORNIA	PHOENIX, AZ	DALLAS, TX	HOUSTON, TX	ATLANTA, GA	FLORIDA
SINGLE-FAMILY LOTS & HOMES (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)	SINGLE-FAMILY LOTS & HOMES (UNITS)
1,638	1,064	6,893	3,086	8,691	545	653
MULTI-FAMILY (UNITS)	MULTI-FAMILY (UNITS)				MULTI-FAMILY (UNITS)	
472	72				69	

Figures represent product available as of December 31, 2013.

U.S. Single-Family Rental

A BROAD FOOTPRINT ACROSS THE U.S.



Market	Units	Gross Yield	Acq $PSF
BAY AREA	250	10%	119
SACRAMENTO	406	11%	85
RENO	192	10%	95
LOS ANGELES	112	10%	151
INLAND EMPIRE	126	11%	90
LAS VEGAS	157	10%	82
PHOENIX	397	9%	57
SAN ANTONIO	54	13%	55
TAMPA (1)	26	14%	60
SOUTHEAST FLORIDA	541	15%	66
CHARLOTTE	930	15%	41
ATLANTA (1)	65	14%	35
TOTAL/W. AVG	3,256	12%	70

Note: Size of bubble represents current capital investment.
(1) New markets entered in Q4 2013

Letter to Shareholders

Dear Fellow Shareholders:

I am proud to say 2013 has been one of the most productive and transformative periods in Tricon's 26 year history. Along with nearly doubling the size of the company, we generated record earnings for our shareholders. We delivered $68.8 million in adjusted EBITDA, representing nearly a 500% annual increase over 2012, and $34.7 million in adjusted Net Income, an over 400% gain year-over-year. Furthermore, we continue to see significant opportunities for growth, particularly in the United States, and I expect that 2014 will be another banner year for Tricon.

Over the course of the year, we increased our total assets under management (AUM) by 67% to $1.9 billion by increasing our ownership of U.S. single family rental homes two fold, making a majority co-investment into Tricon IX (a distressed U.S. land and homebuilding fund) and raising approximately US$340 million in third party capital.

Last year, we achieved a number of key milestones:

1) we completed raising Tricon XI, a dedicated US$334 million U.S. land and homebuilding fund, and the largest private fund in our history;
2) we enhanced our Private Funds business by securing three new separate accounts on behalf of a sovereign wealth fund; and
3) we obtained a US$250 million credit facility for Tricon American Homes enabling it to amass a portfolio of over 3,200 US single-family rental homes, which continues to grow in 2014.

Single-Family Rental – Tricon American Homes ("TAH")

TAH, our single-family rental platform, owned over 3,200 homes at year end remains on pace to reach 4,000 homes over the course of this year and 5,000 homes in 2015. We have a strong, dedicated team in place to execute this business plan, both at the corporate level and the local market level. Our investment strategy for TAH is based on total return, which combines current operating income and home price appreciation. In our minds, this is an operating business first and foremost and TAH is focused on acquiring one or two homes per day per active market and getting those homes renovated and leased as quickly as possible. We also believe that home price appreciation will create long-term value for this segment, but have minimum yield requirements for each of our active markets and are not afraid to slow down

> “We remain firm believers that we are in the early innings of a long upswing in U.S. housing demand and we continue to target longer term land investments across high growth markets in the ‘Sunbelt.’”

or stop acquisitions if we can no longer meet those targets. As a result of rising prices, over the course of 2013 we shifted our acquisition activity eastward, away from several of our initial markets where home prices appreciated significantly (namely California and Phoenix) and into new markets such as Atlanta, Tampa and Las Vegas where we can meet our target yields and forecast pent-up home price appreciation. In spite of these changing dynamics, total portfolio occupancy has remained stable between 75-80% as leasing activity has essentially kept pace with new acquisitions. If we were to stop acquiring or renovating existing homes, we believe that our long-term occupancy rate would ultimately be 95% and have seen similar occupancy rates in some of the markets where we have stopped acquiring homes.

In June 2013 we secured a dedicated $150 million credit facility for this business segment and further upsized this facility to $250 million in December 2013. We also saw the first major securitization for the industry take place in late 2013 and are currently assessing a variety of financing options, with the goal of putting in place a long-term, stable capital structure for this business.

Land and Homebuilding

Our Land and Homebuilding business refers to co-investments we have made in various residential development funds and separate accounts. In 2013, we generated $18.5 million of net operating income which is more than a 300% annual increase, primarily driven by our 68.4% co-investment in Tricon IX. This co-investment is already performing ahead of business plan as the U.S housing market continues to strengthen. Since making the acquisition in August 2013, Tricon IX has produced $21.7 million of cash flow for the company and we expect to generate $100 million per annum of net cash flow for Tricon in each of the next three years as we harvest the underlying investments.

Our investment in Cross Creek Ranch also continues to outperform. This project was ranked the 13th top selling master plan in the United States for 2013—our lot and home prices are both up 21% since 2012 and we have already distributed $7.7 million versus our $14.4 million investment. We remain firm believers that we are in the early innings of a long upswing in U.S. housing demand and we continue to target longer term land investments across high growth markets in the “Sunbelt”.

Private Funds and Advisory

Our Private Funds and Advisory business continues to be a strong growth driver for the company. We raised approximately US$340 million of new private capital in 2013 in what remains a difficult private fundraising environment, more than offsetting the loss in third party AUM from our co-investment in Tricon IX.

Some major institutions continue to favor separately managed accounts over commingled funds and we recently closed on a US$80.8 million investment with a large institutional investor to acquire and develop approximately 2,100 acres of prime land into a large mixed-use master-planned community in Houston, Texas called Grand Lakes. This property is located just north of Exxon-Mobil’s new headquarters and The Woodlands, an existing 28,400 acre master-planned community. Although The Woodlands has been one of the top selling master-planned communities in the U.S. for the past 30+ years, it is now running out of land to develop which opens up the market for our property.

“The vision and dedication of our talented management team is our key to success in the industry and I further believe that it is this team that will be instrumental in helping achieve our goal of generating significant value for both investors and shareholders in the years to come.”

In terms of our active funds, Tricon XI is now over 50% committed and we expect the investment period to be largely completed by year end. As for our latest Canadian fund, Tricon XII, we recently completed a C$60 million investment to acquire an interest in Mahogany, an award winning master-planned community in Calgary, Alberta. Tricon XII has committed to provide C$40 million of the total investment, while the remaining C$20 million has been syndicated to two of the Fund's major investors. This investment marks the completion of the investment program for Tricon XII and we are now in a position to start fund raising for a successor Canadian investment vehicle, the timing of which will be dependent on our view of the attractiveness of the Canadian residential real estate market. U.S. projected fund returns have been stable to positive year-over-year while our Canadian fund yields have marginally tightened as a result of projects being delayed from the difficult financing environment, permit issues and weather conditions. That being said, we are pleased to report that overall profits generally remain intact.

Looking Ahead

We believe our financial performance will continue to be driven by our Private Funds business and principal investments in the single-family rental and land/homebuilding sectors. At the same time, going forward we expect that our existing investment focus to expand to include other opportunistic and related residential business lines. In fact, a strengthened principal investment business with a number of residential platforms should enable us to accelerate AUM growth in the future as we broaden the range of our residential offerings to meet the needs of our institutional investors. Over the last twelve months, we have spent a significant amount of time analyzing potential investments in new related business lines, including U.S. focused Manufactured Housing, and anticipate adding another “vertical” in 2014.

Over time, we intend to leverage our development and value add expertise in the land and homebuilding industry and our operational experience in single-family rental to grow methodically into a more diversified residential real estate specialist. Ultimately we expect the public markets to think of Tricon as a “housing brand” with related business lines that offer shareholders and limited partners added diversification and allow us to play across the full spectrum of residential real estate, from affordable housing to affordable luxury.

Lastly, our record financial results in 2013 could not have been achieved without the hard work of our team and the support of our board of directors—and for this, I thank them. It is my belief that the vision and dedication of our talented management team is our key to success in the industry and I further believe that it is this team that will be instrumental in helping achieve our goal of generating significant value for both investors and shareholders in the years to come.

David Berman
Chairman and Chief Executive Officer

Toronto
26 March 2014

Financial Reporting

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Corporate Governance

Sound corporate governance is essential to Tricon's effective operation and is fundamental for building and maintaining the confidence of investors, achieving strategic and operational plans, goals and objectives, as well as increasing shareholder value. Our Board of Directors is committed to ensuring that it has appropriate internal controls and corporate governance policies in place, as well as applying business ethics, compliance and a culture of integrity throughout the organization.

The Board's mandate is the stewardship of the Company. Its key responsibilities, generally through the Chief Executive Officer, include the following:

- Reviewing and approving the strategic plan and, in relation thereto, approval of an annual budget and capital plans;
- Reviewing and approving policies and processes generated by management relating to the authorization of major investments and significant allocations of capital;
- Supervising and evaluating senior management, including the appointment of the Chief Executive Officer, the Chair of the Board and the Lead Director of the Board, and ensuring that other executives are in place to ensure sound management of Tricon;
- Succession planning;
- Ensuring effective and adequate communication with shareholders, other stakeholders and the public, as well as maintaining records and providing reports to shareholders;
- Assessing its own effectiveness and that of its committees;
- Ensuring that Tricon has risk management systems, as well as appropriate internal controls and management information systems in place;
- Identifying and managing risk exposure;
- Ensuring strong business ethics, compliance and corporate governance, and creation of a culture of integrity throughout the organization; and
- Determining the amount and timing of dividends to shareholders.

1 / Forward-Looking Statements

This Management Discussion and Analysis (MD&A) contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. Many factors could cause actual results, performance or achievement to be materially different from any future forward-looking statements. Factors that may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events and other business risks. These forward-looking statements are as of the date of this MD&A and the Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

1.1 / Introduction

This MD&A is dated as of March 5, 2014, the date it was approved by the Board of Directors of the Company, and reflects all material events up to that date. It should be read in conjunction with the audited consolidated financial statements, including the notes thereof, of Tricon Capital Group Inc. ("Tricon" or the "Company") for the year ended December 31, 2013. All amounts have been expressed in Canadian dollars, unless otherwise noted. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The audited consolidated financial statements for the year ended December 31, 2013 were prepared using accounting policies consistent with those used in preparing the Company's annual audited consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the change described below.

In October 2012, the International Accounting Standards Board ("IASB") issued *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*, which provides an exception to consolidation for a class of entities that are defined as "investment entities". The Company met the definition of an investment entity and as such, investments in subsidiaries (other than those that provide investment-related services) are accounted for at fair value through profit or loss, rather than by consolidating them. All of the subsidiaries that provide investment-related services, including the Company's Canadian and U.S. asset management operating entities that earn contractual fees and performance fees from private funds, continue to be consolidated. Those entities no longer consolidated under the investment entity framework are the wholly-owned subsidiaries carrying the co-investments in Tricon IX, XI, XII, Separate Account investments and the single-family rental limited partnership interests.

1.2 / Overview

Tricon's business objective is to invest for investment income and capital appreciation through its Principal Investment business segments and to earn fee income through its Private Funds and Advisory business:

Principal Investment

(i) Single-Family Rental – Investment in U.S. single-family rental limited partnerships, collectively referred to as Tricon American Homes
(ii) Land and Homebuilding – Co-investment in development-oriented private comingled funds and separate accounts

Private Funds and Advisory

(i) Asset management of third-party capital, including private comingled funds and separate accounts; currently, the Company's asset management business is focused solely on private funds and separate accounts that invest in land and homebuilding assets.

As a principal investor, the Company is focused on related business lines that primarily invest in residential property. At Tricon American Homes, the Company provides equity capital to a network of local, "on the ground" rental operating partners that acquire, renovate, lease and manage single-family homes in the United States. Despite the gradual recovery in the U.S. housing market, the Company continues to purchase single-family homes at discounts to peak pricing and replacement cost, and even to current retail pricing, through foreclosure, short sales and bank REO (real estate owned) sales.

In Tricon's Land and Homebuilding business, the Company co-invests in private comingled funds and separate accounts that participate in the development of residential real estate across North America. The Company typically co-invests 10% of the total capital required for Funds and Separate Account investments and raises the balance from private investors, which are generally institutional. As a co-investor, the Company earns its pro rata share of investment income, transaction fees and capital gains or fair market value adjustments on the underlying investments. The vast majority of the Company's co-investment is allocated to investment vehicles focused on the development of U.S. residential land in the fast-growing "sunbelt" markets and in areas that were hard hit by the U.S. housing downturn of 2007–2009.

In our Private Funds and Advisory business, the Company manages and originates investments through private comingled funds and separate investment accounts that participate in the development of real estate in North America by providing equity-type financing to developers. As sponsor, the Company co-invests in most of these investment vehicles through its Principal Investment business. The investments in these private comingled funds and separate accounts are typically related to residential land development, single-family homebuilding, multi-family construction or retail development done in conjunction with residential projects. As manager of these investment vehicles, the Company earns Management Fees, General Partner Distributions and Performance Fees.

1.3 / Key Performance Indicators (Including Non-IFRS Financial Measures)

The Company measures the success of the business by employing several key performance indicators that are not recognized under IFRS. These indicators should not be considered an alternative to IFRS financial measures, such as net income. As non-IFRS financial measures do not have standardized definitions prescribed by IFRS, they are less likely to be comparable with other issuers or peer companies. The key performance indicators used by the Company are defined below.

Monitoring changes in Assets Under Management ("AUM") is key to evaluating trends in revenue. Growth in AUM is driven by capital commitments to private funds, separate accounts, and side-car investments provided by investors, prior and new, institutional and high net worth. The separate account and side-car investments are typically driven by investments in projects with investment criteria outside of an active fund's discipline, and are typically syndicated to other investors. A side-car is a co-investment vehicle under common sponsorship with Tricon Capital GP. The side-car generally participates in larger investment opportunities brought by the fund sponsor or GP.

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:

(i) Principal investments made by the Company using debt and/or equity. The calculation of AUM varies by business line:
- Single-Family Rental (Tricon American Homes): AUM is equal to the fair value of assets, investment properties and inventory homes, before imputed selling expenses.
- Land and Homebuilding (Co-Investment in Funds, Separate Accounts and Side-Car Investments): AUM is calculated as the fair value of invested capital plus unfunded commitments. The Company typically co-invests 10% of the total capital required for Funds, Separate Account, and Side-Car investments and raises the balance from private investors, which are generally institutional.

(ii) Capital commitments by third-party investors in private investment vehicles that are paying Contractual Fees and/or General Partner Distributions:
- Comingled Funds: During a fund's investment period, AUM is equal to its capital commitment. After the investment period, AUM decreases due to investment realization, and is calculated as outstanding invested capital.
- Separate Accounts/Joint Ventures and Side-Cars: AUM is equal to invested plus unfunded capital commitments, less realized value.

For reporting purposes, Investment Income from Principal Investment is broken down by business segment. The Company's Investment Income derived from its Single-Family Rental business (TAH) is shown as realized and unrealized income:

- Realized Investment Income – Single-Family Rental: This represents rental income, net of minority interest and expenses. In addition, but to a lessening degree, the balance includes gross profit from Inventory Homes sold. These homes are select properties purchased opportunistically for the purpose of being renovated and sold within six months. Since this figure is included as part of Adjusted EBITDA, it is shown before interest and tax expense.
- Unrealized Investment Income – Single-Family Rental Fair Value Adjustment: Each quarter the Company determines the fair value of the Single-Family Rental ("SFR") investment. The Automated Valuation Model ("AVM") the Company employs calculates the fair value of the underlying homes, on a house by house basis, based on values of comparable sales and listings. An alternative valuation method of Broker Priced Opinion ("BPO") is utilized when AVM values are unavailable. Subsequently, capital expenditures for the period and operator performance fees are absorbed by the gross fair value as calculated by the AVM.

Single-Family Rental (TAH) Investment Income Breakdown

Line Item	Definition
Gross Rental Operating Income (GROI)	Rental Revenue – Rental Expenses
Gross Profit Margin on Inventory Homes (GPMIH)	Inventory Homes Revenue – (Cost of Homes Sold + Selling Expenses)
Rental Operator Asset Management Fees	Invested Capital x Management Fee Rate (1.0–1.5%)
Operating Expenses	Varies
Non-controlling Interest (Realized)	Approximately 10–13% x (GROI + GPMIH)
Realized Investment Income – Single-Family Rental	
Fair Value Adjustment	Varies – calculated based on AVM
Non-Controlling Interest (Unrealized)	Performance Fees paid to operators vary depending on each market's FVA for the period
Unrealized Investment Income – Single-Family Rental Fair Value Adjustment	

Single-Family Rental (Tricon American Homes)
Key Performance Metrics

As detailed above, the Company captures ongoing operating performance through Realized Investment Income – Single-Family Rental and the Company reports changes in the underlying fair value of the investments through Unrealized Investment Income – Single-Family Rental Fair Value Adjustment, which includes fair value of homes calculated based on an AVM. However, the Company believes certain information related to the net assets and operating results of Tricon American Homes is relevant in evaluating the operating performance of these underlying assets, as follows. (All information related to the underlying limited partnerships represents non-IFRS financial information).

- Gross Yield for a property refers to its gross annual rent divided by its Capital Invested. Capital Invested is the aggregate of a home's purchase price, closing costs associated with its purchase, and the cost of upfront improvements or renovation.
- Capitalization Rate for a rental property is defined as its Gross Rental Operating Income divided by its Capital Invested.
- Occupancy Rate represents the number of investment properties in the portfolio that are leased, including those pending move-in with signed lease agreements, as a percentage of total homes in the portfolio.
- Net Operating Income represents total rental revenue and revenue from homes sold, less cost of homes sold, operating expenses, and operator management fees.

Please refer to section 5 – Tricon American Homes for summary statistics, operational performance, and a reconciliation of realized Investment Income – Single-Family Rental to the financial statements.

Investment Income from the Company's co-investment in Land and Homebuilding investment vehicles is reported in the financial statements as Investment Income – Land and Homebuilding. The Company earns Investment Income in its Land and Homebuilding business by:

- Investing directly in new private funds or co-investing alongside of investments within those funds or in separate investment accounts
- Investing balance sheet cash in "warehoused" investments that will be offered to new private funds upon their formation
- Investing directly in projects, loans or limited partnerships other than those described above.

The Private Funds and Advisory business reports three main revenue streams:

- Contractual Fees are based on the capital committed to investment vehicles during their respective investment periods. Thereafter, these fees are typically calculated on the outstanding invested capital. Contractual Fees decline over time, once the Investment Period expires and as investments are realized.
- Performance Fees are calculated based on prescribed formulas within an investment vehicle's Limited Partnership or Trust Agreement. These fees are earned following the repayment of investor capital and a predetermined rate of return and as a result are typically paid toward the end of a fund/investment's term. Performance Fees are typically calculated as 20% of net cash flow and are paid after limited partners' capital has been returned, together with a preferred return on capital of 9–10%. The Performance Fee formula may also contain a "catch-up" provision that enables the Company to earn a higher percentage of net cash flow as a Performance Fee until the ratio of the limited partner return (preferred return plus its share of net cash flow) to Performance Fees paid to the Company is 80/20.
- General Partner Distributions are based on prescribed formulas within a Canadian fund's Limited Partnership Agreement and decline over time as investments are realized. They are not contingent on the performance of the private funds.

Key performance measures in addition to revenues and investment income are detailed below:

In management's opinion, Adjusted Base EBITDA, Adjusted EBITDA and Adjusted Net Income are the most useful measures of performance. As detailed in the table below, these include the changes in the fair values of the Company's investments, but exclude both Non-Recurring and Non-Cash Items, including Long-Term Incentive Plan (LTIP) expense and the Net Change in Fair Value of Derivatives.

Income Statement Breakdown
Adjusted Base Revenues
Contractual Fees
General Partner Distributions
Realized Investment Income – Single-Family Rental
Investment Income – Land and Homebuilding
Interest Income
(Adjusted Base Operating Expenses)
(Salaries and Benefits)
(Professional Fees)
(Directors' Fees)
(General and Administration Expenses)
Adjusted Base EBITDA
Unrealized Investment Income – Single-Family Rental Fair Value Adjustment
Performance Fees
(Annual Incentive Plan)
(Performance Fee-Related Bonus Pool [LTIP])
Adjusted EBITDA
(Stock Compensation Expense)
(Interest Expense)
(Amortization)
Income Tax (Expense) Recovery
Adjusted Net Income

2 / Highlights

2.1 / Operations

Assets Under Management

AUM at December 31, 2013 of $1.9 billion represented a 67% YOY increase as a result of:

- Increased investment in U.S. single-family rental properties of $315.6 million
- The final close of Tricon XI with additional commitments of $228.9 million
- The close of two separate accounts and one pending separate account with commitments of US$198.3 million:
  - (i) Fulshear Farms – a US$50.0 million investment located in Houston, Texas, US$45.0 million or 90% of which has been syndicated to a Canadian institutional investor by way of a separate account
  - (ii) Vistancia West (pending) – a US$67.5 million investment located in Phoenix, Arizona; Tricon XI committed US$18.0 million with the Company committing the balance.
  - (iii) Grand Lakes – a US$80.8 million investment located in Houston, Texas, of which $72.7 million or 90% has been syndicated to a large Canadian institutional investor
- Unrealized foreign exchange gain of $47.1 million

These increases were offset by:

- A $37.8 million reduction in Tricon VIII's AUM as a result of distributions made to LPs

Operational and Financial Performance

- Adjusted Base Revenue rose 149% year over year ("YOY") to $46.9 million. This significant growth was driven by the increase in the Company's share of Investment Income post acquisition of 68.4% of Tricon IX, as well as continued momentum in Rental Revenue in Tricon American Homes, Contractual Fees generated from the final close of Tricon XI, and the closing of the new Separate Accounts.
- Adjusted EBITDA increased 500% YOY to $68.8 million. The improvement benefited from revenue growth and was augmented by positive SFR Fair Value Adjustments as well as Deemed Performance Fees from the Tricon IX acquisition.
- Adjusted Net Income increased 413% YOY to $34.7 million, driven by the overall increase in Adjusted EBITDA. The 4Q13 Adjusted Basic EPS and Adjusted Diluted EPS increased by 181% and 134% YOY to $0.13 and $0.11, respectively, despite a 161% and 214% YOY increase in the weighted average share count to 90.7 million and 109.0 million, respectively. The 2013 Adjusted Basic EPS and Adjusted Diluted EPS increased by 135% and 84% YOY to $0.57 and $0.45, respectively, despite a 118% and 179% YOY increase in weighted average share count to 60.5 million and 77.4 million, respectively.

Single-Family Rental – Tricon American Homes

- Realized Investment Income: At year-end, the SFR portfolio had grown 106% YOY to 3,256 rental units and produced Realized Investment Income – Single-Family Rental of $8.9 million for the year. Year-end portfolio occupancy rate of 78% and GROI margin of 60% were consistent with expectations for the segment.
- Unrealized Investment Income: The Company recorded a net increase of $14.6 million during the quarter and $32.1 million in 2013 in the fair value of its single-family home portfolio. Homes owned at September 30, 2013 increased in value by 7.1% over the quarter sequentially or $25.3 million, offset by $8.4 million of capital expenditures along with $2.3 million of implied operator performance fees, non-controlling interest and other sundry costs incurred on homes during 4Q13.

Land and Homebuilding

- Investment Income – Land and Homebuilding increased in 4Q13 and 2013 by 226% YOY and 331% YOY to $8.5 million and $18.5 million, respectively, primarily due to the acquisition of the 68.4% interest in Tricon IX.

2.2 / Subsequent Events

- On March 5, 2014, the Board of Directors declared a dividend of 6 cents per share to shareholders of record on March 31, 2014 payable on April 15, 2014.

3 / Financial Review

Set out below is a comparative review of financial results for 4Q13 and the year ended December 31, 2013 compared to the same periods in 2012. These results should be read in conjunction with the audited consolidated financial statements.

3.1 / Adjusted Financial Information

The following pro-forma information reflects how the Company evaluates on-going performance. The Company has prepared the Adjusted Financial Information set out below to generate the key business performance metrics of Adjusted Base Revenues, Adjusted Base EBITDA, Adjusted EBITDA, and Adjusted Net Income.

In preparing the adjusted financial information, management has eliminated both Non-Recurring and Non-Cash Items, specifically, LTIP expenses, Net Change in Fair Value of Derivatives, Unrealized Foreign Exchange (Gain) Loss, Financing Fees related to the Tricon American Homes credit facility and imputed selling expenses embedded within Investment Income – Single-Family Rental, Financing Fees related to the Corporate credit facility as well as other Non-Recurring Expenses as detailed in section 3.2 – Reconciliation of MD&A from Financial Statements below.

Table 1: Selected Adjusted Income Statement Information

(Rounded to nearest thousands of dollars)	For the Three Months Ended December 31				For the Year Ended December 31			
	2013	2012	Variance ($)	Variance (%)	2013	2012	Variance	Variance (%)
Contractual Fees	$ 5,240,000	$ 2,197,000	$ 3,043,000	139%	$ 15,139,000	$ 9,985,000	$ 5,154,000	52%
General Partner Distributions	746,000	743,000	3,000	0%	2,959,000	3,630,000	(671,000)	(18%)
Investment Income – Single-Family Rental	2,472,000	137,000	2,335,000	NM	8,941,000	298,000	8,643,000	NM
Investment Income – Land and Homebuilding	8,505,000	2,612,000	5,893,000	226%	18,537,000	4,298,000	14,239,000	331%
Interest Income	909,000	89,000	820,000	NM	1,302,000	608,000	694,000	114%
Adjusted Base Revenues	17,872,000	5,778,000	12,094,000	209%	46,878,000	18,819,000	28,059,000	149%
Salaries and Benefits	1,426,000	1,027,000	(399,000)	39%	4,992,000	3,795,000	(1,197,000)	32%
Professional fees	497,000	534,000	37,000	(7%)	1,627,000	1,234,000	(393,000)	32%
Directors' fees	101,000	50,000	(51,000)	102%	333,000	247,000	(86,000)	35%
General and Administration Expenses	501,000	268,000	(233,000)	87%	1,664,000	939,000	(725,000)	77%
Adjusted Base Operating Expenses	2,525,000	1,879,000	(646,000)	34%	8,616,000	6,215,000	(2,401,000)	39%
Adjusted Base EBITDA	15,347,000	3,899,000	11,448,000	294%	38,262,000	12,604,000	25,658,000	204%
Annual Incentive Plan	(1,277,000)	(734,000)	(543,000)	74%	(4,221,000)	(1,443,000)	(2,778,000)	193%
Investment Income – SFR Fair Value Adjustment	14,614,000	254,000	14,360,000	NM	32,050,000	254,000	31,796,000	NM
Performance Fees	25,000	12,000	13,000	108%	7,382,000	95,000	7,287,000	NM
Performance Fee-Related Bonus Pool (LTIP)	(516,000)	(6,000)	(510,000)	NM	(4,686,000)	(48,000)	(4,638,000)	NM
Adjusted EBITDA	28,193,000	3,425,000	24,768,000	723%	68,787,000	11,462,000	57,325,000	500%
Stock Compensation Expense	(149,000)	(42,000)	(107,000)	255%	(538,000)	(264,000)	(274,000)	104%
Interest Expense	(3,567,000)	(899,000)	(2,668,000)	297%	(10,941,000)	(1,455,000)	(9,486,000)	NM
Amortization	(212,000)	(305,000)	93,000	(30%)	(763,000)	(1,160,000)	397,000	(34%)
Income Tax (Expense) Recovery	(12,144,000)	(529,000)	(11,615,000)	NM	(21,859,000)	(1,825,000)	(20,034,000)	NM
Adjusted Net Income	$ 12,121,000	$ 1,650,000	$ 10,471,000	635%	$ 34,686,000	$ 6,758,000	$ 27,928,000	413%
Adjusted Basic Earnings Per Share	$ 0.13	$ 0.05			$ 0.57	$ 0.24		
Adjusted Diluted Earnings Per Share	$ 0.11	$ 0.05			$ 0.45	$ 0.24		
Weighted Average Shares Outstanding – Basic	90,664,248	34,696,264			60,534,679	27,731,820		
Weighted Average Shares Outstanding – Diluted	109,044,166	34,710,639			77,438,262	27,746,195		

Adjusted Base Revenue

- Contractual Fees increased in 4Q13 and 2013 by 139% YOY and 52% YOY, respectively, as a result of a total "catch-up" fee of $3.4 million earned on the second, third, and final close of Tricon XI as new investors were required to pay fees retroactive to the fund's initial close in July 2012, as well as a project commitment fee of $0.8 million earned upon the closing of Grand Lakes.
- General Partner Distributions are earned exclusively on Tricon XII. For 2013, the balance decreased by 18% YOY since the 2012 number was inflated by a one-time "catch-up" fee of $0.5 million earned in 1Q12 on the final close of the fund. The YOY variance for the quarter was immaterial.
- Realized Investment Income – Single-Family Rental: At year-end, the SFR portfolio had grown 106% YOY to 3,256 rental units, which produced Realized Investment Income – Single-Family Rental of $8.9 million for the year. Year-end portfolio occupancy rate of 78% and GROI margin of 60% are consistent with expectations for this segment. *Refer to section 5 – Tricon American Homes.*
- Investment Income – Land and Homebuilding increased for 4Q13 and 2013 by 226% YOY and 331% YOY, respectively, primarily due to the acquisition of the 68.4% interest in Tricon IX. This line item excludes $7.2 million of Deemed Performance Fees from the buy-out of limited partners (reallocated to Performance Fees), Unrealized Foreign Exchange, and Tax Expense amounts.
- Interest Income consists of interest earned on cash, short-term and other investments, and preferred return received from additional closings of private funds. The 114% YOY increase for 2013 reflects the preferred return from the "true up" of capital received on the second, third, and final close of Tricon XI.

Adjusted Base Operating Expenses

- Salaries and Benefits for 4Q13 and 2013 increased YOY by 39% and 32%, respectively, as a result of normal increases in base salaries (an average of 5% for existing employees) and the hiring of eight new employees over the course of the year (an increase in headcount of 30% YOY), including two senior investment professionals, an investment analyst, three accounting staff members, and two administrative staff.
- Professional Fees saw a nominal decrease in 4Q13 and an overall increase of 32% YOY in 2013 as a result of the growth of Tricon American Homes, which necessitated enhanced audit requirements and tax consulting.
- Directors' Fees increased in 4Q13 and 2013 by 102% YOY and 35% YOY, respectively, as a result of additional meetings held and an increase in the value of Deferred Share Units ("DSUs") held by directors. The directors have the right to participate in the Company's DSU Plan and receive all or a portion of their compensation in the form of Independent Director DSUs. Two of the directors participate in the plan and the units held are fair valued at the end of each quarter.
- General and Administration Expense increased in 4Q13 and 2013 by 87% YOY and 77% YOY, respectively, as a result of increased public company costs, travel expenses, and one-time expenses related to the new office in San Francisco.

Adjusted EBITDA

- Unrealized Investment Income – Single-Family Rental Fair Value Adjustment: The Company recorded a net increase of $14.6 million during the quarter and $32.1 million in 2013 in the fair value of its single-family home portfolio. Homes owned at September 30, 2013 increased in value by 7.1% over the quarter sequentially or $25.3 million, offset by $8.4 million of capital expenditures along with $2.3 million of implied operator performance fees, non-controlling interest and other sundry costs incurred on homes during 4Q13. *Refer to section 5 – Tricon American Homes*.
- Performance Fees saw a substantial increase in 2013 as a result of the Deemed Performance Fees of $7.2 million recognized on the buy-out of the limited partners in the acquisition of the 68.4% Tricon IX interest in 3Q13. A nominal amount of Performance Fees was earned in 4Q13.
- Annual Incentive Plan ("AIP") increased by 74% YOY and 193% YOY in 4Q13 and 2013, respectively, to address the 30% YOY growth in the number of employees. Starting in 3Q13, AIP was calculated as 20% of Adjusted Base EBITDA less Tricon IX Investment Income; therefore, total AIP for the year was higher than in 2012 due to the higher percentage applied and the increased Adjusted Base EBITDA. Note that 3Q13 AIP expense includes a "catch-up" component to account for unrecognized AIP in 1H13.
- Performance Fee-Related Bonus Pool (LTIP) for 2013 consists of:
  (i) 50% of the $7.4 million Deemed Performance Fees or $3.7 million plus
  (ii) LTIP of $1 million related to the grant of DSUs on Investment Income earned on Tricon IX.

Table 2: Compensation Plans

	For the Three Months Ended December 31			For the Year Ended December 31		
(Rounded to nearest thousands of dollars)	2013	2012	Variance	2013	2012	Variance
AIP						
Adjusted Base EBITDA	$ 15,347,000	$ 3,899,000	$ (11,448,000)	$ 38,262,000	$ 12,604,000	$ (25,658,000)
Less: Tricon IX Investment Income	(8,961,000)	–	8,961,000	(17,158,000)	–	17,158,000
Base for AIP Calculation	6,386,000	3,899,000	(2,487,000)	21,104,000	12,604,000	(8,500,000)
60% to be Paid in Cash	766,000	734,000	(32,000)	2,533,000	1,443,000	(1,090,000)
40% in Deferred Share Units	511,000	–	(511,000)	1,688,000	–	(1,688,000)
Total AIP Awarded(1)	$ 1,277,000	$ 734,000	$ (543,000)	$ 4,221,000	$ 1,443,000	$ (2,778,000)
LTIP						
LTIP at 20% on Tricon IX Investment Income(2)	$ 503,000	$ –	$ (503,000)	$ 995,000	$ –	$ (995,000)
LTIP at 50% on Tricon IX Deemed Performance Fees(3)	–	–	–	3,593,000	–	(3,593,000)
LTIP at 50% on Performance Fees Received	13,000	6,000	(7,000)	98,000	48,000	(50,000)
Stock option expense	149,000	42,000	(107,000)	538,000	264,000	(274,000)
Total LTIP for the Period	$ 665,000	$ 48,000	$ (617,000)	$ 5,224,000	$ 312,000	$ (4,912,000)

(1) 3Q13 includes a catch-up expense for prior quarters as a result of the compensation plan change.

(2) The Performance Fee-Related Bonus Pool includes 20% on Tricon IX Investment Income earned. The full 20% is paid out in the form of deferred share units which vest over five years. Under IFRS 2, these units are expensed over six years on a graded basis.

(3) LTIP on Tricon IX Deemed Performance Fees is fully vested and was paid in phantom units which will be released ratably over three years.

Adjusted Net Income

- Adjusted EBITDA increased in 4Q13 and 2013 by 723% YOY and 500% YOY, respectively, as a result of the reasons described above.
- Stock Compensation Expense was included in the determination of Adjusted Net Income starting in 3Q13 since it is a cost to the Company. Consequently, comparatives were adjusted to reflect the change. Note that stock compensation will increase given the structure of the new compensation plan. As a result of additional DSUs issued for LTIP on Investment Income – Tricon IX, Stock Compensation Expense increased in 4Q13 and 2013 by 255% YOY and 104% YOY, respectively.
- Interest Expense increased by 297% YOY in 4Q13, representing interest incurred in respect of the two convertible debentures, as well as the Company's share in the interest expense on the increased use of Tricon American Homes' credit facility. Note that the interest expense incurred on the TAH credit facility is part of the Investment Income – Single-Family Rental balance on the consolidated financial statements.

Table 3: Interest Expense

	For the Three Months Ended December 31			For the Year Ended December 31		
(Rounded to nearest thousands of dollars)	2013	2012	Variance	2013	2012	Variance
Interest Expense – Single-Family Rental	$ 1,131,000	$ 69,000	$ 1,062,000	$ 2,333,000	$ 76,000	$ 2,257,000
Interest Expense – Convertible Debentures	2,275,000	830,000	1,445,000	8,266,000	1,379,000	6,887,000
Interest Expense – Corporate	161,000	–	161,000	342,000	–	342,000
Total Interest Expense	$ 3,567,000	$ 899,000	$ 2,668,000	$ 10,941,000	$ 1,455,000	$ 9,486,000

- Amortization represents depreciation on fixed assets and amortization of placement fees and rights to performance fees on private funds. Amortization expense was lower by 30% YOY and 34% YOY in 4Q13 and 2013, respectively, due to Tricon VI and Tricon VII placement fees being fully amortized in 4Q12.
- In the Adjusted Net Income calculation, Income Tax includes corporate income tax as reported in the financial statements as well as the income tax for non-consolidated subsidiaries. Corporate Income tax expense for 2013 of $12.9 million consists of $8.0 million of deferred tax expense and $4.9 million of current tax expense. Tax expense on non-consolidated subsidiaries amounted to $5.4 million for 2013. Deferred tax expense relates to fair value adjustments on investments, equity issuance costs, debenture issuance costs and prior year adjustments, offset by net operating losses. The Non-Cash and Non-Recurring Items referred to in the table below are reported in greater detail in Table 6: Reconciliation of Net Income to Adjusted Net Income. The tax expense increased in 4Q13 and 2013 due to additional Investment Income earned from the Company's acquisition of a 68.4% interest in Tricon IX, contractual fees earned on new Separate Accounts, and Investment Income – Single-Family Rental which almost doubled in 4Q13 compared to the nine months ended September 30, 2013.

Table 4: Adjusted Income Tax Expense

	For the Three Months Ended December 31			For the Year Ended December 31		
(Rounded to nearest thousands of dollars)	2013	2012	Variance	2013	2012	Variance
Adjusted EBT	$ 24,265,000	$ 2,179,000	$ 22,086,000	$ 56,545,000	$ 8,583,000	$ 47,962,000
Tax Expense per Financial Statement	(7,352,000)	(508,000)	(6,844,000)	(12,862,000)	(1,346,000)	(11,516,000)
Tax Expense SFR (reallocated from Investment Income – Single-Family Rental)	(4,698,000)	(315,000)	(4,383,000)	(5,317,000)	(299,000)	(5,018,000)
Tax Expense Land and Homebuilding (reallocated)	136,000	330,000	(194,000)	(36,000)	273,000	(309,000)
Tax Expense on Non-Cash and Non-Recurring Items Removed	(230,000)	(36,000)	(194,000)	(3,644,000)	(453,000)	(3,191,000)
Income Tax Expense	(12,144,000)	(529,000)	(11,615,000)	(21,859,000)	(1,825,000)	(20,034,000)
Adjusted Net Income	$ 12,121,000	$ 1,650,000	$ 10,471,000	$ 34,686,000	$ 6,758,000	$ 27,928,000

3.2 / Reconciliation of MD&A from Financial Statements

Net income (Loss) from consolidated financial statement is summarized below:

Table 5: Net Income

	For the Three Months Ended December 31			For the Year Ended December 31		
(Rounded to nearest thousands of dollars)	2013	2012	Variance	2013	2012	Variance
Total Revenues	$ 42,888,000	$ 7,105,000	$ 35,783,000	$ 91,235,000	$ 18,276,000	$ 72,959,000
Total Expenses	(19,306,000)	(9,112,000)	(10,194,000)	(42,300,000)	(21,128,000)	(21,172,000)
Income Tax Expense	(7,352,000)	(508,000)	(6,844,000)	(12,862,000)	(1,346,000)	(11,516,000)
Net and Comprehensive Income for the Period	$ 16,230,000	$ (2,515,000)	$ 18,745,000	$ 36,073,000	$ (4,198,000)	$ 40,271,000
Basic Income (Loss) per Share	$ 0.18	$ (0.08)		$ 0.60	$ (0.15)	
Diluted Income (Loss) per Share	$ 0.18	$ (0.13)		$ 0.59	$ (0.15)	

The following is a reconciliation of Net and Comprehensive Income (Loss) to Adjusted Net Income showing both Non-Recurring and Non-Cash adjustments.

Table 6: Reconciliation of Net Income to Adjusted Net Income

	For the Three Months Ended December 31			For the Year Ended December 31		
(Rounded to nearest thousands of dollars)	2013	2012	Variance	2013	2012	Variance
Net and Comprehensive Income for the Period	$ 16,230,000	$ (2,515,000)	$ 18,745,000	$ 36,073,000	$ (4,198,000)	$ 40,271,000
Adjustments:						
Long-Term Incentive Plan (including LTIP on Tricon IX Investment Income)	(287,000)	357,000	(644,000)	5,875,000	1,997,000	3,878,000
Long-Term Incentive Plan Actual	(665,000)	(270,000)	(395,000)	(5,224,000)	(312,000)	(4,912,000)
Phantom Units for 2012	318,000	168,000	150,000	1,015,000	722,000	293,000
Tricon IX Advisory Fees	5,000	–	5,000	4,624,000	–	4,624,000
Bond Discount Amortization	1,054,000	427,000	627,000	3,690,000	838,000	2,852,000
Formation Costs – New Funds	–	–	–	–	(192,000)	192,000
Financing Charges – SFR Facility	1,109,000	–	1,109,000	5,118,000	–	5,118,000
Unrealized SFR Selling Expenses	808,000	–	808,000	5,159,000	–	5,159,000
Financing Charges – Corporate Credit Facility	–	–	–	400,000	–	400,000
Net Change in Fair Value of Derivative	12,683,000	5,328,000	7,355,000	5,680,000	7,671,000	(1,991,000)
Unrealized Foreign Exchange (Gain) Loss	(915,000)	(878,000)	(37,000)	(1,191,000)	(289,000)	(902,000)
Unrealized Foreign Exchange (Gain) Loss on Co-Investments	(9,519,000)	114,000	(9,633,000)	(8,798,000)	(74,000)	(8,724,000)
Unrealized Foreign Exchange (Gain) Loss on Investment – SFR	(8,470,000)	(1,045,000)	(7,425,000)	(14,091,000)	1,048,000	(15,139,000)
Total Non-Recurring and Non-Cash Adjustments	(3,879,000)	4,201,000	(8,080,000)	2,257,000	11,409,000	(9,152,000)
Tax Effect of Above Adjustments (Expense)	(230,000)	(36,000)	(194,000)	(3,644,000)	(453,000)	(3,191,000)
Non-Recurring and Non-Cash Adjustments after Taxes	(4,109,000)	4,165,000	(8,274,000)	(1,387,000)	10,956,000	(12,343,000)
Adjusted Net Income	$ 12,121,000	$ 1,650,000	$ 10,471,000	$ 34,686,000	$ 6,758,000	$ 27,928,000

- Long-Term Incentive Plan – Per IFRS, the Company is required to estimate the potential LTIP payable based on the estimated fair value of assets within the managed private funds.
- Phantom Units Expense – The expense incurred in 2013 relates to units issued to employees in the prior year and therefore the balance has been removed from the Company's performance metrics.
- Tricon IX Advisory fees – The $4.6 million incurred on the purchase of the Tricon IX limited partnership interests was removed due to its non-recurring nature.
- Bond Discount Amortization – Per IFRS, the Company is required to discount expected cash flows of the convertible debentures using an effective interest rate and report Debentures Payable at amortized cost. The corresponding amortization expense is non-cash in nature and is therefore removed when calculating Adjusted Net Income.
- Formation Costs – The costs relating to Tricon XI which were expensed in 2011 were recovered on the initial close of Tricon XI in 3Q12. Since Formation Costs and the related recoveries are a flow-through to the Company's private funds and are generally recovered from the limited partners of the new private funds at fund formation, they have been removed when calculating Adjusted Net Income. For 4Q13 and 2013, the Company incurred no Formation Costs/Recoveries.
- Unrealized SFR Selling Expenses – The Unrealized Investment Income – Single-Family Rental Fair Value Adjustment balance includes imputed, non-cash selling costs on the portfolio assumed as 1% of fair value of Investment Properties and 5% of fair value of Inventory Homes. This non-cash item has therefore been removed when calculating Adjusted Net Income.
- Convertible Debentures – The Company is required to fair value the embedded derivative components of the convertible debentures quarterly, resulting in a large non-cash expense to the income statement. This non-cash item has therefore been removed when calculating Adjusted Net Income.
- Unrealized Foreign Exchange Gain – Foreign exchange fluctuations do not expose the Company to near-term economic gains or losses since the Company does not convert most of the US dollars earned into Canadian dollars, which would crystallize the gains or losses. Instead, it retains the majority of the US dollars earned for investment in future U.S. private funds and direct investments. As a result, the balance has been removed when calculating the Adjusted Base EBITDA, Adjusted EBITDA and Adjusted Net Income amounts set out above. Notwithstanding the foregoing, since the Company has raised convertible debentures repayable in Canadian dollars and has invested the proceeds in U.S. assets, hedging alternatives are currently being considered.

Please see section 3.1 – Adjusted Financial Information above for more detailed explanations.

Table 7: Key Non-IFRS Performance Measures

For the Three Months Ended	31-Dec-2013	30-Sep-2013	30-Jun-2013	31-Mar-2013	31-Dec-2012	30-Sep-2012	30-Jun-2012	31-Mar-2012
Assets Under Management	$ 1,857,804,000	$ 1,624,430,000	$ 1,294,911,000	$ 1,159,917,000	$ 1,115,433,000	$ 1,053,312,000	$ 1,193,152,000	$ 992,371,000
Adjusted Base EBITDA	$ 15,347,000	$ 15,526,000	$ 4,029,000	$ 3,360,000	$ 4,169,000	$ 3,340,000	$ 3,457,000	$ 1,908,000
Adjusted EBITDA	$ 28,193,000	$ 17,188,000	$ 8,399,000	$ 15,007,000	$ 3,363,000	$ 3,379,000	$ 2,949,000	$ 1,709,000
Adjusted Net Income	$ 12,121,000	$ 10,053,000	$ 4,213,000	$ 8,321,000	$ 804,000	$ 1,645,000	$ 1,926,000	$ 1,002,000
Adjusted Basic Earnings per Share	$ 0.13	$ 0.15	$ 0.10	$ 0.20	$ 0.02	$ 0.05	$ 0.07	$ 0.05
Adjusted Diluted Earnings per Share	$ 0.11	$ 0.15	$ 0.10	$ 0.20	$ 0.02	$ 0.05	$ 0.07	$ 0.05

The following quarterly information is from the Company's unaudited quarterly financial statements:

Table 8: Summary of Quarterly Income Statement Information

For the three months ended	31-Dec-2013	30-Sep-2013	30-Jun-2013	31-Mar-2013	31-Dec-2012	30-Sep-2012	30-Jun-2012	31-Mar-2012
Contractual Management Fees	$ 5,240,000	$ 5,684,000	$ 2,068,000	$ 2,147,000	$ 2,197,000	$ 2,472,000	$ 3,445,000	$ 1,871,000
General Partner Distribution	746,000	746,000	737,000	730,000	743,000	744,000	915,000	1,228,000
Performance Fees	24,000	–	163,000	8,000	12,000	8,000	75,000	–
Investment Income	–	–	–	–	–	–	–	–
Interest Income	909,000	77,000	205,000	111,000	89,000	194,000	185,000	140,000
Total Revenue	6,919,000	6,507,000	3,173,000	2,996,000	3,041,000	3,418,000	4,620,000	3,239,000
Investment income – Single-Family Rental	17,822,000	(2,217,000)	8,505,000	13,048,000	1,258,000	(1,841,000)	44,000	–
Investment income – Land and Homebuilding	18,147,000	14,537,000	985,000	813,000	2,806,000	1,411,000	234,000	46,000
Total Investment Income	35,969,000	12,320,000	9,490,000	13,861,000	4,064,000	(430,000)	278,000	46,000
Total Revenue and Investment Income	42,888,000	18,827,000	12,663,000	16,857,000	7,105,000	2,988,000	4,898,000	3,285,000
Salaries and Benefits	1,426,000	1,232,000	1,176,000	1,158,000	1,027,000	935,000	897,000	936,000
Annual Incentive Plan	1,593,000	2,310,000	1,005,000	328,000	902,000	150,000	729,000	384,000
Long-Term Incentive Plan	(287,000)	4,048,000	732,000	1,383,000	135,000	923,000	398,000	541,000
Professional Fees	494,000	429,000	375,000	326,000	533,000	309,000	200,000	192,000
Directors' Fees	101,000	85,000	43,000	104,000	51,000	97,000	45,000	54,000
Formation Cost	–	–	–	–	–	(265,000)	49,000	24,000
General and Administration Expense	503,000	429,000	390,000	344,000	268,000	242,000	220,000	209,000
Interest Expense	3,491,000	3,839,000	3,238,000	2,130,000	1,440,000	961,000	–	–
Net Change in Fair Value of Financial Instruments Through (Profit) Loss	12,683,000	396,000	(8,579,000)	1,180,000	5,328,000	2,343,000	–	–
Transaction costs	5,000	4,619,000	–	–	–	–	–	–
Amortization	212,000	209,000	186,000	156,000	306,000	290,000	274,000	290,000
Realized and Unrealized Foreign Exchange (Gain) Loss	(915,000)	1,005,000	(911,000)	(370,000)	(878,000)	1,114,000	(845,000)	320,000
Total Expenses	19,306,000	18,601,000	(2,345,000)	6,739,000	9,112,000	7,099,000	1,967,000	2,950,000
Income (Loss) Before Income Taxes	23,582,000	226,000	15,008,000	10,118,000	(2,007,000)	(4,111,000)	2,931,000	335,000
Income Tax (Expense) Recovery	(7,352,000)	(2,445,000)	(2,626,000)	(439,000)	(508,000)	25,000	(771,000)	(92,000)
Net income (loss)	16,230,000	(2,219,000)	12,382,000	9,679,000	(2,515,000)	(4,086,000)	2,160,000	243,000
Cumulative Translation Reserve	(38,000)				–	–	–	–
Total comprehensive income (loss) for the period	$ 16,192,000	$ (2,219,000)	$ 12,382,000	$9,679,000	$ (2,515,000)	$ (4,086,000)	$ 2,160,000	$ 243,000
Basic Earnings per Share	$ 0.18	$ (0.03)	$ 0.30	$ 0.23	$ (0.07)	$ (0.13)	$ 0.08	$ 0.01
Diluted Earnings per Share	$ 0.18	$ (0.03)	$ 0.14	$ 0.23	$ (0.07)	$ (0.13)	$ 0.08	$ 0.01
Weighted Average Shares Outstanding	90,664,248	67,951,122	41,764,212	41,754,012	34,696,264	31,167,971	26,855,471	18,230,471
Weighted Average Shares Outstanding – Diluted	109,044,166	68,506,729	60,114,888	42,422,929	34,710,639	31,181,721	26,855,471	18,230,471

3.3 / Segment Information

- Segment information is provided below for a greater understanding of Adjusted EBITDA as generated from the three business segments, before and after overhead allocation.
- Specific overhead expenses are allocated to the corresponding business line, while non-specific expenses are allocated to each business segment based on the segment's year-to-date base revenue as a percentage of the total. The Company changed to this allocation methodology in 2Q13 from AUM, which is more reflective of fee revenue earned and is a proxy for its Fund Management business. Actual Base Revenues earned takes into account all business lines and is a consistent metric over time.
- The Company believes this general overhead allocation method is practical and better reflects each segment's overhead costs.
- LTIP balance set out below does not include Stock Compensation Expense.

Table 9: Segment Information

	For the Three Months Ended December 31, 2013				For the Year Ended December 31, 2013			
		Principal Investing				Principal Investing		
	Private Funds	Single-Family Rental (TAH)	Land and Homebuilding	Total	Private Funds	Single-Family Rental (TAH)	Land and Homebuilding	Total
Adjusted Base Revenues	$ 6,895,000	$ 2,472,000	$ 8,505,000	$ 17,872,000	$ 19,400,000	$ 8,941,000	$ 18,537,000	$ 46,878,000
Overhead Allocation	(974,000)	(349,000)	(1,202,000)	(2,525,000)	(3,567,000)	(1,643,000)	(3,406,000)	(8,616,000)
Adjusted Base EBITDA	5,921,000	2,123,000	7,303,000	15,347,000	15,833,000	7,298,000	15,131,000	38,262,000
Annual Incentive Plan	(493,000)	(177,000)	(607,000)	(1,277,000)	(1,747,000)	(805,000)	(1,669,000)	(4,221,000)
Investment Income – Single-Family Rental Fair Value Adjustment	–	14,614,000	–	14,614,000	–	32,050,000	–	32,050,000
Performance Fees	25,000	–	–	25,000	7,382,000	–	–	7,382,000
Performance Fee-Related Bonus Pool (LTIP)	(516,000)	–	–	(516,000)	(4,686,000)	–	–	(4,686,000)
Adjusted EBITDA	$ 4,937,000	$ 16,560,000	$ 6,696,000	$ 28,193,000	$ 16,782,000	$ 38,543,000	$ 13,462,000	$ 68,787,000
Segment Adjusted Base EBITDA / Total Adjusted Base EBITDA	38.6%	13.8%	47.6%	100.0%	41.4%	19.1%	39.5%	100.0%
Segment Adjusted EBITDA / Total Adjusted EBITDA	17.5%	58.7%	23.8%	100.0%	24.4%	56.0%	19.6%	100.0%
Adjusted Base EBITDA Margin				85.9%				81.6%

	For the Three Months Ended December 31, 2012				For the Year Ended December 31, 2012			
		Principal Investing				Principal Investing		
	Private Funds	Single-Family Rental (TAH)	Land and Homebuilding	Total	Private Funds	Single-Family Rental (TAH)	Land and Homebuilding	Total
Adjusted Base Revenues	$ 3,029,000	$ 137,000	$ 2,612,000	$ 5,778,000	$ 14,223,000	$ 298,000	$ 4,298,000	$ 18,819,000
Overhead Allocation	(984,000)	(44,000)	(851,000)	(1,879,000)	(4,698,000)	(99,000)	(1,418,000)	(6,215,000)
Adjusted Base EBITDA	2,045,000	93,000	1,761,000	3,899,000	9,525,000	199,000	2,880,000	12,604,000
Annual Incentive Plan	(385,000)	(17,000)	(332,000)	(734,000)	(1,091,000)	(23,000)	(329,000)	(1,443,000)
Investment Income – Single-Family Rental Fair Value Adjustment	–	254,000	–	254,000	–	254,000	–	254,000
Performance Fees	12,000	–	–	12,000	95,000	–	–	95,000
Performance Fee-Related Bonus Pool (LTIP)	(6,000)	–	–	(6,000)	(48,000)	–	–	(48,000)
Adjusted EBITDA	$ 1,666,000	$ 330,000	$ 1,429,000	$ 3,425,000	$ 8,481,000	$ 430,000	$ 2,551,000	$ 11,462,000
Segment Adjusted Base EBITDA / Total Adjusted Base EBITDA	52.4%	2.4%	45.2%	100.0%	75.6%	1.6%	22.8%	100.0%
Segment Adjusted EBITDA / Total Adjusted EBITDA	48.6%	9.6%	41.7%	100.0%	74.0%	3.8%	22.3%	100.0%
Adjusted Base EBITDA Margin				67.5%				67.0%

3.4 / Balance Sheet

Due to the adoption of the Investment Entity amendments, the balance sheet no longer consolidates the results of operations and financial position on a line-by-line basis for its wholly-owned subsidiaries that hold investments or co-investments in Tricon IX, Tricon XI, Tricon XII, the Separate Account loans, and the U.S. single-family rental limited partnerships. The investments in these entities are now presented as investments in the consolidated balance sheet and are measured at fair value with changes in fair value reflected as investment income in the consolidated statement of comprehensive income.

Table 10: Balance Sheet

(Rounded to nearest thousands of dollars)	December 31, 2013	December 31, 2012	Variance ($)	Variance (%)
Current Assets				
Cash and Cash Equivalents	$ 13,122,000	$ 31,137,000	$ (18,015,000)	(58%)
Short-Term Investments	–	4,094,000	(4,094,000)	(100%)
Accounts Receivable	2,920,000	812,000	2,108,000	260%
Prepaid Expenses and Other Assets	416,000	302,000	114,000	38%
Income Taxes Recoverable	–	–	–	N/A
	16,458,000	36,345,000	(19,887,000)	(55%)
Non-Current Assets				
Investments – Single-Family Rental	287,053,000	140,693,000	146,360,000	104%
Investments – Land and Homebuilding	332,556,000	32,241,000	300,315,000	931%
Intangible Assets	4,441,000	2,441,000	2,000,000	82%
Office Equipment and Leasehold Improvements	470,000	166,000	304,000	183%
Deferred Income Tax Assets	1,965,000	5,667,000	(3,702,000)	(65%)
	626,485,000	181,208,000	445,277,000	246%
Total Assets	$ 642,943,000	$ 217,553,000	$ 425,390,000	196%
Current Liabilities				
Accounts Payable and Accruals	8,818,000	2,670,000	6,148,000	230%
Long-Term Incentive Plan – Current Portion	11,000	15,000	(4,000)	(27%)
Dividends Payable	5,417,000	2,505,000	2,912,000	116%
Income Taxes Payable	2,512,000	366,000	2,146,000	586%
Bank Debt	4,354,000	–	4,354,000	N/A
Interest Payable	2,333,000	1,379,000	954,000	69%
	23,445,000	6,935,000	16,510,000	238%
Non-Current Liabilities				
Deferred Income Tax Liabilities	2,312,000	1,666,000	646,000	39%
Long-Term Incentive Plan – Non-Current Portion	10,635,000	9,980,000	655,000	7%
Derivative Financial Instruments	46,964,000	23,921,000	23,043,000	96%
Debentures Payable	102,790,000	33,756,000	69,034,000	205%
Total Liabilities	186,146,000	76,258,000	109,888,000	144%
Equity				
Share Capital	455,191,000	164,614,000	290,577,000	177%
Contributed Surplus	6,113,000	1,377,000	4,736,000	344%
Accumulated Other Comprehensive Loss	(38,000)	–	(38,000)	N/A
Deficit	(4,469,000)	(24,696,000)	20,227,000	(82%)
Total Equity	456,797,000	141,295,000	315,502,000	223%
Total Liabilities and Equity	$ 642,943,000	$ 217,553,000	$ 425,390,000	196%

Assets

In 2013, the Company's assets increased 196% YOY to $642.9 million, primarily due to the proceeds raised from the $86.0 million convertible debenture offering completed in February 2013, the $241.5 million common share offering completed in August 2013, and additional Investment Properties purchased in Tricon American Homes. Proceeds from the convertible debenture offering were invested in the U.S. single-family rental limited partnerships, while the proceeds from the common share offering were used to acquire a 68.4% interest in Tricon IX.

- Cash Available for Investment – Based on cash on hand, undrawn amounts on the Corporate credit facility and expected cash inflows, the Company has sufficient cash available to fund its remaining commitment to funds Tricon IX, Tricon XI and Tricon XII as well as to the Cross Creek Ranch, Fulshear Farms, Vistancia West, and Grand Lakes co-investments.
- Investment – Single-Family Rental – The balance represents the Company's proportionate share of the fair value of net assets in single-family rental partnerships. An Automated Valuation Model (AVM) is used to determine the fair value of the homes, on a house by house basis. The AVM calculates fair value by analyzing values of comparable properties, historical house price movements, and property specifications (i.e. number of bedrooms and bathrooms, square footage, etc.). To derive the quarterly change in fair value, the Company deducts the previous quarter's AVM value as well as acquisition costs, capital expenditures for the quarter, and imputed selling costs which are assumed to be 1% and 5% of fair value of Investment Properties and Inventory Homes, respectively. Valuations are performed on a quarterly basis. Note that the AVM data does not take into account the physical condition of the properties or additional renovations performed on the homes and is not necessarily reflective of changes in current market conditions since transactional data may lag from three to six months.

By the end of 4Q13 the Company had invested US$237.1 million in its U.S. single-family rental investment strategy which, when combined with fair value adjustments, resulted in a total net investment (i.e. Investment – Single-Family Rental) of $287.1 million (US$268.5 million). As shown in the table below, this amount represents the fair value of the SFR assets less the fair value of the SFR liabilities and the non-controlling interest.

Table 11: Summary of Tricon American Homes Balance Sheet

	As of December 31, 2013		As of December 31, 2012	
(Rounded to the nearest thousands of dollars)	**USD**	**CAD**	**USD**	**CAD**
Housing Inventories	$ 17,154,000	$ 18,388,000	$ 14,619,000	$ 14,544,000
Investment Properties	406,514,000	435,767,000	140,318,000	139,602,000
Other Assets	32,550,000	34,802,000	9,417,000	9,369,000
Total Assets	456,218,000	488,957,000	164,354,000	163,515,000
Current Liabilities	5,409,000	5,798,000	2,724,000	2,710,000
Deferred Income Tax Liabilities	4,290,000	5,242,000	620,000	617,000
Other Long-Term Liabilities	101,000	108,000	–	–
Bank Loans	137,630,000	147,534,000	8,161,000	8,119,000
Total Liabilities	147,430,000	158,682,000	11,505,000	11,446,000
Net Assets – Single-Family Rental	$ 308,788,000	$ 330,275,000	$ 152,849,000	$ 152,069,000
Investments – Single-Family Rental(1)	268,467,000	287,053,000	142,073,000	140,693,000
Non-controlling interest(1)	40,321,000	43,222,000	10,776,000	11,376,000

(1) Translation of SFR balance sheet items was calculated based on the average year-to-date foreign exchange rate.

- Investments – Land and Homebuilding – The balance represents the fair value of net assets of the Company's co-investment in funds, with the investment in underlying projects being a significant portion of net assets. The fair value of the investment in underlying projects is determined using discounted cash flows, appraised values or implied multiples from recent transactions involving similar assets.

  In addition, the balance includes the fair value of our co-investment in separate accounts or joint ventures which is calculated based on pre-determined formulas specified in the limited partnership agreement. The inputs into the calculations include the fair value of the land and the fair value of the working capital held by the limited partnerships. The fair value of the land is based on appraisals prepared by an external third-party valuator or based on internal valuations.

In 2013, total co-investments increased significantly to $332.6 million driven by a material new investment in Tricon IX, and the new Separate Account investments with combined commitments of US$82.5 million. In 4Q13, the Company received US$10.8 million from its Tricon IX investment, resulting in a total of US$21.7 million cash received in 2013. *Refer to Table 19 Summary of Investment – Land and Homebuilding*.

Liabilities

In 2013, the Company's liabilities increased 144% YOY to $186.1 million, as a result of the following:

- Convertible Debentures – The Company completed a second convertible debenture offering in February 2013 for $86.0 million at an annual interest rate of 5.6%, payable semi-annually at the end of March and September. As at December 31, 2013, the fair value of the Debentures Payable totaled $102.8 million.
- Derivatives Financial Instrument – The conversion and redemption options available within both series of convertible debentures are reported at fair value on a quarterly basis. As at December 31, 2013, the fair value of the "embedded derivative payable" was $47.0 million.
- Corporate Credit Facility – Effective August 2013, the Company has a $45.0 million credit facility with The Royal Bank of Canada and J. P. Morgan Chase with a four-year term. The interest rate is determined on a pricing matrix ranging between Libor plus 3.5–4.0% depending on certain quarterly financial covenants. As of December 31, 2013, US$4.0 million was drawn under this facility with interest calculated at 3.75% of loan principal payable due February 10, 2014.
- Current Liabilities – In 2013, Current Liabilities increased by $16.5 million over 2012 as a result of the accrued interest expense incurred on the $137.8 million of convertible debentures, bank debt outstanding (as described above), and higher dividends payable due to additional shares issued in 3Q13 for the acquisition of 68.4% of Tricon IX.
- Long-term Incentive Plan – As at December 31, 2013, the Company recorded potential future LTIP of $10.6 million. It should be noted that LTIP is only paid if and when the corresponding Performance Fees are earned and recognized as revenue in the future.
- Deferred Income Tax Liabilities – This balance relates to placement fees incurred on private funds and unrealized gains on co-investments. During 4Q13, additional placement fees were incurred on the third and final close of Tricon XI. Placement fees are deductible on payment for tax purposes whereas they are amortized over the fund term for accounting purposes. Unrealized gains are not taxable until realized in the future.

Table 12: Shares Outstanding

The fully diluted shares outstanding reflect the conversion of all outstanding convertible debentures which are anti-dilutive for the year ended December 31, 2013.

		Time Weighted	
	Total	For the Three Months Ended December 31, 2013	For the Year Ended December 31, 2013
Basic Shares Outstanding			
Share Capital	90,276,953	90,255,272	60,377,812
Unissued Vested Phantom Units	408,976	408,976	156,868
Weighted Average / Total Number of Basic Shares Outstanding	90,685,929	90,664,248	60,534,679
Fully Diluted Shares Outstanding			
DSU Tricon IX	311,563	311,563	311,563
AIP Share Compensation	151,894	151,894	151,894
Stock Options	415,373	415,373	261,376
Unvested Phantom Units	113,078	113,078	113,078
Convertible Debentures	17,388,010	17,388,010	16,065,673
Adjustment for Dilution	18,379,918	18,379,918	16,903,583
Weighted Average / Total Number of Fully Diluted Shares Outstanding	109,065,847	109,044,166	77,438,262

4 / Assets Under Management

At the end of 2013, our total AUM was $1.9 billion, an increase of 67% YOY. This growth was driven by a $315.6 million investment increase in Tricon American Homes, the final close of Tricon XI in December 2013 with additional commitments of $228.9 million for a total of $333.7 million, our largest fund to date, and the close of the new separate accounts with commitments of US$198.3 million. A summary of AUM by fund is presented below.

Our Private Funds and Advisory business derives its revenue principally from Contractual Fees, General Partner Distributions and Performance Fees. A major factor in determining the fees ultimately earned is the amount of third-party AUM, which totaled approximately $1.0 billion as of December 31, 2013.

Table 13: Assets Under Management

(in Canadian dollars unless otherwise noted)

				Capitalization		Assets Under Management(3) (Canadian Equivalent)(2)		
Investment	Currency	Initial Close	Investment Period End	Originating Currency	Canadian Equivalent(2)	December 31, 2013	September 30, 2013	December 31, 2012
Tricon VIII	CA	October 2005	June 2008	101,124,000	101,124,000	$ 39,071,000	$ 47,860,000	$ 76,848,000
Tricon IX	US	May 2007	January 2012	105,000,000	111,678,000	111,678,000	108,182,000	328,277,000
Tricon X	CA	April 2008	April 2011	85,362,000	85,362,000	79,713,000	78,691,000	79,993,000
Tricon XI	US	August 2012	December 2016	308,740,000	328,376,000	328,376,000	242,564,000	99,489,000
Tricon XII	CA	March 2011	March 2014	175,750,000	175,750,000	175,750,000	175,750,000	175,750,000
Total Private Funds AUM						734,588,000	653,047,000	760,357,000
Cross Creek Ranch	US	June 2012	–	129,600,000	137,843,000	101,467,000	129,508,000	128,939,000
Fulshear Farms	US	September 2013	–	45,000,000	47,862,000	47,862,000	46,364,000	–
Vistancia West	US	September 2013	–	–	–	–	–	–
Grand Lakes	US	November 2013	–	72,675,000	77,297,000	77,297,000	–	–
Total Separate Accounts AUM						226,626,000	175,872,000	128,939,000
Syndicated Investments	US	–	–	14,900,000	15,848,000	1,064,000	1,030,000	1,094,000
Syndicated Investments	CA	–	–	65,606,000	65,606,000	19,366,000	25,476,000	25,476,000
Total Syndicated Investments AUM						20,430,000	26,506,000	26,570,000
Private Funds and Advisory AUM(1)						$ 981,644,000	$ 855,425,000	$ 915,866,000
Co-Investment (Cross Creek Ranch)	US	June 2012	–	14,400,000	15,316,000	15,075,000	17,582,000	14,327,000
Co-Investment (Fulshear Farms)	US	September 2013	–	5,000,000	5,318,000	5,318,000	5,152,000	–
Co-Investment (Vistancia West)	US	September 2013	–	55,000,000	58,498,000	58,967,000	56,624,000	–
Co-Investment (Grand Lakes)	US	November 2013	–	8,075,000	8,589,000	8,821,000	–	–
Co-Investment (Tricon IX)(4)	US	May 2007	January 2012	226,775,000	241,198,000	284,721,000	278,190,000	–
Co-Investment (Tricon XI)	US	August 2012	November 2016	25,000,000	26,590,000	27,665,000	29,966,000	24,873,000
Co-Investment (Tricon XII)	CA	March 2011	March 2014	20,000,000	20,000,000	19,652,000	20,048,000	20,000,000
Tricon American Homes(5)	US	May 2012	–	409,552,000	435,600,000	455,941,000	361,443,000	140,367,000
Principal Investments AUM						$ 876,160,000	$ 769,005,000	$ 199,567,000
Total Assets Under Management						$ 1,857,804,000	$ 1,624,430,000	$ 1,115,433,000

(1) Represents third-party AUM which generates Contractual Fee revenue for the Company.

(2) Foreign exchange rates used at each balance sheet date are: at December 31, 2013 CA$1.0636 per US$1.00, at September 30, 2013 CA$1.0303 per US$1.00 and at December 31, 2012 CA$0.9949 per US$1.00.

(3) During the investment period, Assets Under Management equals the Fund Capitalization. After the investment period, Assets Under Management represents the lesser of: (a) fund capital commitment, and (b) invested capital plus unfunded project commitments.

(4) $226.8 million represents total fund commitment; purchase price of 68.4% interest was $260.5 million.

(5) Assets Under Management is equal to the fair value of Investment Properties and Inventory Homes including non-controlling interests, net of imputed selling expenses.

5 / Tricon American Homes (U.S. Single-Family Rental)

Tricon American Homes ("TAH") was founded in April 2012 and is the U.S. single-family rental subsidiary of Tricon Capital Group Inc. TAH is focused on acquiring, renovating, and leasing well-located single-family homes within major U.S. cities that exhibit strong levels of employment and population growth, typically in markets where we already have a presence through our development business. Over the past 20 months, TAH has built a portfolio of over 3,000 homes across 12 major markets including Sacramento, the Bay Area, Los Angeles County, Inland Empire, Phoenix, Las Vegas, Reno, San Antonio, Southeast Florida, Tampa, Charlotte and Atlanta.

TAH adheres to specific acquisition criteria for each of its target markets and has local on-the-ground operating partners who are responsible for underwriting, acquiring and renovating the homes. In order to ensure financial alignment, all of TAH's operating partners have co-invested in each home being acquired and are compensated based on the long-term performance of the portfolio. We have a disciplined, yield-based focus and a selective acquisition process, typically buying one to two homes per day per active market.

Through an established network of property management affiliates, we employ common policies and procedures to oversee the leasing and ongoing management of the portfolio. In addition, we are in the process of implementing a customized Yardi-based technology platform across all markets which will be used for all aspects of property management and reporting.

To date, this segment has been capitalized with $271.9 million of equity including $237.1 million from Tricon and a total $34.8 million co-investment from the operating partners, $250 million of debt from a Deutsche Bank credit facility (approximately 50% drawn at Q4 2013) and approximately $17 million of other miscellaneous borrowings. We have a publicly stated goal of acquiring 5,000 homes by the end of 2014 or sooner, which would require approximately $500 million of capital, assuming $125,000 per home including renovation costs.

The Company accounts for all of its investments, including the limited partnerships which own the homes, on a fair value basis. The underlying operating performance of these limited partnerships impacts the changes in the fair value of the Company's investment and as a result Tricon believes it is prudent to disclose the following key operating data.

Financial Performance for 4Q13

The following represents the performance of the Company's share in the TAH portfolio and exclude the portion allocated to non-controlling interest.

Table 14: Investment Income – Single-Family Rental

	For the Three Months Ended December 31			For the Year Ended December 31		
(Rounded to nearest thousands of dollars)	2013	2012	Variance	2013	2012	Variance
Realized Investment Income – Single-Family Rental	$ 2,472,000	$ 137,000	$ 2,335,000	$ 8,941,000	$ 298,000	$ 8,643,000
Unrealized Investment Income – Single-Family Rental Fair Value Adjustment	14,614,000	254,000	14,360,000	32,050,000	254,000	31,796,000
Total Investment Income – Single-Family Rental	$ 17,086,000	$ 391,000	$ 16,695,000	$ 40,991,000	$ 552,000	$ 40,439,000

The following table reconciles Realized Investment Income – Single-Family Rental as presented in this MD&A to Investment Income – Single-Family Rental per Financial Statements.

Table 15: Tricon American Homes Reconciliation to Financial Statements

	For the Three Months Ended December 31, 2013		For the Year Ended December 31, 2013	
	USD	CAD	USD	CAD
Gross Rental Operating Income	$ 4,230,000	$ 4,434,000	$ 13,155,000	$ 13,618,000
Gross Profit Margin Inventory Homes	422,000	442,000	2,018,000	2,077,000
Operating Expenses(1)	(1,542,000)	(1,634,000)	(4,440,000)	(4,596,000)
Other Expenses	(829,000)	(770,000)	(2,114,000)	(2,158,000)
Realized Investment Income – Single-Family Rental	2,281,000	2,472,000	8,619,000	8,941,000
Unrealized Fair Value Gain	13,808,000	14,588,000	30,585,000	32,050,000
Imputed Selling Expenses	(817,000)	(808,000)	(5,009,000)	(5,159,000)
Unrealized Foreign Exchange	–	8,470,000	–	14,094,000
Credit Facility Fees	(1,032,000)	(1,109,000)	(4,919,000)	(5,118,000)
Interest Expense	(1,052,000)	(1,131,000)	(2,249,000)	(2,333,000)
Tax	(3,729,000)	(4,660,000)	(4,290,000)	(5,317,000)
Investment Income – Single-Family Rental per Financial Statements	$ 9,459,000	$ 17,822,000	$ 22,737,000	$ 37,158,000

(1) Includes Professional Fees, General and Administration Expenses and Operator Management Fees.

- Realized Investment Income – Single-Family Rental: At year-end, the TAH portfolio had grown 106% YOY to 3,256 homes and produced Realized Investment Income – Single-Family Rental of $8.9 million for the year. Year-end portfolio occupancy rate of 78% and GROI margin of 60% are consistent with expectations for the segment.
  - Rental Revenue increased by 20.3% sequentially as the portfolio continued to grow and the number of homes occupied rose.
  - GROI Margin declined 200 basis points sequentially to 60% due to accelerated growth and a seasonal slowdown. The Company expects this rate to fluctuate nominally as the portfolio grows and one-time expenses are absorbed.
  - Gross Margin from Inventory Homes remained consistent at 7% for 25 homes sold at an average price of $272,000 during the quarter. Approximately 50% of the homes sold were located in Phoenix. At year-end, 60 homes remained in the inventory home portfolio.
  - Operating Expenses include rental operator asset management fees of $1.1 million and $3.5 million in 4Q13 and 2013, respectively. Asset management fees paid were 1.2% of annualized AUM and this rate is expected to decline marginally over the long term as most operating agreements include a sliding fee scale whereby fees decline as AUM increases. Other Expenses include non-controlling interest of $1.4 million for 2013, as well as expenses related to two contract staff dedicated to TAH, third-party legal and accounting expenses and costs related to TAH's new Yardi technology platform. The vast majority of bad debt expense in 2013 relates to the turnover of a 550-unit portfolio of homes acquired in Charlotte at year-end 2012 and is non-recurring.
  - Credit Facility Fees include the commitment fee on the Deutsche Bank credit facility, both for the initial commitment and for the recent extension and upsize, and legal costs associated with putting the facility in place.
  - Interest Expense rose by 51% sequentially as a result of borrowings increasing by $41.8 million during the quarter as the Company's rental operators continue to draw down on the $250.0 million credit facility.
- Unrealized Investment Income – Single-Family Rental Fair Value Adjustment: The Company recorded a net increase of $14.6 million during the quarter and $32.1 million in 2013 in the fair value of its single-family home portfolio. Homes owned at September 30, 2013 increased in value by 7.1% over the quarter sequentially or $25.3 million, offset by $8.4 million of capital expenditures along with $2.3 million of implied operator performance fees, non-controlling interest and other sundry costs incurred on homes during 4Q13.

The following financial information is representative of performance of the entire portfolio and includes non-controlling interest.

Table 16: Tricon American Homes Financial Information

	For the Three Months Ended December 31, 2013		For the Year Ended December 31, 2013	
	USD	CAD	USD	CAD
Rental Revenue	$ 7,401,000	$ 7,774,000	$ 21,930,000	$ 22,690,000
Property Taxes	827,000	868,000	2,252,000	2,331,000
Renovation Expense	789,000	828,000	1,787,000	1,854,000
HOA/Utilities	281,000	294,000	890,000	919,000
Other Direct Expenses	125,000	131,000	307,000	318,000
Property Management Fees	583,000	620,000	1,754,000	1,814,000
Leasing Commissions	232,000	251,000	698,000	721,000
Insurance	334,000	348,000	1,087,000	1,115,000
Rental Expenses	3,171,000	3,340,000	8,775,000	9,072,000
Gross Rental Operating Income ("GROI")[3]	$ 4,230,000	$ 4,434,000	$ 13,155,000	$ 13,618,000
GROI Margin	60%	60%	60%	60%
Inventory Homes Revenue	$ 6,812,000	$ 7,141,000	$ 30,741,000	$ 31,654,000
Less:				
Cost of Homes Sold	6,300,000	6,604,000	28,092,000	28,928,000
Selling Expenses	90,000	95,000	631,000	649,000
Gross Profit Margin Inventory Homes ("GPMIH")[3]	$ 422,000	$ 442,000	$ 2,018,000	$ 2,077,000
Gross Margin (excludes Selling Expenses)	7%	7%	7%	7%
Single-Family Gross Operating Income ("SFGOI") (SFGOI = GROI + GPMIH)	$ 4,652,000	$ 4,876,000	$ 15,173,000	$ 15,695,000
Professional Fees	(97,000)	(91,000)	(187,000)	(187,000)
General and Administration Expenses	(166,000)	(203,000)	(410,000)	(435,000)
Bad Debt Expense	(295,000)	(307,000)	(335,000)	(349,000)
Other Expenses	110,000	115,000	(99,000)	(101,000)
Rental Operator Asset Management	(1,094,000)	(1,148,000)	(3,409,000)	(3,524,000)
Single-Family Net Operating Income ("SFNOI")	$ 3,110,000	$ 3,242,000	$ 10,733,000	$ 11,099,000
Rental Operator Performance Fees[1]	(639,726)	(680,000)	(3,204,726)	(3,306,000)
Fair Value Adjustment on Investment Properties	16,918,000	17,948,000	35,567,000	37,110,000
Fair Value Adjustment on Inventory Homes[2]	(379,000)	(401,000)	1,414,000	1,437,000
Single-Family Net Income ("SFNI")	$ 19,009,274	$ 20,109,000	$ 44,509,274	$ 46,340,000

(1) Approximately US$3.2M of performance fees have been recorded as carried interest potentially payable to the rental operators.

(2) Fair Value Adjustment on Inventory Homes includes reversal of prior periods' write-up on homes sold in 4Q13.

(3) The 4Q13 GROI calculation excluded property tax from the previous quarters totaling $197,000 US dollars ($207,000 CAD).

Table 17: Summary of Tricon American Homes Metrics

		4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Number of homes rented		2,535	2,276	1,819	1,355	1,031	316	75
Number of homes acquired during quarter		421	358	696	318	981	488	185
Number of homes in portfolio		3,256	2,835	2,538	1,866	1,582	651	185
Occupancy Rate (Portfolio)		78%	80%	74%	76%	69%	49%	51%
Occupancy Rate (6+ Months)		87%	92%	90%	91%	95%	N/A	N/A
Average Gross Yield		12%	13%	14%	14%	14%	13%	12%
GROI Margin		60.0%	62.0%	60.0%	61.0%	51.0%	58.0%	NM
Gross Margin on Sale of Homes		7.0%	7.0%	7.0%	8.0%	7.0%	9.1%	NM
Single-Family Net Operating Income	C$	3,242,000	3,284,000	2,436,000	2,136,000	747,000	834,000	58,000
TCN Equity	US$	237,106,000	222,856,000	225,958,000	186,756,000	141,087,000	87,610,000	30,797,000
Partner Equity (minority interest)	US$	34,817,000	33,927,000	34,250,000	13,998,000	11,922,000	5,636,000	953,000
Borrowings	US$	137,629,000	95,788,000	36,047,000	17,647,000	8,161,000	N/A	N/A
Total Capitalization		409,552,000	352,571,000	296,255,000	218,401,000	161,170,000	93,246,000	31,750,000
Interest Expense	US$	1,131,000	747,000	279,000	176,598	69,000	N/A	N/A
% Fair Value Adjustment (Homes owned Prior Quarter)		7.1%	4.5%	4.1%	4.2%(1)	N/A	N/A	N/A
Investment Income – Single-Family Rental	C$	2,472,000	2,680,000	2,210,000	1,972,000	900,000	202,000	(41,000)
Investment Income – Single-Family Rental Fair Value Adjustment	C$	14,614,000	581,000	5,010,000	11,845,000	254,000	N/A	N/A
CAPEX	C$	8,400,000	10,300,000	N/A	N/A	N/A	N/A	N/A
Fair Value Adjustment	US$	16,918,000	1,914,000	2,574,000	14,161,000	257,000	N/A	N/A
Cumulative Fair Value Adjustment	US$	35,824,000	18,906,000	16,992,000	14,418,000	257,000	N/A	N/A
Cumulative Fair Value Adjustment / Total Capitalization		8.7%	5.4%	5.7%	6.6%	0.2%	N/A	N/A

(1) Excludes percentage increase in Charlotte portfolio

Operational Highlights for 4Q13

- In 4Q13 421 rental homes were acquired, bringing the total rental portfolio to 3,256 units. The pace of acquisitions accelerated as a result of entering two new markets, Atlanta and Tampa.
- The Company is actively pursuing new acquisitions in eight of its 12 markets and is evaluating several new markets including Houston, Raleigh-Durham and Orlando.
- The portfolio-wide occupancy rate of 78% at year-end represented a 200 basis point decrease from the third quarter. This was the combined result of accelerated acquisition activity of vacant homes coupled with a typical seasonal slowdown over the year-end holiday period. Over time, the Company expects occupancy rates to rise to 95%, which has already been achieved in several markets where acquisition activity has ceased.
- The occupancy rate for homes owned 6+ months was 87% at quarter-end, down 500 basis points from the prior quarter largely as a result of the previously mentioned seasonality. By January 31, the occupancy rate for this pool of homes had increased to over 90% and leasing continues to be strong through February and the first week of March of 2014. Excluding Charlotte, where the Company continues to renovate a large pool of homes acquired at year-end 2012, the 6+ month occupancy rate for the entire portfolio was 91% at year-end 2013 and 93% at January 31, 2014.

The following table presents summary statistics on the Company's portfolio of single-family homes as of December 31, 2013.

Table 18: Tricon American Homes Summary Statistics
(in US Dollars)

Geography	Number of Homes	% of Total	Average Purchase Price per Home	Average Capital Expen-ditures per Home[(1)]	Average Investment per Home	Tricon Equity Investment	Partner Equity Investment	Borrowings	Total Capitalization[(2)]	Debt to Capitalization	% of Total
Bay Area	250	8%	162,000	15,000	177,000	26,026,000	651,000	24,208,000	50,885,000	48%	13%
Sacramento	406	12%	101,000	13,000	114,000	26,089,000	1,275,000	27,388,000	54,752,000	50%	13%
Reno	192	6%	148,000	10,000	158,000	10,312,000	258,000	9,609,000	20,179,000	48%	5%
Los Angeles County	112	3%	162,000	24,000	186,000	25,634,000	793,000	973,000	27,400,000	4%	7%
Inland Empire	126	4%	133,000	20,000	153,000	12,767,000	319,000	10,076,000	23,162,000	44%	6%
Las Vegas	157	5%	119,000	5,000	124,000	25,507,000	–	–	25,507,000	0%	6%
Phoenix	397	12%	113,000	11,000	124,000	23,045,000	713,000	29,890,000	53,648,000	56%	13%
San Antonio	54	2%	90,000	11,000	101,000	8,773,000	–	–	8,773,000	0%	2%
Southeast Florida	541	17%	94,000	22,000	116,000	36,195,000	15,993,000	17,927,000	70,115,000	26%	17%
Charlotte	930	28%	53,000	23,000	76,000	37,758,000	14,183,000	17,558,000	69,499,000	25%	17%
Tampa	26	1%	85,000	19,000	104,000	–	–	–	–	0%	0%
Atlanta	65	2%	64,000	24,000	88,000	5,000,000	632,000	–	5,632,000	0%	1%
Total/Weighted Average	3,256	100%	98,000	18,000	115,000	237,106,000	34,817,000	137,629,000	409,552,000	44%	100%

Geography	Average Age	Average Size (square feet)	Homes Leased	Homes Vacant/ In Rehab	Occupancy Rate (All Homes)	Occupancy Rate (Owned 6+ Months)	Average Monthly Rent[(3)]	Average Gross Yield[(4)]
Bay Area	49	1,361	210	40	84%	91%	1,510	10%
Sacramento	40	1,193	380	26	94%	97%	1,040	11%
Reno	33	1,551	112	80	58%	95%	1,260	10%
Los Angeles County	75	1,074	80	32	71%	74%	1,590	10%
Inland Empire	35	1,470	105	21	83%	90%	1,420	11%
Las Vegas	23	1,447	112	45	71%	N/A	1,010	10%
Phoenix	10	1,984	373	24	94%	95%	960	9%
San Antonio	23	1,625	19	35	35%	N/A	1,110	13%
Southeast Florida	44	1,414	461	80	85%	86%	1,430	15%
Charlotte	46	1,293	643	287	69%	76%	930	15%
Tampa	43	1,425	0	26	0%	N/A	1,210	14%
Atlanta	23	1,844	40	25	62%	N/A	1,050	14%
Total/Weighted Average	39	1,430	2,535	721	78%	87%	1,150	12%

(1) Represents actual capital expenditure or estimated capital expenditure per home (for unrenovated homes). The actual capital expenditure for Las Vegas includes a portfolio of approximately 60 fully renovated homes which were acquired in September 2013 and only required minimal capital expenditures, if any.

(2) Includes cash on hand at year-end, which totaled $19 million across all partnerships.

(3) Represents average expected monthly rent on all homes.

(4) Represents annualized average expected monthly rent per home as a percentage of average investment per home.

6 / Land and Homebuilding

In its Land and Homebuilding business, the Company co-invests in various investment vehicles whose objective is to finance residential development projects, including single-family and multi-family land development, homebuilding and condominiums. Tricon aims to co-invest roughly 10% of the capital in each investment vehicle, although it owns a 68.4% interest in Tricon IX, a U.S. dedicated land fund that had a final closing in 2009. Each investment vehicle provides equity-type capital to local or regional developers/builders to finance property acquisition, planning and entitlement activities, land development, vertical construction and sales efforts. These development projects typically require anywhere from $10 to $150 million of equity capital and take three to eight years to complete. Since each underlying business plan entails the sale of finished lots or super pads to public or regional homebuilders or homes to consumers, the investments naturally liquidate as real estate is sold.

Tricon views the land and homebuilding business as a three-step process that includes 1) rezoning and entitlement activity; 2) installation of horizontal infrastructure, namely roads and utilities; and 3) vertical construction of single-family and multi-family dwellings. In order to mitigate risk, our preference is to generally participate in the second and third phase, although we will take entitlement risk when base zoning is in place or approvals are only administrative in nature. Given that the business plan requires the developer/builder to add value through planning, development and construction work, we typically underwrite our investments to achieve a 20% plus annual compounded returns, recognizing that there may be some leakage along the way.

Currently, Tricon believes that the best risk-adjusted investment opportunities for land and homebuilding are available in the United States, particularly in the sunbelt or the so-called “smile” states. These states were hardest hit by the U.S. housing downturn of 2007–2009 but are poised for long-term growth as the U.S. economy and housing market recovers. These markets also typically have above average population and job growth and therefore require above average new homebuilding activity.

Table 19: Summary of Investment – Land and Homebuilding

(Rounded to nearest thousands of dollars)	As at December 31, 2013[1]					
Investment	Currency	Tricon Commitment	Unfunded Commitment	Advances	Distributions	Investment at Fair Value[2]
Tricon IX[3]	US	$ 226,775,000	$ 19,120,000	$ 272,970,000	$ 21,736,000	$ 284,695,000
Tricon XI	US	25,000,000	18,124,000	6,876,000	–	8,388,000
Cross Creek Ranch	US	14,400,000	1,916,000	12,484,000	7,743,000	13,036,000
Grand Lakes	US	8,075,000	1,606,000	6,469,000	879,000	7,112,000
Fulshear Farms	US	5,000,000	1,845,000	3,155,000	247,000	3,356,000
Vistancia West[4]	US	55,000,000	46,697,000	8,303,000	990,000	9,299,000
Total US		334,250,000	89,308,000	310,257,000	31,595,000	325,886,000
Tricon XII	CA	20,000,000	12,988,000	7,012,000	–	6,663,000
Other	CA	–	–	–	–	7,000
Total CA		20,000,000	12,988,000	7,012,000	–	6,670,000
Total		$ 354,250,000	$ 102,296,000	$ 317,269,000	$ 31,595,000	$ 332,556,000

(1) All amounts shown in Fund or Separate Account currency noted.
(2) Investment at Fair Value column is in Canadian dollars and agrees to the balance sheet.
(3) $226.8 million represents total fund commitment; purchase price of 68.4% interest was $260.5 million.
(4) Not syndicated as at December 31, 2013.

Table 20: Principal Investments Assets Under Management

(in Canadian dollars unless otherwise noted)				Capitalization		Assets Under Management[2] (Canadian Equivalent)[1]		
Investment	Currency	Initial Close	Investment Period End	Originating Currency	Canadian Equivalent[1]	December 31, 2013	September 30, 2013	December 31, 2012
Co-Investment (Cross Creek Ranch)	US	June 2012	–	14,400,000	15,316,000	$ 15,075,000	$ 17,582,000	$ 14,327,000
Co-Investment (Fulshear Farms)	US	September 2013	–	5,000,000	5,318,000	5,318,000	5,152,000	–
Co-Investment (Vistancia West)	US	September 2013	–	55,000,000	58,498,000	58,967,000	56,624,000	–
Co-Investment (Grand Lakes)	US	November 2013	–	8,075,000	8,589,000	8,821,000	–	–
Co-Investment (Tricon IX)[3]	US	May 2007	January 2012	226,775,000	241,198,000	284,721,000	278,190,000	–
Co-Investment (Tricon XI)	US	August 2012	November 2016	25,000,000	26,590,000	27,665,000	29,966,000	24,873,000
Co-Investment (Tricon XII)	CA	March 2011	March 2014	20,000,000	20,000,000	19,652,000	20,048,000	20,000,000
Total Co-Investment AUM						$ 420,219,000	$ 407,562,000	$ 59,200,000

(1) Foreign exchange rates used at each balance sheet date are: at December 31, 2013 CA$1.0636 per US$1.00, at September 30, 2013 CA$1.0303 per US$1.00 and at December 31, 2012 CA$0.9949 per US$1.00.

(2) During the investment period, Assets Under Management equals the Fund Capitalization. After the investment period, Assets Under Management represents the lesser of: (a) fund capital commitment, and (b) invested capital plus unfunded project commitments.

(3) $226.8 million represents total fund commitment; purchase price of 68.4% interest was $260.5 million.

The breakdown of underlying exposure related to investments made by investment vehicle and by region is as follows (please note the analysis in Tables 21 and 22 includes Tricon VIII and X, for which the Company does not have any co-investment or balance sheet exposure):

Table 21: Exposure by Investment Vehicle

	Product Available				
Fund	**Land (Acres)**	**Single-Family Lots(1),(2)**	**Homes (Units)**	**Multi-Family (Units)(2)**	**Retail (SF)**
Tricon VIII	46	2,543	–	2,620	58,899
Tricon IX	–	4,033	1,145	541	8,998
Tricon X(4)	–	–	–	2,381	233,413
Tricon XI	173	7,321	1,380	72	–
Tricon XII	–	–	–	1,664	–
Separate Accounts	648	8,691	965	–	–
Total	867	22,588	3,490	7,278	301,310
Double Counted(3)(5)	–	–	(965)	(941)	(36,481)
Net	867	22,588	2,525	6,337	264,829

	Product Sold				
Fund	**Land (Acres)**	**Single-Family Lots(1),(2)**	**Homes (Units)**	**Multi-Family (Units)(2)**	**Retail (SF)**
Tricon VIII	–	582	–	2,609	36,714
Tricon IX	–	569	1,122	150	8,998
Tricon X	–	–	–	1,631	18,360
Tricon XI	–	–	95	–	–
Tricon XII	–	–	–	987	–
Separate Accounts	21	798	–	–	–
Total	21	1,949	1,217	5,377	64,072
Double Counted(3)(5)	–	–	–	(930)	(18,360)
Net	21	1,949	1,217	4,447	45,712

(1) Lots include finished, partially finished and undeveloped lots.

(2) Includes lots/units which have not been released to the market yet.

(3) Certain investments which are shared between Tricon VIII and X and included in both funds have been removed.

(4) Excludes optioned land which has not yet been closed and 122,500 square feet of office space.

(5) An investment shared between Tricon Capital Group and Tricon XI and included in both funds has been removed.

Table 22: Exposure by Region

	Product Available				
Region	Land (Acres)	Single-Family Lots[(1),(2)]	Homes (Units)	Multi-Family (Units)[(2)]	Retail (SF)
Canada					
Toronto	–	–	–	3,115	84,181
Vancouver	–	–	–	1,708	–
Calgary[(4)]	–	–	–	901	171,650
Edmonton	46	2,543	–	–	–
United States					
Southern California	–	749	315	72	–
Northern California	–	1,389	249	472	–
Phoenix	112	5,687	1,206	–	–
Atlanta	–	304	241	69	8,998
Florida	–	139	514	–	–
Dallas	61	3,086	–	–	–
Houston	648	8,691	–	–	–
Total	867	22,588	2,525	6,337	264,829

	Product Sold				
Region	Land (Acres)	Single-Family Lots[(1),(2)]	Homes (Units)	Multi-Family (Units)[(2)]	Retail (SF)
Canada					
Toronto	–	–	–	2,954	36,714
Vancouver	–	–	–	1,139	–
Calgary[(4)]	–	–	–	204	–
Edmonton	–	582	–	–	–
United States					
Southern California	–	16	75	–	–
Northern California	–	211	226	81	–
Phoenix	–	342	161	–	–
Atlanta	–	–	241	69	8,998
Florida	–	–	514	–	–
Dallas	–	–	–	–	–
Houston	21	798	–	–	–
Total	21	1,949	1,217	4,447	45,712

(1) Lots include finished, partially finished and undeveloped lots.
(2) Includes lots/units which have not been released to the market yet.
(3) Certain investments which are shared between Tricon VIII and X and included in both funds have been removed.
(4) Excludes optioned land which has not yet been closed and 122,500 square feet of office space.

Table 23: Tricon IX Asset Overview

(Rounded to nearest thousands of US dollars)			Total Units/	Total Unit/	Expected	Committed	Gross Cash Flow Distributed[1]	
Project	State	Type	Lots	Lots Sales	Completion	Amount	3Q13	4Q13
San Francisco Portfolio	California	Multi-Family	472	81	2017	$ 62,320,000	$ –	$ –
Eskaton Placerville	California	Land / Homebuilding	87	21	2017	11,000,000	–	–
Greater East Bay Portfolio	California	Land / Homebuilding	1,551	416	2017	72,500,000	–	–
Atlanta Portfolio	Georgia	Land / Homebuilding	545	241	2017	33,700,000	2,000,000	3,600,000
Paseo Lindo	Arizona	Homebuilding	141	141	2014	7,800,000	1,582,000	1,249,000
SoCal Portfolio	California	Land / Homebuilding	749	16	2018	46,100,000	–	6,491,000
Phoenix Lot Portfolio	Arizona	Land	1,452	342	2017	43,000,000	6,600,000	1,860,000
Woodstock	Georgia	Multi-Family	69	69	2013	9,900,000	133,000	–
Williams Island	Florida	Land / Homebuilding	653	514	2015	33,200,000	–	7,186,000
Total			5,719	1,841		$ 319,520,000	$ 10,315,000	$ 20,386,000
Distribution of Excess Cash							5,686,000	–
Operating Expenses and Management Fee Payment							–	(4,586,000)
Total Cash Distributed							$ 16,001,000	$ 15,800,000
Total TCN Share (68.4%)							$ 10,935,000	$ 10,801,000

(1) Represents 100% of gross cash flow distributed from the projects for the quarter.

The table below provides greater detail on the Tricon IX portfolio.

Table 24: Tricon IX Portfolio

			Inventory Summary															
			Total Lot / Unit Breakdown Since Inception								Unsold Inventory							
			As of December 31, 2013				As of December 31, 2012				As of December 31, 2013				As of December 31, 2012			
Project	State	Type	Lots	Homes	MF (Units)	Total	Lots	Homes	MF (Units)	Total	Lots	Homes	MF (Units)	Total	Lots	Homes	MF (Units)	Total
San Francisco Portfolio	California	Multi-Family	–	–	472	472	–	–	438	438	–	–	391	391	–	–	438	438
Eskaton Placerville	California	Land / Homebuilding	66	21	–	87	66	21	–	87	66	–	–	66	66	21	–	87
Greater East Bay Portfolio	California	Land / Homebuilding	1,323	228	–	1,551	1,477	109	–	1,586	1,112	23	–	1,135	1,366	63	–	1,429
Atlanta Portfolio	Georgia	Land / Homebuilding	304	241	–	545	412	133	–	545	304	–	–	304	412	87	–	499
Paseo Lindo	Arizona	Homebuilding	–	141	–	141	46	95	–	141	–	–	–	–	46	23	–	69
SoCal Portfolio	California	Land / Homebuilding	749	–	–	749	749	–	–	749	733	–	–	733	749	–	–	749
Phoenix Lot Portfolio	Arizona	Land	1,452	–	–	1,452	1,452	–	–	1,452	1,110	–	–	1,110	1,333	–	–	1,333
Woodstock	Georgia	Multi-Family	–	–	69	69	–	6	63	69	–	–	–	–	–	6	41	47
Williams Island	Florida	Land / Homebuilding	139	514	–	653	444	209	–	653	139	–	–	139	444	–	–	444
Total			4,033	1,145	541	5,719	4,646	573	501	5,720	3,464	23	391	3,878	4,416	200	479	5,095

			Product Sales															
			Three Months Ended December 2013				Three Months Ended December 31, 2012				Year Ended December 31, 2013				Year Ended December 31, 2012			
Project	State	Type	Lots	Homes	MF (Units)	Total	Lots	Homes	MF (Units)	Total	Lots	Homes	MF (Units)	Total	Lots	Homes	MF (Units)	Total
San Francisco Portfolio	California	Multi-Family	–	–	27	27	–	–	–	–	–	–	81	81	–	–	–	–
Eskaton Placerville	California	Land / Homebuilding	–	10	–	10	–	–	–	–	–	19	–	19	–	–	–	–
Greater East Bay Portfolio	California	Land / Homebuilding	–	15	–	15	49	5	–	54	–	98	–	98	111	46	–	157
Atlanta Portfolio	Georgia	Land / Homebuilding	–	36	–	36	–	17	–	17	–	121	–	121	–	46	–	46
Paseo Lindo	Arizona	Homebuilding	–	3	–	3	–	16	–	16	–	48	–	48	–	72	–	72
SoCal Portfolio	California	Land / Homebuilding	16	–	–	16	–	–	–	–	16	–	–	16	–	–	–	–
Phoenix Lot Portfolio	Arizona	Land	–	–	–	–	–	–	–	–	81	–	–	81	119	–	–	119
Woodstock	Georgia	Multi-Family	–	–	–	–	–	–	1	1	–	–	32	32	–	–	22	22
Williams Island	Florida	Land / Homebuilding	–	99	–	99	–	2	–	2	–	305	–	305	–	209	–	209
Total			16	163	27	206	49	40	1	90	97	591	113	801	230	373	22	625

7 / Private Funds and Advisory

Tricon participates in the development of residential real estate properties in North America by acting as the manager of limited partnerships, structured as private funds, separate accounts, or joint ventures. The Company provides equity-type financing to experienced local or regional developers/builders in Canada and the United States in the form of either participating loans, which consist of a base rate of interest and/or a share of net cash flow, or joint ventures. These development partners or operators acquire, develop, and/or construct primarily residential projects including single-family and multi-family land development, homebuilding, and multi-family construction.

We manage money for plan sponsors, institutions, endowments, foundations, and high net worth investors who seek exposure to the industry. Since inception through a predecessor company in 1988, we have invested in over 160 transactions for projects valued at over $11 billion. In our current private funds, we have over 40 institutional investors, including two of the top ten state pension plans in the United States and four of the top fifteen pension plans in Canada, as measured by assets.

Our first four funds were focused on the North American market (Canada and the United States), but beginning in January 2000 with TCC V we expanded our product offerings to funds focused specifically on either the U.S. or Canadian market. Since this time, we have raised eight private funds, five of which are currently active, Tricon VIII to XII, along with three separate accounts, Cross Creek Ranch, Fulshear Farms, and Grand Lakes, and one pending separate account, Vistancia West, on behalf of private institutional investors. Underscoring this growth is our commitment to co-invest in our investment vehicles.

Table 25: Contractual Fees

The balances shown include Contractual Fees and General Partner Distributions paid to the Company on its co-investments.

(Rounded to nearest thousands of dollars)	For the Three Months Ended December 31				For the Year Ended December 31			
	2013	2012	Variance ($)	Variance (%)	2013	2012	Variance ($)	Variance (%)
US Funds and Investments	4,736,000	1,520,000	3,216,000	212%	13,002,000	7,349,000	5,653,000	77%
CA Funds and Investments	504,000	677,000	(173,000)	(26%)	2,137,000	2,636,000	(499,000)	(19%)
Total Contractual Fees	$ 5,240,000	$ 2,197,000	$ 3,043,000	139%	$ 15,139,000	$ 9,985,000	$ 5,154,000	52%
General Partner Distributions (Tricon XII)	$ 746,000	$ 743,000	$ 3,000	0%	$ 2,959,000	$ 3,630,000	$ (671,000)	(18%)

Table 26: Private Funds and Advisory Assets Under Management

(in Canadian dollars unless otherwise noted)

Investment	Currency	Initial Close	Investment Period End	Capitalization: Originating Currency	Capitalization: Canadian Equivalent[2]	Assets Under Management[3] (Canadian Equivalent)[2]: December 31, 2013	September 30, 2013	December 31, 2012
Tricon VIII	CA	October 2005	June 2008	101,124,000	101,124,000	$ 39,071,000	$ 47,860,000	$ 76,848,000
Tricon IX	US	May 2007	January 2012	105,000,000	111,678,000	111,678,000	108,182,000	328,277,000
Tricon X	CA	April 2008	April 2011	85,362,000	85,362,000	79,713,000	78,691,000	79,993,000
Tricon XI	US	August 2012	December 2016	308,740,000	328,376,000	328,376,000	242,564,000	99,489,000
Tricon XII	CA	March 2011	March 2014	175,750,000	175,750,000	175,750,000	175,750,000	175,750,000
Total Private Funds AUM						734,588,000	653,047,000	760,357,000
Cross Creek Ranch	US	June 2012	–	129,600,000	137,843,000	101,467,000	129,508,000	128,939,000
Fulshear Farms	US	September 2013	–	45,000,000	47,862,000	47,862,000	46,364,000	–
Vistancia West	US	September 2013	–	–	–	–	–	–
Grand Lakes	US	November 2013	–	72,675,000	77,297,000	77,297,000	–	–
Total Separate Accounts AUM						226,626,000	175,872,000	128,939,000
Syndicated Investments	US	–	–	14,900,000	15,848,000	1,064,000	1,030,000	1,094,000
Syndicated Investments	CA	–	–	65,606,000	65,606,000	19,366,000	25,476,000	25,476,000
Total Syndicated Investments AUM						20,430,000	26,506,000	26,570,000
Private Funds and Advisory AUM[1]						$ 981,644,000	$ 855,425,000	$ 915,866,000

(1) Represents third-party AUM which generates Contractual Fee revenue for the Company.

(2) Foreign exchange rates used at each balance sheet date are: at December 31, 2013 CA$1.0636 per US$1.00, at September 30, 2013 CA$1.0303 per US$1.00 and at December 31, 2012 CA$0.9949 per US$1.00.

(3) During the investment period, Assets Under Management equals the Fund Capitalization. After the investment period, Assets Under Management represents the lesser of: (a) fund capital commitment, and (b) invested capital plus unfunded project commitments.

Recent Investment Activity

As of December 31, 2013, fund capital available for investments in U.S. fund Tricon XI was US$154.1 million, with $47.0 million available in Canadian fund Tricon XII. In Canada, we are exploring a major investment in a land-development project in Calgary, which if consummated will essentially complete the investment program of Tricon XII. In the U.S., we have committed approximately 50% of Tricon XI and continue to see attractive land investment opportunities with a deal pipeline approaching $1 billion. Once these two funds approach full investment, we will be in a position to begin fundraising for subsequent investment vehicles, further driving growth in our AUM. The Company continues to manage existing investments in its predecessor private funds, which are fully invested and in harvest mode.

Projected Performance

The net cash flow generated by each of the private funds and separate accounts ultimately determines the Performance Fees to be earned by the Company. The estimates shown below include only those private funds expected to generate Performance Fees and are based on information gathered from local partners/developers, detailed in-house market research, and management expectations. They are reviewed and revised on a quarterly basis. All amounts are based on actual current project commitments for the life of the investment vehicle and do not include any assumptions for the balance of funds to be invested.

Table 27: Summary of Private Funds Financial Data
December 31, 2013

(in Fund currency)

Fund	Fund Currency	Total Capitalization(1)	Project Commitments(2)	Fund Capital Available(3)	Actual and Projected Gross Cash Flow(4) Total	Realized	Unrealized	Projected Net Cash Flow(5)
Tricon VIII	CA	$ 101,124,000	$ 102,981,000	$ –	$ 176,609,000	$ 108,224,000	$ 68,385,000	$ 91,088,000
Tricon IX(6)	US	331,775,000	322,520,000	–	584,379,000	75,216,000	509,163,000	276,931,000
Tricon X	CA	85,362,000	88,733,000	5,000,000	149,369,000	33,521,000	115,848,000	74,590,000
Tricon XI(7)	US	333,740,000	160,528,000	154,000,000	226,822,000	2,065,000	224,757,000	101,932,000
Tricon XII(7)	CA	195,750,000	137,700,000	47,000,000	137,168,000	2,882,000	134,286,000	63,368,000
Syndicated Investments(8)	CA	65,606,000	25,476,000	–	54,332,000	7,055,000	47,277,000	29,772,000
Separate Accounts(9)	US	247,275,000	247,275,000	48,305,000	686,324,000	38,591,000	647,733,000	379,074,000
Total – December 31, 2013					$ 2,015,003,000	$ 267,554,000	$ 1,747,449,000	$ 1,016,755,000
Total – Previous Quarter					$ 1,918,079,000	$ 231,927,000	$ 1,686,152,000	$ 1,008,000,000

(1) Total capitalization is the aggregate of the amounts committed by third-party limited partners and the Company's co-investment.
(2) Fund commitments to projects include guarantees made under loan agreements plus reserves. Project commitments can exceed Fund Capitalization as a result of re-investment rights. Syndicated project commitments shown of $25,476,000 are for current active projects.
(3) Capital available, after operating reserves and project contingencies, for new or supplemental investments. Project Commitments plus Fund Capital Available do not necessarily add up to Fund Capitalization.
(4) Actual and projected gross cash flows over the life of the fund.
(5) Projected net cash flows are before fund expenses, management fees, general partner distributions and performance fees over the life of the fund. Excluding Performance Fees, total fund expenses incurred over the life of a fund have historically been 10% (or less) of fund capitalization. Projected Net Cash Flow is derived by subtracting the actual investment amount from Actual and Projected Gross Cash Flow. Investment does not necessarily equal Project Commitments.
(6) Performance Fees are generated on the $105.0 million third-party capitalization only.
(7) No projections have been made in respect of fund capital not committed to projects.
(8) Syndicated investments shown are for current active projects which have future cash flows.
(9) Note that Separate Accounts show only third-party commitments and cash flow amounts.

In the United States, the housing recovery that began in early 2012 continues, driven by improving confidence and new job formation. Despite mortgage rates rising from cyclical lows, both volume and pricing are improving steadily on a national basis. While the rate of growth has modified in line with cyclical trends, the current supply of new residential housing remains significantly below historical norms and as a result the Company continues to expect accelerated growth. As such, opportunities to invest in "well located" land or housing projects abound. Accordingly, the Company continues to see very attractive risk-adjusted return opportunities in the U.S. and has deployed capital in Tricon XI and through the separate accounts quickly to take advantage of what it continues to believe is an "historic" window in time to acquire undervalued residential assets.

In Canada, given that the fundamentals for condominium development projects have eroded in Toronto and Vancouver, the Company has opted to increasingly focus its investment activity in Alberta, which is still recovering from a pronounced 2007–2009 correction and enjoys strong macro fundamentals. In Canadian investment vehicles Tricon VIII, X and XII, approximately 95% of the funds' aggregate Toronto condo inventory is sold at prices generally below market with all buildings but one under construction (the last building is expected to commence construction in Q2 2014).

Fund IRRs and ROIs shown below are based on cash flows projected over the life of each of the private funds and separate accounts. Since Tricon IX is essentially unlevered at the project level, unlike the other private funds, its returns on a risk-adjusted basis are as good as or better than the other private funds.

Table 28: Fund Return on Investment and Internal Rate of Return

	Projected – December 31, 2013[1]				Projected – December 31, 2012[1]			
Fund	**Gross ROI**	**Gross IRR**	**Net ROI[5]**	**Net IRR[5]**	**Gross ROI**	**Gross IRR**	**Net ROI[5]**	**Net IRR[5]**
Tricon VIII	2.1x	16%	1.6x	12%	2.1x	17%	1.7x	13%
Tricon IX	2.1x	14%	1.7x	10%	1.7x	14%	1.5x	11%
Tricon X	2.0x	17%	1.6x	12%	2.0x	18%	1.6x	13%
Tricon XI[2]	1.8x	25%	N/A	N/A	1.9x	24%	N/A	N/A
Tricon XII[2]	1.9x	15%	N/A	N/A	1.9x	18%	N/A	N/A
Syndicated Investments[3]	2.2x	12%	1.7x	9%	1.9x	15%	1.8x	12%
Separate Accounts[4]	2.2x	22%	1.9x	21%	2.7x	23%	2.7x	23%

(1) All amounts are based on actual current project commitments and do not include any assumptions for the balance of the funds' capital, if any, to be invested.

(2) Expected Net Returns to Limited Partners are not meaningful until the fund is fully committed.

(3) Syndicated investment returns are for current active syndicated investments only.

(4) Returns shown are based on third-party commitments to Cross Creek Ranch, Fulshear Farms, Vistancia West and Grand Lakes. Prior year returns are based on the full commitment to Cross Creek Ranch.

(5) Net ROI and IRR is after all fund expenses (including Contractual and Performance Fees).

8 / Appendix

8.1 / Controls and Procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated and tested the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the year ended December 31, 2013. The CEO and CFO did not identify any material weaknesses in the Company's system of internal controls over financial reporting.

During the quarter ended December 31, 2013, 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.

8.2 / Liquidity and Capital Resources

Projected cash distributions, current cash balances and the balance available in the Corporate credit facility are expected to meet ongoing working capital needs and satisfy operating expenses in the short term, including any expenditure required to add personnel or update corporate infrastructure and information systems.

There are no off-balance sheet financial arrangements.

- On March 26, 2012 the Company successfully closed a US$11.2 million commitment to Cadiz Riverfront Holdings LP in Dallas, Texas. Approximately US$4.1 million of this commitment had been advanced as at September 30, 2012 to this large-scale mixed-use land development project. Tricon warehoused this investment until the formation of its successor U.S. distressed fund Tricon XI. On September 5, 2012 the investment was sold to Tricon XI at cost plus a 6.75% per annum, monthly compounded, return on capital invested for proceeds of US$4.3 million.
- On April 13, 2012, the Company closed a separate investment account for approximately US$150 million (the "Transaction") with a large Canadian institutional investor to support the acquisition and development of the award-winning 3,200-acre Cross Creek Ranch master-planned community in Houston, Texas ("Cross Creek" or the "Project"). The Company has committed approximately 10% (or US$14.4 million) of the required capital to the Transaction, with the balance being committed by Tricon's institutional partner and the developer of the Project.
- In April 2012, the Company set up a US$7.7 million margin account with BMO Nesbitt Burns with the Company's investments in GICs and Government of Canada T-Bills (Bank of Canada) pledged as collateral to cover US dollar borrowings required for the Cross Creek Ranch investment in Houston, Texas. This was repaid on May 2, 2012 and no borrowings are outstanding at December 31, 2013. This facility was closed in January 2013.
- On April 27, 2012, the Company issued 12,937,500 common shares under a bought deal arrangement at $4.00 per share for gross proceeds of $51,750,000. The Company used the net proceeds from the offering of approximately $49,421,000 primarily for its investment in the U.S. single-family home rental strategy.
- On July 30, 2012, the Company completed a 6.375% convertible debenture offering for gross proceeds of $51,750,000 (including the over-allotment option exercised by the underwriters) under a bought deal arrangement. The Company used the net proceeds from the offering of approximately $49,000,000 primarily for its investment in the U.S. single-family home rental strategy.
- On November 7, 2012, the Company entered into a three-year term facility and demand facility with the Royal Bank of Canada for an operating line of $15 million. On July 22, 2013, this term facility was restructured to a $45 million revolving credit facility financed jointly by The Royal Bank of Canada and J.P. Morgan Chase Bank. The interest rate is based on a pricing matrix of Libor plus 3.5% to 4.0% depending on certain quarterly financial covenants. At September 30, 2013, US$13 million was drawn by the Company and fully repaid on November 4, 2013.
- On December 4, 2012, the Company issued 10,447,500 common shares under a bought deal agreement at $5.70 per share for gross proceeds of approximately $59,551,000. The Company used the net proceeds from the offering of approximately $57,259,000 primarily for its investment in the U.S. single-family home rental strategy.
- On February 25, 2013, the Company completed a second convertible debenture for gross proceeds (including the over-allotment) of $86 million under a bought deal arrangement. The Company is using the net proceeds from the offering of approximately $82,000,000 primarily for its investment in the U.S. single-family home rental strategy.
- On August 13, 2013, the Company issued 39,272,500 common shares under a bought deal agreement at a price of $6.15 per share. Additionally, under the acquisition of Tricon IX limited partnership interest, 9,106,388 common shares were issued under a private placement to existing Tricon IX limited partners as part of the purchase consideration.
- On August 15, 2013, the Company closed a separate investment account for approximately US$50 million with a large institutional investor to support the acquisition and development of approximately 1,250 acres of prime land suitable for the development of a large master-planned community Fulshear Farms in Houston, Texas.

- On September 23, 2013, the Company committed US$67.5 million to a joint venture (the "JV") with Shea Homes active adult division ("Shea" or the "Developer") in Phoenix, Arizona known as Vistancia West and 73% is held by the Company.
- On November 25, 2013, the Company closed a separate investment account for approximately US$80.8 million with a large institutional investor to support the acquisition and development of approximately 2,100 acres of prime land into a large mixed-use master-planned community Grand Lakes in the City of Conroe (Houston MSA), Texas.

8.3 / Transactions with Related Parties

Tricon has a 10-year sub-lease commitment on the Company's head office premises with Mandukwe Company Inc., a company owned and controlled by Geoff Matus, co-founder and current director of the Company. The annual rental amount is $43,000 plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

During 3Q12, the Company transferred two warehoused investments, The New Home Company ("TNHC") and the Cadiz Riverfront Holdings LP ("Dallas Project"), to Tricon XI on September 5, 2012 for total proceeds of US$10.5 million ($10.4 million Canadian) and US$4.3 million ($4.2 million Canadian), respectively. A gain of US$979,000 ($958,000 Canadian) was recognized in the consolidated statement of comprehensive income (loss).

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

Please refer to the Related Party Transactions and Balances note in the financial statements for further detail.

8.4 / Dividends

On November 12, 2013 the Board of Directors declared a dividend of $5.4 million or 6 cents per share to shareholders of record on December 31, 2013, payable on January 15, 2014. The Company has paid dividends on a quarterly basis since going public in May 2010.

8.5 / Share Capital and Stock Options

Table 29: Share Capital

Date	Particulars	No of Shares	Share Capital
As at January 1, 2012		18,230,471	$ 57,901,000
April 27, 2012	Bought deal offering	12,937,500	49,421,000
December 4, 2012	Bought deal offering	10,447,500	56,721,000
December 17, 2012	Vested Phantom Units	137,378	571,000
As at December 31, 2012		41,752,849	164,614,000
January 15, 2013	Shares issued under DRIP	1,468	9,000
April 15, 2013	Shares issued under DRIP	2,063	14,000
April 30, 2013	Conversion of debenture	12,500	75,000
July 15, 2013	Shares issued under DRIP	9,997	61,000
August 13, 2013	Bought deal offering	39,272,500	233,599,000
August 13, 2013	Private placement – Tricon IX LP buyout	9,106,388	56,005,000
August 30 – September 6, 2013	Normal course issuer bid (NCIB)	(10,900)	(57,000)
October 15, 2013	Shares issued under DRIP	130,088	871,000
As at December 31, 2013		90,276,953	$ 455,191,000

Stock options outstanding at December 31, 2013 were 2,541,500 which included 270,000 additional options issued during the quarter. No options have been exercised as at December 31, 2013.

Table 30: Stock Options

Issue Date	Exercice Price	Stock Options Issued	Stock Options Vested
May 19, 2010	$ 6.00	870,000	870,000
August 3, 2010	$ 5.26	71,500	71,500
November 22, 2011	$ 4.16	40,000	40,000
November 22, 2011	$ 4.16	15,000	15,000
November 1, 2012	$ 5.70	15,000	15,000
May 17, 2013	$ 6.81	1,010,000	–
September 9, 2013	$ 6.07	250,000	–
November 1, 2013	$ 7.49	20,000	5,000
November 25, 2013	$ 7.74	250,000	–

The Company adopted a Phantom Unit Plan on May 18, 2011 after shareholder approval and in accordance with Toronto Stock Exchange ("TSX") guidelines. The Plan consists of a share-based awards mechanism to attract, retain and motivate officers and employees of the Company and promote an alignment of interest between such persons and the shareholders of the Company. At December 31, 2012, there were no units outstanding. 161,540 and 584,252 phantom units were granted to employees, officers and directors of the Company in 1Q13 and 3Q13, respectively.

Please see the audited consolidated financial statements at December 31, 2013 for further information.

8.6 / Compensation Incentive Plan

In September 2013, the Board of Directors approved a new Compensation Incentive Plan consisting of an Annual Incentive Plan ("AIP") and a Performance Fee-Related Bonus Plan ("LTIP"). The plan was approved as of January 2013 and as such is retroactive to that time.

AIP will be calculated based on 15–20% of Adjusted Base EBITDA less Tricon IX Investment Income with the actual rate determined annually at the Board's discretion. For 2013, AIP was calculated as 20% of Adjusted Base EBITDA less Tricon IX Investment Income, net of AIP recognized in prior quarters at 12.5%. Unlike the previous plan where 100% of the annual bonus was awarded in cash, under this new plan, 60% of AIP compensation will be distributed as cash, and 40% in DSUs with a one-year vesting period.

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from private funds and separate accounts, paid in cash when received, and (ii) 15–20% of Tricon IX investment income payable in DSUs which vest over a five-year period.

8.7 / New and Future Accounting Standards

New and Amended Standards Adopted by the Company

The following standards were adopted by the Company for the first time for the financial year beginning on January 1, 2013 and have a material impact on the Company:

The Company's consolidated financial statements for the year ended December 31, 2013 have been restated to reflect the early adoption of "investment entity" amendments to IFRS 10, *Consolidated Financial Statements*. These amendments were issued by the IASB in October 2012 and are mandatorily applicable for financial years beginning on or after January 1, 2014. Early adoption is permitted. In addition to defining an investment entity, the amendments require that investments in subsidiaries (other than those that provide investment-related services) be accounted for at FVTPL, rather than by consolidating them. The Company has adopted the amendments effective January 1, 2013 and determined that it became an investment entity as a result of investments in U.S. single-family rental homes limited partnerships during 2012, collectively known as Tricon American Homes. Comparative information has been restated to reflect the Company's investment entity status. The effect of this restatement has been summarized in Note 24 of the financial statements.

Amendment to IFRS 7, Financial Instruments: Disclosures, on asset and liability offsetting. This amendment includes new disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements on an entity's financial position. As of December 31, 2013, the Company does not have any asset or liability that is subject to an offsetting agreement.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of financial statements. The standard sets out how to apply the principle of control to identify whether an investor controls an underlying investment and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, Disclosures of Interests in Other Entities, includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles.

In addition, the Company adopted IFRS 13, Fair Value Measurement, as of January 1, 2013. IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013; however, additional disclosures of fair value measurements have been included in Note 6 in the financial statements.

New standards and interpretations not yet adopted

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company has yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board. Currently, no mandatory effective date is in place for IFRS 9.

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

8.8 / Risk Definition and Management

The risks described below are not the only ones facing the Company and holders of Common Shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations. This MD&A contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below.

Risks Relating to the U.S. Distressed Single-Family Home Rental Strategy

The residential real estate industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. In addition, an oversupply of new homes or alternatives to new homes, such as resale homes, including homes held for sale by investors and speculators, foreclosed homes and rental properties may reduce the Company's ability to rent or sell homes, depress prices and reduce margins from the rental and sale of homes. Conversely, if housing prices in the target markets increase at a rate faster than rents, this could result in downward pressure on the Company's gross rental yields. The United States residential real estate industry continues to face a number of challenges, with home foreclosures and tight credit standards continuing to have an effect on inventory and home sale rates and prices.

Homebuilders and renovators are also subject to risks related to the availability and cost of materials and labour, and adverse weather conditions that can cause delays in construction schedules and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and real estate market conditions and may result in inventory impairment charges for the Company. If there are significant adverse changes in economic or real estate market conditions, the Company may have to sell or rent homes at a loss or hold these real estate assets in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. If market conditions deteriorate, some of the Company's assets may be subject to impairments and option write-off charges adversely affecting the Company's operations and financial results relating to its U.S. distressed single-family home rental strategy.

Potential Risks Associated with the U.S. Rental Strategy versus the Company's Private Funds and Advisory business

The Company's current and historical business as a manager of funds is distinct from the U.S. distressed single-family home rental strategy. Management's increased focus and involvement in connection with this strategy could have an adverse affect, financial or otherwise, on the Company as a whole. Specifically, due to the size of the Company's intended investment in the U.S. distressed single-family home rental market, any adverse change or effect experienced by the Company in connection with this strategy could result in the Company experiencing significant financial distress and cause the market price of our Common Shares to decline or fluctuate significantly.

Reliance on Local Operating Partners

The Company's strategy for growing its U.S. distressed single-family home rental strategy involves the acquisition of properties through a series of partnerships with local operating partners that have expertise in the target markets and geographical locations in which the Company intends to pursue the strategy, including the acquisition of "seed assets" from such local operating partners. Partnership investments in distressed single-family home rental properties involve risks, including, but not limited to, the possibility that our local operating partners may have business or economic goals which are inconsistent with those of the Company, that our local operating partners may be in a position to take action or withhold consent contrary to our instructions or requests, that we may be responsible to our local operating partners for indemnifiable losses, and that the acquisition of "seed assets" from our local operating partners requires the Company to rely on such partners for full disclosure concerning, among other things, the past and current performance of such assets. In some instances, our local operating partners may have competing interests in our markets that could create conflicts of interest. Further, the Company's local operating partners may experience financial distress, including bankruptcy or insolvency, and to the extent they cannot meet their obligations to us or the respective partnership, the Company's operations and financial results in connection with the U.S. distressed single-family home rental strategy or otherwise could be adversely affected.

Each local operating partner has a limited number of key principals, whose involvement with the local operating partner is viewed by the Company as being critical to the success of the partnership. The definitive legal documentation with each local operating partner includes "key person" provisions in favour of the Company that provide that should such principal(s) cease to be involved with the operation and management of the partnership, the investment period of the partnership will terminate and the partnership will only be permitted to engage in run-off activities unless otherwise approved by Tricon. Despite these contractual protections, there can be no assurance that the local operating partners or the key principals will comply with such provisions, and it may take time for the Company to become aware of such non-compliance and take steps to enforce such provisions. The Company may also not be able to find suitable replacements for such key principals, in which event the Company's operations and financial results in connection with the U.S. distressed single-family home rental strategy or otherwise could be adversely affected.

Defaults by our local operating partners could also result in services not being provided as intended, which could result in disruptions to our operations that may adversely affect our business and results of operations. Although we intend to take steps to minimize the risk of non-performance by our local operating partners, disruptions in financial and credit markets could, among other things, impede the ability of our local operating partners to perform on their contractual obligations, which, in turn, could adversely affect the Company's operations and financial results in connection with the U.S. distressed single-family home rental strategy or otherwise.

U.S. Market Factors

The distressed single-family homes that the Company intends to purchase will be located in the U.S. Over the past 5+ years, U.S. markets have experienced increased levels of volatility due to a combination of many factors, including high unemployment, decreasing home prices, the highest level of home foreclosures in generations, limited access to credit markets, higher fuel prices, less consumer spending, and the slow rate of recovery. Although according to the U.S. Federal Reserve, the recession technically ended in June 2009, the U.S. economy has not returned to operating at normal capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. As a result, this economic downturn has reduced demand for new homes and removed support for rents and property values. Although a recovery in the real estate market is in its early stages, the Company cannot predict whether and when the real estate markets will return to their pre-downturn levels. The value of distressed single-family homes acquired and the rental rates may decline if current market conditions persist or worsen.

In addition, while currently only one of the Company's local operating partners receives a significant amount of rental income from government subsidized rental support programs, such as the Section 8 program operated by the U.S. Department of Housing and Urban Development, it is possible that other prospective local operators with which the Company may enter into partnership arrangements could derive significant rental income from such programs. A reduction or elimination of government funding of such programs could result in higher rental turnover and downward pressure on rental rates.

Competition

The residential homebuilding, renovation and rental industry is highly competitive. Residential homebuilders, renovators and operators compete not only for homebuyers and/or tenants, but also for desirable properties, building materials, labour and capital. In the U.S., the Company competes with other local, regional and national homebuilders, renovators and rental property consolidators. Any improvement in the cost structure or service of these competitors will increase the competition the Company faces in the U.S. The Company also competes with the resale of existing homes including foreclosed homes, sales by housing speculators and investors and rental housing. In addition, a number of U.S. private equity funds have recently established real estate investment trusts focusing on the rental of single-family homes in the United States that may compete with the Company's U.S. strategy. These, and other, REITs may have access to greater resources and a lower cost of capital than Tricon. Competitive conditions in the industry could result in: difficulty in acquiring suitable properties at acceptable prices; increased selling incentives; lower sales volumes and prices; lower profit margins; impairments in the value of the Company's inventory and other assets; increased construction costs; and delays in construction.

Reliance on Assumptions

The Company's investment objectives and strategy relating to its U.S. distressed single-family home rental strategy have been formulated based on the Company's analysis and expectations regarding recent economic developments in the U.S., the future recovery of U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which event the Company may not generate expected returns or yields relating to its U.S. distressed single-family home rental strategy.

Title Risk

When the Company, through its local operating partnerships, acquires "seed assets" from its local operating partners, the process of vending such homes into the respective partnership involves the acquisitions being closed through a title company and an owner's title insurance policy being obtained by the partnership. However, the U.S. distressed single-family homes that are acquired by the local operating partners through the partnerships' ongoing operations are typically purchased through trustee auctions. Although the local operating partners conduct their own due diligence and employ a title company to review title on target housing assets prior to the partnership purchasing such homes, the partnerships do not typically assume title on the homes purchased through foreclosure sales and auctions until weeks after the purchase. Furthermore, an owner's title insurance policy is not available to the partnerships to protect against the inherent title risk arising through the foreclosure auction process. In the event that the local operating partners fail to independently and properly assess a title risk or fail to assume one or more homes because of such failed analysis, the Company may not achieve its expected returns or yields relating to its U.S. distressed single-family home rental strategy.

Financing U.S. Single-Family Home Rental Properties

The U.S. residential mortgage lending and mortgage finance industries have experienced significant instability due to, among other things, relatively high rates of defaults and foreclosures on residential consumer mortgage loans and a resulting decline in their market value and the market value of mortgage-backed securities. A number of businesses that were active in the residential mortgage loan industry and residential mortgage-backed securities industry have gone out of business or exited the market. This has resulted in reduced investor confidence and enhanced regulatory and legislative actions. If the United States capital or credit markets experience further disruption or another downturn, the value of residential real estate in the United States could be significantly reduced. Consequently, the value of the homes we invest in and subsequently mortgage could decline below the principal balance of the mortgage financing secured by such homes, which could adversely affect our financial position.

Rising Interest Rates

Rising interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs may lead to reduced demand for new home sales and re-sales and mortgage loans, which could have a material adverse effect on the value of Tricon portfolio of investments in residential real estate assets and on the Company's business, prospects, liquidity, financial condition and results of operations.

Illiquidity of Residential Real Estate

Residential real estate investments generally cannot be sold quickly. As a result, we may not be able to enter, exit or modify our investments in the U.S. distressed single-family home rental market promptly in response to economic or other conditions. This inability to promptly reallocate capital or exit the market in a timely manner could adversely affect the Company's operations and financial results in connection with the U.S. distressed single-family home rental strategy or otherwise.

Conflicts of Interest

In some instances, our local operating partners may have competing interests in the markets in which we pursue the U.S. distressed single-family home rental strategy. Furthermore, some of the developers we currently do business with may currently have or develop competing interests in those markets. While the Company has taken and intends to continue to take precautions and negotiate contractual restrictions in definitive legal documentation in order to avoid such

conflicts, conflicts of interest may nonetheless arise and may have an adverse affect on the Company's operations and financial results in connection with the U.S. distressed single-family home rental strategy or otherwise. In addition to any unknown adverse effects that may be caused by real or perceived conflicts of interest, certain of the risks associated with such potential conflicts of interest are described above under the heading "Risk Factors – Reliance on Local Operating Partners", including the risk of default or non-performance by our current and prospective local operating partners.

Renewal of Leases or Relet Homes as Leases Expire

If a tenant decides to vacate a rental property, whether as a result of deciding not to renew their lease or by vacating prior to the expiry of the lease, the Company, through its local operating partners or otherwise, may not be able to relet that property in a short amount of time or at all. Additionally, even if we are successful in renewing a lease or reletting a property, the terms of the renewal or reletting may be less favourable than the terms that existed at the time when we originally leased the property. If we are unable to promptly renew leases or relet properties, or if the rental rates upon renewal or reletting are significantly lower than expected rates, then the Company's financial condition and cash flow could be adversely affected. Our ability to renew leases and/or relet properties (or on terms that are favourable to us) may be adversely affected by economic and market conditions including, without limitation, new construction and excess inventory of single-family housing, changes in social preferences, rent control legislation, the availability of low interest mortgages for single-family home buyers, rental housing subsidized by the government, and other government programs that favour multi-family rental housing or owner occupied housing over single-family rental housing.

Retaining Qualified Trades Workers and Obtaining Required Materials and Supplies

The homebuilding and home renovation industry has from time to time experienced significant difficulties in the supply of materials and services, including with respect to: shortages of qualified trades people; labour disputes; shortages of building materials; unforeseen environmental and engineering problems; and increases in the cost of certain materials (particularly increases in the price of lumber, wall board and cement, which are significant components of home construction and renovation costs). When any of these difficulties occur, it will cause delays and increase the cost to the Company of renovating homes.

Tax Law Changes in the United States

Tax law changes in the United States could make home ownership more expensive or less attractive. In the United States, significant expenses of owning a home, including mortgage interest expense and real estate taxes, generally are deductible expenses for an individual's federal and, in some cases, state income taxes, subject to various limitations under current tax law and policy. If the federal government or a state government changes income tax laws to eliminate or substantially modify these income tax deductions, then the after-tax cost of owning a new home would increase substantially. This could adversely impact demand for, and/or sales prices of, homes.

Regulatory Changes

Changes in legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of the single-family residential properties we invest in and could also require us to spend more capital on renovations and home improvements without a corresponding increase in revenue that could adversely affect the Company's operations and financial results in connection with the U.S. distressed single-family home rental strategy or otherwise.

Risks Relating to Current and Future Funds and Principal Investing

Formation of Future Funds

The ability to raise any capital for any future funds remains subject to various conditions which Tricon cannot control, including the negotiation and execution of definitive legal documentation and commitments made by third-party investors. There can be no assurance that any capital raising by any other future funds will occur or that future warehoused investments of the Company will be acquired by any other future funds. A failure to raise any other future funds could result in lower Assets Under Management and would impair our future revenues and growth.

Structure of Future Funds

There can be no assurance that the manner in which Contractual Fees, General Partner Distributions, Performance Fees, and/or Investment Income are calculated in respect of future funds of Tricon will be the same as the Active Funds, including with respect to the treatment of the Company's principal investments in such funds. Any such changes could result in the Company earning less Contractual Fees, General Partner Distributions and/or Performance Fees from the same Assets Under Management as compared to the Active Funds and could expose the Company's principal investment in such future fund or funds to increased risk, including, but not limited to, the risk of reduced Investment Income (at comparable investment performance levels) and the increased risk of loss of capital of the Company.

Principal Investing

The Company is subject to various risks in respect of its current and future principal investments, warehoused investments and other direct investments that it holds, including the risk of loss of capital of the Company and the risks disclosed above under the headings “Risks Relating to the U.S. Distressed Single-Family Home Rental Strategy” and “Risks Relating to Current and Future Funds and Principal Investing”.

Difficult market conditions can materially adversely affect our business in many ways, including by reducing the value or performance of the investments made by our Active Funds which could materially reduce our revenue and cash flow and materially adversely affect our financial condition and profitability.

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

Specific to our private funds and advisory business, unpredictable or unstable market conditions and adverse economic conditions may result in reduced opportunities to find suitable risk-adjusted investments to deploy capital and make it more difficult for our funds to exit and realize value from their existing real estate investments, which could materially adversely affect our ability to raise new funds and sustain our profitability and growth.

Poor investment performance could lead to the loss of existing clients, an inability to attract new clients, lower Assets Under Management and a decline in our revenues.

We believe that our investment performance is one of the most important factors for the growth of our business. Poor investment performance relative to our competitors or otherwise could impair our revenues and growth because existing clients might opt not to invest in any of our subsequent funds and we might not be able to attract funds from existing and new clients, which could result in lower Assets Under Management and could impact our ability to earn Contractual Fees. In addition, our ability to earn Performance Fees is directly related to our investment performance and therefore poor investment performance may cause us to earn less or no Performance Fees. We cannot guarantee that we will be able to achieve positive returns, retain existing clients or attract new clients in the future.

Changes in the real estate markets could lead to a decline in our revenues.

Our revenues are dependent upon our Contractual Fees, which are based on a percentage of committed capital per annum depending on the size of a particular Active Fund, and our Performance Fees, which are based on pre-specified target investment returns.

The market value of our Assets Under Management and our ability to achieve returns above the target investment returns are impacted by factors beyond our control, including economic and political conditions as well as the policies and performance of businesses, government, the real estate industry and the financial community. A decline in value of the real estate properties we invest in could result in lower Performance Fees.

Poor performance of our funds would make it more difficult for us to raise new capital. Investors in our funds may decline to invest in future funds we manage. Investors and potential investors of our funds continually assess our funds’ performance and our ability to raise capital for existing and future funds will depend on our funds’ continued satisfactory performance.

Investments in residential real estate development have relatively long investment periods and are subject to significant risk throughout.

Our funds have made investments in residential land development and homebuilding operations located in the United States and Canada. These operations are concentrated in areas which we believe have positive long-term demographic and economic characteristics.

The residential real estate development industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as consumer confidence, employment levels, availability of financing for homebuyers and interest rates, availability and terms of senior financing, levels of new and existing homes for sale, demographic trends and housing demand.

The development projects in which we invest also have lengthy project completion timelines. Typically, we invest in development projects in which capital is generally returned in three to five years and that take four to six years to complete. These extended timelines present the possibility that markets will deteriorate between the time of our initial investment and the return of capital or project completion which could have an adverse effect on our business, financial condition or results of operation.

Competition from rental properties and resale homes, including homes held for sale by investors and foreclosed homes, may reduce a developer’s ability to sell new homes, depress prices and reduce margins for the sale of new homes. Homebuilders are also subject to risks related to the availability of materials and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, the developers in whose projects our funds invest may have to sell homes at a loss or hold land in inventory longer than planned.

Inventory carrying costs can be significant and can result in losses in a poorly performing project or market.

Virtually all end purchasers of residential real estate finance their home acquisitions through lenders providing mortgage financing. Mortgage rates have recently been at or near their lowest levels in many years. Despite this, and given the dramatic issues being experienced in the mortgage markets in the United States and by many lenders, fewer loan products and tighter loan qualification requirements have made it more difficult for borrowers to procure mortgages.

Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who do need financing, which in the United States has resulted in reduced demand for new homes. Rising mortgage rates and/or stricter underwriting criteria could adversely affect the ability of the developers in whose projects we invest to sell new homes and the price at which they can sell them, which could materially adversely impact the results of our operations and Performance Fee revenue.

We are dependent upon the economic climates of our primary markets.
Substantially all of our revenues are indirectly derived from residential real estate development properties located in our primary geographic markets in Canada (Toronto, Vancouver, Calgary and Edmonton) and our six major geographic markets or regions in the United States (Southern California, Northern California, Phoenix, Atlanta, Dallas and Houston, Texas and Southern Florida). A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economies of Canada or the United States may have upon these markets, could result in reduced demand for residential properties. Because our funds' portfolios consist primarily of residential real estate (as compared to a more diversified real estate portfolio), a decrease in demand for residential real estate could adversely affect our results from operations.

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

The development properties in which our funds invest are subject to possible environmental liabilities and other possible liabilities.
The development properties and developers in which our funds invest are subject to various Canadian and United States federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the developers or property owners liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our development properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the developer's ability to sell the development properties or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against the developer. We are not aware of any material non-compliance with environmental laws by any of the developers in which our funds invest, nor are we aware of any material non-compliance with environmental laws on any of the residential real estate developments that our funds invest in. We are also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the residential real estate developments or any material pending or threatened claims relating to environmental conditions at our development properties. We have made and will continue to make the necessary capital expenditures to support our developers' efforts to comply with environmental laws and regulations. Environmental laws and regulations can change rapidly and the developers may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on a developer or a particular development project, which, in turn, could have an adverse effect on our business, financial condition or results of operations.

Loss of key employees could lead to a loss of clients and a decline in our revenues.
Our business is dependent on the highly skilled and often highly specialized individuals we employ. The contribution of these individuals to our management team is important in attracting and retaining investors for our funds. We devote considerable resources to recruiting, training and compensating these individuals.

However, the growth in total assets under management in the investment management industry, the number of new firms entering the industry and the reliance on performance results to sell financial products have increased the demand for high-quality investment and client service professionals. Compensation packages for these professionals have a tendency to increase at a rate well in excess of inflation and above the rates observed in other industries. We expect that these costs will continue to represent a significant portion of our expenses.

We have taken, and will continue to take, steps to encourage our key employees to remain in our employ, including the establishment of an employee bonus pool, a stock option plan, a phantom unit plan, a deferred share plan and our entering into employment agreements with key employees. There can be no assurance that the steps we have taken to retain these individuals will be sufficient in light of the increasing competition for experienced professionals in the industry or that we will be able to recruit a sufficient number of new employees with the desired qualifications in a timely manner, if required. The employee bonus pool, the employee stock option plan, the phantom unit plan and the deferred share plan may not be attractive to our key employees if we are not able to generate Performance Fees or the value of our Common Shares declines or fails to appreciate sufficiently to be a competitive source of a portion of professional compensation. Furthermore, there can be no assurances that our key employees will not leave to pursue other opportunities, including those with our competitors (notwithstanding any non-competition provisions in our employment agreements). The failure to retain key employees and to recruit new employees could lead to a loss of clients and a decline in our revenues.

Further, the limited partnership agreements for Tricon IX, Tricon X and Tricon XII have "key person" provisions which deal with the continued involvement of certain members of our management team in the operations of those funds. Failure to comply with such provisions could result in the early termination of the Investment Periods of such funds, thereby releasing all limited partners thereof from any obligation to make further capital commitments, which could materially adversely affect our business, financial outlook or profitability.

We do not have sole control over the properties in which our funds invest, or over the revenues, and certain decisions associated with those properties, which may limit our flexibility with respect to these investments.

Our funds' investments are made through the financing of local developers, and, consequently, we rely to a great extent on those developers to successfully manage their development projects. Investments in partnerships, joint ventures or other entities may involve risks not present were a third party not involved, including the possibility that our funds' partners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals. In addition, we do not have sole control of certain important decisions relating to these development properties, including decisions relating to: the sale of the development properties; refinancing; timing and amount of distributions of cash from such development properties to Tricon; and capital improvements.

Competitive pressures could reduce our revenues.

The asset management industry is competitive. Some of our competitors have, and potential future competitors could have, substantially greater technical, financial, marketing, distribution and other resources than we do. There can be no assurance that we will be able to achieve or maintain any particular level of Assets Under Management or revenues in this competitive environment. Competition could have a material adverse effect on our profitability and there can be no assurance that we will be able to compete effectively. In addition, our ability to maintain our current Contractual Management Fee and Performance Fee structure is dependent on our ability to provide clients with products and services that are competitive. There can be no assurance that we will not come under competitive pressures to lower the fees we charge or that we will be able to retain our fee structure or, with such fee structure, retain our clients in the future. A significant reduction in our Contractual Fees or Performance Fees could have an adverse effect on our revenues.

Rapid growth in our Assets Under Management could adversely affect our investment performance or our ability to continue to grow.

An important component of residential real estate development investment performance is the availability of appropriate investment opportunities. If we are not able to find sufficient residential real estate development investments for new funds in a timely manner, our investment performance could be adversely affected. Alternatively, if we do not have sufficient residential real estate development investment opportunities for new funds, we may elect to limit our growth and reduce the rate at which we receive new client assets. If our Assets Under Management increase rapidly, we may not be able to exploit the residential real estate development investment opportunities that have historically been available to us or find sufficient investment opportunities for producing the absolute returns we target. If we are not able to identify sufficient appropriate investment opportunities for new funds, our investment performance and our ability to continue to grow may be adversely affected.

Rapid growth may also be difficult to sustain and may place significant demands on our administrative, operational and financial resources.

Our Assets Under Management have grown from approximately $14.3 million in 1988 to approximately $1.9 billion at December 31, 2013. Our rapid growth has caused, and if it continues will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the residential real estate development investment management market and legal, accounting and regulatory developments.

Our future growth will depend, among other things, on our ability to maintain an operating platform and management systems sufficient to address our growth and will require us to incur additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges in:

(i) maintaining adequate financial and business controls; (ii) implementing new or updated information and financial systems and procedures; and (iii) training, managing and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

We may not be able to obtain or maintain insurance coverage on favourable economic terms.

We have various types of insurance, including errors and omissions insurance and general commercial liability insurance. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that potential claims will not exceed the limits of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A judgment against us in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on our business, financial condition or profitability. There can be no assurance that we will be able to obtain insurance coverage on favourable economic terms in the future.

Failure to execute our succession plan could lead to a loss of clients and employees and a decline in our revenues.

David Berman and Geoffrey Matus are the founders of Tricon and remain actively involved in the business. Some of our clients have invested with us because of the personal reputations and the hard work of Mr. Berman and Mr. Matus. Mr. Berman and Mr. Matus are committed to playing active executive roles in our future. At the same time, they have been mindful of developing a succession plan and have created a strong team in all areas of the business. However, if Mr. Berman and/or Mr. Matus retire, or are no longer able to serve in their capacity, we may not be able to retain some of our existing clients or employees, which could lead to a decline in our revenues.

The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with an investment.

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

Employee errors or misconduct could result in regulatory sanctions or reputational harm, which could materially adversely our business, financial condition or profitability.

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the investment industry in recent years and, notwithstanding the extensive measures we take to deter and prevent such activity, we run the risk that employee misconduct could occur. Misconduct by employees could include binding us to transactions that exceed authorized limits or present unacceptable risks, or concealing from us unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. We are also susceptible to loss as a result of employee error. It is not always possible to deter employee misconduct or prevent employee error and the precautions we take to prevent and detect this activity may not be effective in all cases, which could materially adversely affect our business, financial condition or profitability.

If the global market and economic crisis continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations.

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and slower than typical growth continuing through 2013. Continued concerns about the credit crisis, particularly in Europe, the availability and cost of credit, the real estate market, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations.

We face potential adverse effects from developer defaults, bankruptcies or insolvencies.

A developer that our funds help to finance may experience a downturn in its business, which could cause the loss of that developer or weaken its financial condition and result in the developer's inability to make payments when due. If a developer defaults, we may experience delays and incur costs in enforcing our rights as lender and protecting our investments.

Because real estate investments are illiquid, the developers our funds invest with may not be able to sell properties when appropriate.

Certain residential properties can be difficult to sell, particularly if local market conditions continue to be poor. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity, such as in the current economy. These restrictions could reduce our ability to respond to changes in the performance of our funds and could adversely affect our financial condition and results of operations.

The partnership agreements of certain of our funds permit the removal of the general partner and manager without cause.

The partnership agreements for certain Active Funds provide that the general partner of each Active Fund may be removed by the consent of limited partners that have made 75% of such partnership's capital contributions. The partnership agreements of other Active Funds provide that the general partner and manager of each such Active Fund may be removed without cause by the consent of "unaffiliated limited partners" holding at least 75% of the partnership units entitled to be voted on such matter. These partnership agreements do not provide for termination payments to the general partner or manager in the event of removal without cause. The removal of the general partner or the manager of an Active Fund prior to the termination of such fund could materially adversely affect the reputation of Tricon, lower Assets Under Management and, as a result, reduce anticipated future Contractual Fees and Performance Fees.

One or more of our limited partners may fail to satisfy a drawdown request on its capital commitment.

The limited partners in Tricon's funds comprise a relatively small group of high-quality, primarily institutional, investors. To date, each of these investors has met its commitments on called capital and we have received no indications that any investor will be unable to meet its capital commitments in the future. While our experience with the funds' limited partners suggests that commitments will be honoured, and notwithstanding the adverse consequences to a defaulting limited partner in the applicable limited partnership agreement, no assurances can be given that a limited partner will meet its entire commitment over the life of a fund. A failure by one or more limited partners to satisfy a drawdown request could impair our ability to fully finance our development projects, which could have a material adverse effect on our business.

Risks Related to Our Common Shares

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

- economic and stock market conditions generally and specifically as they may impact participants in the real estate industry;
- our earnings and results of operations and other developments affecting our business;
- sales of Common Shares into the market following the release from escrow of the Pre-IPO Shareholders' Common Shares;
- changes in financial estimates and recommendations by securities analysts following our Common Shares;
- earnings and other announcements by, and changes in market evaluations of, participants in the real estate industry;
- changes in business or regulatory conditions affecting participants in the real estate industry; and
- trading volume of the Common Shares.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of our Common Shares may decline even if our operating results or prospects have not changed.

8.9 / Staffing

Over the course of the year, the Company hired eight new employees, including two senior investment professionals, an investment analyst, three accounting staff members, and two administrative staff, to address the significant growth experienced in the business. The Company assesses its staffing requirements on an ongoing basis and expects to continue to hire additional staff members in 2014. As a listed issuer, additional expenditures may be required as a result of increased regulatory and accounting requirements, and technological equipment and back-office systems may need to be upgraded.

8.10 / Critical Accounting Estimates

Please refer to the Notes to Consolidated Financial Statements for details on critical accounting estimates.

Consolidated Financial Statements

December 31, 2013 and 2012

March 5, 2014

Independent Auditor's Report

To the Shareholders of
Tricon Capital Group Inc.

We have audited the accompanying consolidated financial statements of Tricon Capital Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013, December 31, 2012 and January 1, 2012 and the consolidated statements of comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2013 and December 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tricon Capital Group Inc. and its subsidiaries as at December 31, 2013, December 31, 2012 and January 1, 2012 and their financial performance and their cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the early adoption of the amendments to IFRS 10, Consolidated Financial Statements effective January 1, 2013. The amendments to the standard were applied retrospectively by management. The impacts of early adopting the amendments to the standard on the comparative information are described in Note 23 to the consolidated financial statements.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Balance Sheets

(rounded to the nearest thousand Canadian dollars, except per share amounts)

	Notes	December 31, 2013	December 31, 2012 (Restated)	January 1, 2012 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents		$ 13,122,000	$ 31,137,000	$ 22,008,000
Short-term investments		–	4,094,000	9,188,000
Accounts receivable		2,920,000	812,000	779,000
Prepaid expenses and other assets		416,000	302,000	154,000
Income taxes recoverable	10	–	–	177,000
		16,458,000	36,345,000	32,306,000
Non-current assets				
Investments – single-family rental	4,6,7	287,053,000	140,693,000	–
Investments – land and homebuilding	4,6,7	332,556,000	32,241,000	8,087,000
Investments – other		–	–	10,802,000
Intangible assets	11	4,441,000	2,441,000	2,777,000
Office equipment and leasehold improvements	12	470,000	166,000	153,000
Deferred income tax assets	10	1,965,000	5,667,000	2,905,000
		626,485,000	181,208,000	24,724,000
Total assets		$ 642,943,000	$ 217,553,000	$ 57,030,000
LIABILITIES				
Current liabilities				
Accounts payable and accruals	4	8,818,000	2,670,000	889,000
Long-term incentive plan – current portion	15	11,000	15,000	40,000
Dividends payable	4,13	5,417,000	2,505,000	1,094,000
Income taxes payable	10	2,512,000	366,000	18,000
Bank debt	9	4,354,000	–	–
Interest payable		2,333,000	1,379,000	–
		23,445,000	6,935,000	2,041,000
Non-current liabilities				
Deferred income tax liabilities		2,312,000	1,666,000	706,000
Long-term incentive plan – non-current portion	15	10,635,000	9,980,000	8,270,000
Derivative financial instruments	6,9	46,964,000	23,921,000	–
Debentures payable	4,9	102,790,000	33,756,000	–
Total liabilities		186,146,000	76,258,000	11,017,000
EQUITY				
Share capital	14	455,191,000	164,614,000	57,901,000
Contributed surplus	14	6,113,000	1,377,000	1,190,000
Accumulated other comprehensive loss		(38,000)	–	–
Deficit		(4,469,000)	(24,696,000)	(13,078,000)
Total equity		456,797,000	141,295,000	46,013,000
Total liabilities and equity		$ 642,943,000	$ 217,553,000	$ 57,030,000

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

Approved by the Board of Directors

David Berman Michael Knowlton Duff Scott

Consolidated Statements of Comprehensive Income (Loss)

(rounded to the nearest thousand Canadian dollars, except per share amounts)

For the Year Ended	Notes	December 31, 2013	December 31, 2012 (Restated)
Revenue			
Contractual fees	8	$ 15,139,000	$ 9,985,000
General partner distributions	8	2,959,000	3,630,000
Performance fees	8	195,000	95,000
Interest income	8	1,302,000	608,000
		19,595,000	14,318,000
Investment income			
Investment income – single-family rental	8,18	37,158,000	(539,000)
Investment income – land and homebuilding	8,18	34,482,000	4,497,000
		71,640,000	3,958,000
		91,235,000	18,276,000
Expenses			
Salaries and benefits expense		4,992,000	3,795,000
Annual incentive plan	15	5,236,000	2,165,000
Long-term incentive plan	15	5,875,000	1,997,000
Professional fees		1,624,000	1,234,000
Directors' fees		333,000	247,000
Formation costs		–	(192,000)
General and administration expense	16	1,666,000	939,000
Interest expense		12,698,000	2,401,000
Net change in fair value of derivative		5,680,000	7,671,000
Transaction costs		4,624,000	–
Amortization expense		763,000	1,160,000
Realized and unrealized foreign exchange gain		(1,191,000)	(289,000)
		42,300,000	21,128,000
Income before income taxes		48,935,000	(2,852,000)
Income tax expense	10	(12,862,000)	(1,346,000)
Net income (loss)		$ 36,073,000	$ (4,198,000)
Other comprehensive income			
Cumulative translation reserve		(38,000)	–
Comprehensive income (loss) for the year		$ 36,035,000	$ (4,198,000)
Basic income (loss) per share	17	$0.60	$(0.15)
Diluted income (loss) per share	17	$0.59	$(0.15)
Weighted Average Shares Outstanding – Basic	17	60,534,679	27,731,820
Weighted Average Shares Outstanding – Diluted	17	61,372,589	27,746,195

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

Consolidated Statements of Changes in Equity

(rounded to the nearest thousand Canadian dollars, except per share amounts)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2012 (restated)		$ 57,901,000	$ 1,190,000	$ –	$ (13,078,000)	$ 46,013,000
Net loss for the year		–	–	–	(4,198,000)	(4,198,000)
Dividends	13	–	–	–	(7,339,000)	(7,339,000)
Repurchase of common shares	14	–	–	–	–	–
Issuance of common shares, net of issuance costs of $3,437,000		106,142,000	–	–	–	106,142,000
Stock option expense	15	–	265,000	–	–	265,000
Phantom units	15	571,000	(78,000)	–	(81,000)	412,000
Balance at December 31, 2012 (restated)		164,614,000	1,377,000	–	(24,696,000)	141,295,000
Net income for the year		–	–	–	36,073,000	36,073,000
Cumulative translation reserve		–	–	(38,000)	–	(38,000)
Dividends/dividend reinvestment plan	13	955,000	–	–	(15,837,000)	(14,882,000)
Repurchase of common shares		(57,000)	–	–	(9,000)	(66,000)
Issuance of common shares, net of issuance costs of $7,927,000	14	289,679,000	–	–	–	289,679,000
Stock option expense	15	–	538,000	–	–	538,000
Phantom units	15	–	3,203,000	–	–	3,203,000
Deferred share units	15	–	995,000	–	–	995,000
Balance at December 31, 2013		$ 455,191,000	$ 6,113,000	$ (38,000)	$ (4,469,000)	$ 456,797,000

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

Consolidated Statements of Cash Flows

(rounded to the nearest thousand Canadian dollars, except per share amounts)

For the Year Ended	Notes	December 31, 2013	December 31, 2012 (Restated)
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income (loss)		$ 36,073,000	$ (4,198,000)
Adjustments for			
Amortization	11,12	764,000	1,160,000
DSUP expense		92,000	87,000
Deferred income taxes	10	8,112,000	(1,259,000)
Long-term incentive plan (net of $98,000 accrued and paid)	15	5,387,000	1,685,000
Stock compensation expense, net of tax	15	3,078,000	1,016,000
Accrued interest income		(82,000)	(84,000)
Accrued interest expense		12,056,000	1,287,000
Accrued investment (income) loss – single-family rental	8	(37,158,000)	539,000
Accrued investment (income) loss – land and homebuilding	8	(34,482,000)	(4,497,000)
Net change in fair value of derivative	9	5,680,000	7,671,000
Unrealized foreign exchange (gain) loss		(293,000)	263,000
Purchase of investments		(367,906,000)	(187,433,000)
Distributions received		55,746,000	42,943,000
		(312,933,000)	(140,820,000)
Changes in non-cash working capital items	20	2,914,000	2,024,000
		(310,019,000)	(138,796,000)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	12	(397,000)	(80,000)
Placement fees	11	(2,671,000)	(757,000)
		(3,068,000)	(837,000)
Financing activities			
Issuance of common shares	14	241,526,000	111,301,000
Equity issuance cost	14	(14,425,000)	(5,159,000)
Issuance/(repurchase) of debentures (net of issuance costs of $4,080,000)	9	81,920,000	48,984,000
Vested phantom units		–	(339,000)
Proceeds from borrowing (net of financing costs)	9	4,254,000	–
Debenture interest paid	9	(6,449,000)	–
Dividends paid	13	(11,970,000)	(5,928,000)
		294,856,000	148,859,000
Foreign exchange gain (loss) on cash		216,000	(97,000)
Change in cash and cash equivalents during the year		(18,015,000)	9,129,000
Cash and cash equivalents – beginning of year		31,137,000	22,008,000
Cash and cash equivalents – end of year		$13,122,000	$31,137,000
Supplementary information			
Income taxes paid		$ 3,026,000	$ 1,106,000

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

Notes to Consolidated Financial Statements

December 31, 2013 and 2012
(rounded to the nearest thousand Canandian dollars, except per share amounts)

1 / Nature of Business

Tricon Capital Group Inc. ("Tricon" or the "Company") and its subsidiaries invest for investment income and capital appreciation through its Principal Investment business segments and earn fee income through its Private Funds and Advisory business in the U.S. and Canada. In the Principal Investment business, the Company is focused on related business lines that primarily invest in residential property: single-family rental ("SFR"), and land and homebuilding. In the Private Funds and Advisory business, the Company manages and originates investments through private comingled funds and separate investment accounts that participate in the development of real estate in North America by providing equity-type financing to developers. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and the U.S. and is domiciled in Canada. Tricon became a public company on May 20, 2010 and its common shares are listed on the TSX (symbol: TCN).

These consolidated financial statements were approved for issue on March 5, 2014 by the Board of Directors of Tricon. After this date, the consolidated financial statements can only be amended with the Board of Directors' approval.

2 / Summary of Significant Accounting Policies

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, they have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) and investment in SFR, and land and homebuilding, which are recorded at fair value through profit or loss ("FVTPL").

Changes in accounting policy and disclosures

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2013 and have a material impact on the Company:

The Company's consolidated financial statements for the year ended December 31, 2013 have been restated to reflect the early adoption of investment entity amendments to IFRS 10, Consolidated Financial Statements. These amendments were issued by the International Accounting Standards Board ("IASB") in October 2012 and are mandatory for financial years beginning on or after January 1, 2014. Early adoption is permitted. In addition to defining an investment entity, the amendments require that investments in subsidiaries (other than those that provide investment-related services) be accounted for at FVTPL rather than by consolidating them. The Company has adopted the amendments effective January 1, 2013 and determined that it became an investment entity as a result of investments in U.S. single-family rental home limited partnerships during 2012, collectively known as Tricon American Homes ("TAH"). Comparative information has been restated to reflect the Company's investment entity status. The effect of this restatement is summarized in Note 23.

The amendment to IFRS 7, Financial Instruments: Disclosures, on asset and liability offsetting includes new disclosures to enable users of financial statements to evaluate the effect or potential effects of netting arrangements on an entity's financial position. As of December 31, 2013, the Company does not have any asset or liability that is subject to an offsetting agreement.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of financial statements. The standard sets out how to apply the principle of control to identify whether an investor controls an underlying investment and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, Disclosures of Interests in Other Entities, includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles.

In addition, the Company adopted IFRS 13, Fair Value Measurement, as of January 1, 2013. IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013; however, additional disclosures of fair value measurements have been included in Note 6.

New standards and interpretations not yet adopted

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The

Company is yet to assess the full impact of IFRS 9. The Company will consider the impact of the remaining phases of IFRS 9 when the assessment is completed by the Board. Currently, no mandatory effective date is in place for IFRS 9.

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.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As an investment entity, the Company accounts for its subsidiaries at fair value, with the exception of those that provide services related to the Company's investment activities, including its Canadian and U.S. asset management operating entities, which earn contractual fees and performance fees from its managed funds and which continue to be consolidated. Subsidiaries providing such services are fully consolidated from the date on which control is obtained, and no longer consolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains or losses on transactions between the Company and its consolidated subsidiaries are eliminated. Accounting policies of the Company's consolidated subsidiaries have been conformed where necessary to ensure consistency with the policies adopted by the Company.

Investment in associates

Investments that are held as part of the Company's investment portfolio are carried on the balance sheet at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28, Investment in Associates, which allows investments that are held by the Company to be recognized and measured at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognized in the statement of comprehensive income in the period of the change.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is Tricon's functional currency and the functional currency of its foreign operations, with the exception of the subsidiary related to the U.S. asset management business which is US dollars (effective 4Q13 as commercial operations commenced and the entity was no longer an extension of the parent).

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the historical exchange rate. Gains and losses arising from foreign exchange are included in the statements of comprehensive income (loss).

b) Subsidiaries

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries (none of which uses the currency of a hyperinflationary economy) with a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
ii) income and expenses are translated at average exchange rates. The Company uses monthly average exchange rates due to the volume of transactions each month; and
iii) all resulting exchange differences are recognized in other comprehensive income.

On disposal of a foreign operation (that is, a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified from other comprehensive income to net income (loss).

The consolidated subsidiaries and their respective functional currencies are as follows:

Name	Functional currency
Tricon Holdings Canada Inc.	Canadian dollar
Tricon XI Canada GP Inc.	Canadian dollar
Tricon Fund IX Co-Investment Inc.	Canadian dollar
Tricon Capital GP Inc.	Canadian dollar
Tricon XI B/C Incentive LP	Canadian dollar
Tricon XI C, LP	Canadian dollar
Tricon Holdings USA LLC	Canadian dollar
Tricon USA Inc.	US dollar
Altman VII General Partnership	Canadian dollar
Tri Continental Capital III Ltd.	Canadian dollar
Tri Continental Capital IV Ltd.	Canadian dollar
Tri Continental Capital VI Ltd.	Canadian dollar
Tricon Fund IX Incentive GP Inc.	Canadian dollar
TCC VII GP LP	Canadian dollar
Tricon Fund IX Incentive LP	Canadian dollar
TCC VII GP LLC	Canadian dollar
Tricon IX GP LLC	Canadian dollar
CCR Texas Agent Inc.	Canadian dollar

Office equipment and leasehold improvements

Furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated amortization. Leasehold improvements are amortized on a straight-line basis over the lease term (including reasonably assured renewal options). All other capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years
Leasehold improvements	5 years

Estimated useful lives and residual values of capital assets are reviewed and adjusted, if appropriate, at each financial year-end.

Placement fee and performance fee rights intangible assets

Placement fees represent costs incurred to secure investment management contracts. Performance fee rights represent costs incurred to obtain rights to receive future performance fees from certain funds. These are accounted for as intangible assets carried at cost less accumulated amortization. Amortization is recorded using the straight-line method and is based on the estimated useful lives of the associated funds, which is generally eight years.

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible impairment or reversal of a previously recorded impairment at each reporting date.

Financial instruments

Financial assets

Financial assets are classified as financial assets designated at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not carried at fair value through profit or loss, directly attributable transaction costs.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Financial assets at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value.

Gains and losses arising from changes in the fair value of the financial assets at FVTPL are presented in the statement of comprehensive income within investment income.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all risks and rewards of ownership.

The Company's other financial assets carried at amortized cost consist of cash and cash equivalents and accounts receivable.

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents and accounts receivable are initially recognized at fair value and subsequently accounted for at amortized cost. Interest income is accounted for using the effective interest rate method.

The Company assesses, at each financial position date, whether there is objective evidence that receivables are impaired. If there is objective evidence of impairment (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the receivable is tested for impairment. The amount of the loss is measured as the difference between the account's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount is reduced through the use of an allowance account. The amount of the loss is recognized in net income (loss).

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the receivable does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income (loss).

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

The Company's financial liabilities consist of accounts payable and accruals, dividends payable, income tax payable, debenture interest payable, bank debt, debentures payable and derivative financial instruments.

Bank debt and debentures payable are initially recognized at fair value and subsequently accounted for at amortized cost. Interest expense is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derivative financial instruments

Derivative financial instruments, which are comprised of the conversion and redemption options related to the convertible debentures, are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with the resulting gain or loss reflected in net income (loss). Derivatives are valued using a model which is calibrated periodically to the market. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible unsecured subordinate debentures that can be converted to share capital at the option of the holder. The Company may settle the conversion right in cash in lieu of common shares unless the holder has explicitly indicated that they do not wish to receive cash. The cash settlement amount depends on the weighted average trading price of the common shares of the Company. This settlement option requires the Company to record the conversion option as a financial liability at fair value at each reporting period, with changes in fair value recorded in net income (loss).

In addition, the debentures contain a redemption option, subject to several conditions, which allows the Company to redeem the debentures, in whole or in part, and the Company may settle the redemption option either in cash at par plus accrued and unpaid interest or in common shares, with the number of common shares to be issued depending on the weighted average trading price of the common shares of the Company. The redemption option is recorded as a financial liability at fair value at each reporting period, with changes in fair value recorded in net income (loss).

The host liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The conversion and redemption options are considered to be interrelated and therefore are treated as a single compound embedded derivative which is recognized at fair value.

Any directly attributable transaction costs are allocated entirely to the host liability component.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. As of December 31, 2013, the Company does not have any asset or liability that is subject to an offsetting agreement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recorded as an expense in net income (loss) on a straight-line basis over the term of the lease. Leases of assets where the Company has substantially retained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital for cancellation, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders.

Earnings (loss) per share

a) Basic

Basic earnings (loss) per share is determined using the weighted average number of shares outstanding and vested phantom units during the reporting period, taking into account on a retrospective basis any increases or decreases caused by share splits or reverse share splits occurring after the reporting period, but prior to the financial statements being authorized for issue.

b) *Diluted*
The Company considers the effects of stock compensation and convertible debentures in calculating diluted earnings per share. Diluted earnings (loss) per share is calculated by adjusting net income (loss) and the weighted average number of shares based on the assumption of the conversion of all potential dilutive shares on a weighted average basis from the date the options vest and from the conversion date of the debentures to the balance sheet date. The conversion date of the debenture units was assumed to be the later of the beginning of the reporting period or closing date in accordance with IAS 33.

Dividends

Dividends are accrued when declared by Tricon's Board of Directors.

Current and deferred income taxes

Income tax (recovery) expense includes current and deferred income taxes. Income tax (recovery) expense is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity. Income taxes are calculated based on the enacted or substantively enacted rates in effect at the consolidated balance sheet date. Management evaluates uncertain tax positions subject to interpretation and establishes provisions as appropriate, based on expectations about future settlements, using the best estimate approach.

The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

Current and deferred income tax relating to items that are directly recognized in equity is recognized in equity and not in the statement of comprehensive income.

Investment income

Investment income includes gains and losses arising on the remeasurement of investments at fair value, including foreign exchange gains and losses.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the provision of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met, as described below.

Revenues comprise contractual fees and general partner distributions which are not contingent on the performance of the underlying funds, as well as performance fees earned in respect of investment management services provided to investment funds managed by the Company. Contractual fees are recognized as services are performed and are based on a fixed percentage of each fund's committed capital prior to the expiration of each such fund's investment period and based on invested capital following the expiration of the relevant investment period. General Partner Distributions are recognized as services are performed.

Performance fees are earned based on fixed percentages of the returns of each fund in excess of predetermined thresholds. Performance fees are recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company, which is generally subsequent to the return of all the original capital provided by investors plus a preferred rate of return as specified in the limited partnership agreement. Contractual fees and performance fees are earned through the Company's fiduciary activities as an investment manager.

Compensation arrangements

Stock option plan

The Company accounts for its stock option plan by calculating the fair value of the options as of the grant date using a Black-Scholes option pricing model and observable market inputs. This fair value is recognized as compensation cost using the graded vesting method over the vesting period of the options.

Annual Incentive Plan ("AIP")

The Board of Directors approved a new Compensation Incentive Plan in September 2013, consisting of an Annual Incentive Plan ("AIP") and a Performance Fee-Related Bonus Plan known as the long-term incentive plan ("LTIP"). The plan was approved as of January 2013 and is retroactive from that time.

AIP will be calculated based on 15%–20% of Adjusted Base EBITDA excluding Tricon IX Investment Income, with the actual rate determined annually at the Board's discretion. For 2013, the AIP is calculated as 20% of Adjusted Base EBITDA excluding Tricon IX Investment Income. Unlike the previous plan where 100% of annual bonus was awarded in cash, under this new plan, 60% of AIP compensation will be distributed as cash, and 40% in deferred share units with a one-year vesting and expense period. Expenses incurred under the AIP are recognized in the period when services are provided.

Long-term incentive plan ("LTIP")

LTIP expense is generated from two sources: (i) 50% of the Company's share of performance fees or carried interest from land and homebuilding and (ii) 15%–20% of Tricon IX investment income payable in Deferred Stock Units ("DSUs") which vest over a five-year period. Amounts under the LTIP are allocated among the employees based on amounts defined in employment agreements.

For the LTIP generated from the Company's share of performance fees or carried interest from land and homebuilding, the Company estimates the LTIP liability by determining the fair value of the compensation expenses at each reporting date based on the estimated obligation arising under the LTIP plan. Changes in the LTIP liability are recognized in the statements of comprehensive income (loss).

For the LTIP generated from the Company's investment income in Tricon IX, as the deferred shares vest equally on the anniversary dates following the grant date over a five-year period, the compensation expenses are recognized over a six-year period on a graded vesting basis.

Director's fee – Deferred share unit plan ("DSUP")

On May 20, 2010, the Company established a DSUP. Under the DSUP, each independent director is entitled to elect to have any amount or percentage of their director fees contributed to the DSUP. The number of DSUs are determined by dividing the amount of the elected fee by the market price of the Company's shares on the grant date, which is the 15th day following the end of any fiscal quarter. The market price is defined as the five-day average of the closing price of the Company's shares on the TSX ending on the last trading date immediately preceding the date as of which the market price is determined. All notional units vest as of the grant date. Additional DSUs are issued equivalent to the value of any cash dividends that would have been paid on the common shares.

Notional units issued under the DSUP may only be redeemed by the independent director when such director no longer serves on the Board of Tricon. Redemptions will be paid out in cash. The directors elect the amount of his or her fees that will be contributed to the DSUP upon commencement of their term as a member of the Board. Directors may change their election from fiscal quarter to fiscal quarter.

The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns.

Upon the redemption of the DSUs, the Company shall pay to the independent director a lump sum cash payment equal to the number of DSUs to be redeemed multiplied by the market price of the Company's common shares on the redemption date, net of applicable deductions and withholdings. If an independent director ceases to be an eligible director, they may choose a redemption date by giving written notice to the Company, provided that such date is not prior to the tenth day following the release of the Company's quarterly or annual results and is not later than eleven months following the cessation of the independent director being an eligible director. If written notice is not provided, the redemption date is deemed to be eleven months from the cessation of the independent director being an eligible director.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined that its chief operating decision-makers are the chief executive officer (CEO) of the Company and its president.

3 / Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Actual results could differ from these estimates and the differences may be material.

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated balance sheets. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that may differ significantly from estimates recorded in deferred tax balances.

Fair value and impairment of financial instruments

Certain financial instruments are recorded in the Company's consolidated balance sheets at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. Investments in equity instruments whose fair value cannot be reliably measured are carried at cost.

The fair value of the Company's investments in SFR, and land and homebuilding are determined using the valuation methodologies described in Note 6.

The fair value of certain other financial instruments is determined using valuation techniques. By their nature, these valuation techniques require the use of assumptions. Changes in the underlying assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect the amount of earnings recorded in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence that a financial instrument, including equity accounted investments, is impaired. The assessment of impairment of a financial instrument requires significant judgment, where management evaluates, among other factors, the duration and extent to which the carrying value or fair value of an investment is less than its cost, and the financial health and short-term business outlook of the investee.

The Company classifies the fair value of its financial instruments according to the following hierarchy, which is based on the nature of the observable inputs used to value the instrument:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Long-term incentive plan accrual

The most significant assumptions used in determining the LTIP liability relate to the future cash flows anticipated from projects within the funds managed by the Company and the discount rate applied to those cash flows.

If the expected performance fee cash flows relating to each project were increased or decreased by 5%, the LTIP liability would increase by approximately $374,000 or decrease by approximately $374,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by $540,000 or increase by $810,000, respectively.

Determination of investment entity

The most significant judgment made in preparing the consolidated financial statements is the determination that the Company became an investment entity when it invested in the U.S. single-family rental home limited partnerships during 2012. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income (including rental income), or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties. The Company has historically co-invested alongside external parties in funds that it manages. During 2012, the Company raised additional capital through the issuance of convertible debentures, in order to invest in U.S. single-family home limited partnerships. The partnerships are established with local operating partners who acquire distressed single-family homes and renovate, lease and manage them during the investment period prior to their disposal. In determining its status as an investment entity, the Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments, including the U.S. single-family home limited partnerships, and that its participation in the partnerships is substantially as an investor, rather than as an operator or developer of properties.

Prior to the formation of the U.S. single-family rental home limited partnerships, the Company's business purpose was primarily to provide investment-related services to external parties through the funds it manages. The impact of the Company's transition to an investment entity is disclosed in Note 23.

4 / Financial Risk Management

The Company's activities expose it to certain financial risks during or at the end of the reporting period as described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and the Company's investments expose it to this risk. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rates and changes in foreign currency rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in debt instruments, the fair values of which vary depending on market interest rates. The effects on net and comprehensive income (loss) of a 1% (December 31, 2012 – 1%) change in interest rates resulting from changes in the fair values of, or cash flows associated with, the Company's investments in associates would be $81,000 (December 31, 2012 – $24,000).

At December 31, 2013, if interest rates at that date had been 10 basis points lower with all other variables held constant, interest expense for the year would have been $100,000 (2012 – $14,000) lower, mainly as a result of lower interest expense on variable borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, interest expense would have been $100,000 (2012 – $14,000) higher, mainly as a result of higher interest expense on variable borrowings. Net income is more sensitive to interest rate decreases than increases because of borrowings with capped interest rates. The sensitivity is higher in 2013 than in 2012 because of an increase in outstanding borrowings as a result of the Company issuing convertible debentures and drawing on its revolving credit facility in 2013.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company invests in equity instruments with returns that vary depending on the value of their underlying real estate. The effects on net and comprehensive income (loss) of a 1% increase or decrease (December 31, 2012 – 1%) in the prices of real estate resulting from changes in the fair values of, or cash flows associated with, the Company's investments – SFR would be $4,505,095 (December 31, 2012 – $1,396,000).

Foreign currency risk

The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to consolidated U.S. subsidiaries, investments in SFR and Cross Creek and cash and cash equivalents in US dollars held at the corporate level. A 1% increase or decrease (December 31, 2012 – 1%) in the US dollar exchange rate would result in approximately a $5,671,000 and ($5,671,000) movement (December 31, 2012 – $1,667,000 and ($1,674,000)), respectively, in net and comprehensive income. The Company manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows are denominated. The Company may use derivatives to hedge foreign currency risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has no significant concentrations of credit risk and its exposure to credit risk arises through loans and receivables which are due primarily from controlled subsidiaries. The loans and receivables due from subsidiaries are subject to the risk that the underlying real estate assets may not generate sufficient cash inflows in order to recover them in their entirety. The Company manages this risk by:

- Ensuring a due diligence process is conducted on each investment prior to funding;
- Approving all loans by management and the Investment Committee prior to funding; and
- Actively monitoring the loan portfolio and initiating recovery procedures when necessary.

At December 31, 2013, the Company's maximum exposure to credit risk was $211,789,000 (December 31, 2012 – $61,230,000). Through the equity portion of its investments – land and homebuilding balances, the Company is also indirectly exposed to credit risk arising on loans advanced by investees to individual real estate development projects. As of December 31, 2013, the unrealized gain or loss that is attributable to changes in credit risk is $nil (2012 – $nil).

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty in paying its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company uses long-term borrowings to finance its investment strategy for Single-Family Rental. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debentures is mitigated at the Company's option, under the terms of the debenture, to settle the obligation with shares.

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

As at December 31, 2013	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Accounts payable and accruals	8,818,000	–	–	–	8,818,000
Dividend payable	5,417,000	–	–	–	5,417,000
Interest payable	8,115,000	16,236,000	12,925,000	7,227,000	44,503,000
Bank debt	4,371,000	–	–	–	4,371,000
Debentures payable	–	–	51,675,000	86,000,000	137,675,000

Concentration risk

Concentration risk arises as a result of the potential concentration of exposures, by country, geographical location, product type, industry sector or counterparty type. The following is a summary of the Company's concentration risk, based on the composition of the fair value of its investments – SFR and land and homebuilding balances:

Province/State	December 31, 2013	December 31, 2012
Canada		
British Columbia	$ 3,003,000	$ 3,116,000
Ontario	3,668,000	2,785,000
USA		
California	285,523,000	78,686,000
Arizona	96,797,000	24,229,000
Florida	72,800,000	23,918,000
North Carolina	52,548,000	22,511,000
Georgia	41,992,000	–
Nevada	34,669,000	–
Texas	28,609,000	17,689,000
	$ 619,609,000	$ 172,934,000

5 / Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's capital consists of debt, including bank debt, convertible debentures, demand credit facility and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of December 31, 2013, the Company is in compliance with all bank covenants.

6 / Fair Value Estimation

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

The following describes the categories within the fair value hierarchy:

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

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

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

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

December 31, 2013	Total	Level 1	Level 2	Level 3
Recurring measurements				
Financial assets				
Investments – single-family rental	$ 287,053,000	$ –	$ –	$ 287,053,000
Investments – land and homebuilding				
Canadian funds	6,670,000	–	–	6,670,000
US funds	325,886,000	–	–	325,886,000
Financial liabilities				
Derivative financial instruments (Note 9)	46,964,000	–	46,964,000	–
Debenture payable (Note 9)	102,790,000	–	102,790,000	–

December 31, 2012	Total	Level 1	Level 2	Level 3
Recurring measurements				
Financial assets				
Short-term investments	$ 4,094,000	$ –	$ 4,094,000	$ –
Investments – single-family rental	140,693,000	–	–	140,693,000
Investments – land and homebuilding				
Canadian funds	5,901,000	–	–	5,901,000
US funds	26,340,000	–	–	26,340,000
Financial liabilities				
Derivative financial instruments (Note 9)	23,921,000	–	23,921,000	–
Debenture payable (Note 9)	33,756,000	–	33,756,000	–

There have been no transfers between levels for the years ended December 31, 2013 and December 31, 2012.

Valuation methodologies

Derivative financial instruments are valued using model calibration. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

The Company's finance department is responsible for determining fair value measurements included in the financial statements, including Level 3 measurements, with the exception of the valuation of derivative financial instruments, which is performed by an independent valuation firm. The valuation processes and results are reviewed and approved by the Controller and the CFO at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

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

a) Investments – single-family rental

All of the Company's investments in U.S. single-family rental home limited partnerships are held through a wholly-owned subsidiary which is recorded at fair value. The fair value of the Company's investment in the subsidiary is estimated based on the total of the Company's proportionate share of the fair value of the net assets of each limited partnership. The fair value of the net assets of each limited partnership is based on a sum of the parts approach, where assets and liabilities are fair valued individually.

The Automated Valuation Model ("AVM") is used to determine the fair value of our investments in the U.S. single-family limited partnerships based on the fair value of the underlying net assets, on a house by house basis. The model arrives at a value for these homes based on comparable sales and listings. In addition to investing in homes held as long-term rentals, the limited partnerships we are invested in also generate revenue from inventory homes sold. These are select properties purchased opportunistically specifically for the purpose of being renovated and sold within six months. AVMs are computer programs that calculate estimates of value for individual properties. They use public records data or tax assessment data to compile large databases of real estate information in a geographic area. This data includes historical sales information, individual property characteristics and specifications for each of the properties in the database. The AVM calculates estimates of value using the sales information and property specifications. Periodically, the AVM estimates of value are updated using current sales information to reflect changes in market conditions over time. An alternative valuation method of Broker Priced Opinion ("BPO") is utilized when AVM values are unavailable. The Company also takes into account the unrealized and realized carried interest payable to local operating partners as general partners to the limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall calculations specified in the relevant limited partnership agreement with each local operator and typically require payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnerships would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years with fair value determined by discounting to the reporting period. Working capital of the limited partnerships approximates fair value.

At December 31, 2013, if interest rates at that date had been 10 basis points lower with all other variables held constant, investment income – SFR for the year would have been $59,000 (2012 – $8,000) higher, mainly as a result of lower interest expense on variable borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, investment income – SFR would have been $51,000 (2012 – $8,000) lower, mainly as a result of higher interest expense on variable borrowings. Profit is more sensitive to interest rate decreases than increases because of borrowings with capped interest rates. The sensitivity is higher in 2013 than in 2012 because of an increase in outstanding borrowings as a result of the Company drawing on the Deutsche Bank credit facility in 2013.

The inputs to the AVM are the characteristics of the property being valued and recent prices for transactions involving similar properties in the same market. If the prices of single-family rental homes included in the Company's Investments were to increase or decrease by 1% (December 31, 2012 – 1%), the impact on net and comprehensive income would be $4,505,000 and ($4,505,000), respectively (December 31, 2012 – $1,396,000 and ($1,396,000)).

b) Investments – land and homebuilding

The Company has investments in the limited partnerships it manages. These investments are held through the Company's wholly-owned subsidiaries that invest in the limited partnerships as an LP and are recorded at fair value. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of the partnerships' net assets at each measurement date. The fair values of the partnerships' net assets are calculated by determining the fair values of their investments in underlying projects using discounted cash flows, appraised values or implied multiples from recent transactions involving similar assets.

The Company has investments in the limited partnerships with other parties that are considered separate accounts. These investments are held through the Company's wholly-owned subsidiaries that invest in the limited partnerships as an LP and are recorded at fair value. The investments are measured at fair value determined by the waterfall calculations specified in the relevant limited partnership agreement of the limited partnerships. The inputs into the waterfall calculations include the fair value of the land and the fair value of the working capital held by the limited partnerships. The fair value of the land of the limited partnerships is based on appraisals prepared by an external third-party valuator or on internal valuations.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follows:

Description	Valuation technique(s)	Significant unobservable input
Debt investments	Discounted cash flow	a) Discount rates(1) b) Future cash flows
Equity investments – land and homebuilding	Net asset value	a) Discounted rates b) Future cash flows(2) c) Control premium, if any
Equity investments – single-family rental	Waterfall distribution model	Valuation of homes per AVM
Equity investments – separate accounts	Waterfall distribution model	Appraised value(3)

(1) The range of the discount rate in the discounted cash flow model is 10% to 12%.

(2) The range of the discount rates in the discounted cash flow model is 10% to 30%.

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

(3) For equity investments totaling $9,247,000, the Company obtained external valuations for two separate accounts equity investments. For the appraisal subject to an independent valuation report, the investment team and finance team verify all major inputs to the valuation and review the results with the independent valuator. For the remaining separate accounts equity investments totaling $6,108,000, since the properties were purchased close to year-end, the fair value approximates acquisition price. The significant input within the appraised value is the value of land per acre.

Sensitivity

The effects on net and comprehensive income of a 1% change in the discount rates of the investments – land and homebuilding are as follows:

	December 31, 2013		December 31, 2012	
	1% increase	1% decrease	1% increase	1% decrease
Canadian funds	$ (175,292)	$ 165,900	$ (230,000)	$ 240,000
US funds	(2,372,863)	2,438,183	(534,000)	554,000
Separate accounts	(687,000)	714,000	(24,000)	24,000

c) Continuity of investments

The following presents the movement in Level 3 instruments for the years ended December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Opening balance	$ 172,934,000	$ 8,087,000
Advances	426,588,000	174,566,000
Distributions/sales	(51,553,000)	(13,677,000)
Investment income	71,640,000	3,958,000
Ending balance	$ 619,609,000	$ 172,934,000

The investment income includes an unrealized gain of $49,304,000 (2012 – $1,552,000) resulting from foreign exchange and a fair value increase in investments.

Quantitative information about fair value measurements using significant unobservable inputs (Level 2) is as follows:

	2017 Debenture	2020 Debenture
Risk free rate	1.89%	2.57%
Credit spread	14.97%	6.31%
Stock price	$7.71	$7.71
Historical volatility	35.19%	35.19%
Dividend yield	3.23%	3.57%

The fair value of the convertible debentures was $111,330,000 as of December 31, 2013, and $36,109,000 as of December 31, 2012.

The values of the derivative financial instruments recognized in the consolidated balance sheet are calculated as follows:

	December 31, 2013	December 31, 2012
Derivative financial instruments – beginning of period	$ 23,921,000	$ –
Derivative instrument value of debentures issued	17,363,000	16,250,000
Fair value changes (based on market price)	5,680,000	7,671,000
Derivative financial instruments – end of period	$ 46,964,000	$ 23,921,000

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, accounts receivable, accounts payable and accruals, dividends payable, interest payable, bank debt and debentures payable. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accruals, dividends payable, interest payable, bank debt and debentures payable approximate their carrying values due to their short-term nature.

7 / Investments

Investments – SFR includes investments in U.S. single-family rental home limited partnerships. The partnerships are established with local operators who acquire single-family homes and renovate, lease and manage them during the investment period.

Investments – land and homebuilding include investments in funds managed by the Company.

The Company makes these investments via loan advances and equity investments. The following is a summary of the composition of the Company's investments:

December 31, 2013	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ 194,325,000	$ 92,728,000	$ 287,053,000
Investments – land and homebuilding			
Canadian funds	–	6,670,000	6,670,000
US funds	17,464,000	308,422,000	325,886,000
Total	$ 211,789,000	$ 407,820,000	$ 619,609,000

December 31, 2012	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ 52,901,000	$ 87,792,000	$ 140,693,000
Investments – land and homebuilding			
Canadian funds	–	5,901,000	5,901,000
US funds	8,329,000	18,011,000	26,340,000
Total	$ 61,230,000	$ 111,704,000	$ 172,934,000

January 1, 2012	Internal debt instruments	Equity	Total investment
Investments – single-family rental	$ –	$ –	$ –
Investments – land and homebuilding			
Canadian funds	–	290,000	290,000
US funds	–	7,797,000	7,797,000
Investments – Other	10,802,000	–	10,802,000
Total	$ 10,802,000	$ 8,087,000	$ 18,889,000

The loan instruments are denominated in US dollars and bear interest rates between 9.45%–11.95%, compounded monthly.

Tricon SF Home Rental Inc. is one of the guarantors of the $45 million RBC credit facility available to the Company (see Note 9).

On June 13, 2013, the Company provided a guarantee for certain non-recourse carve-outs under a US$150 million credit facility between the U.S. single-family operating partnerships and Deutsche Bank. On December 10, 2013, the credit facility was increased to US$250 million.

As an investment entity, the Company accounts for certain investments at fair value rather than consolidating them. The controlled subsidiaries which are not consolidated by the Company include:

Name	Type	Principal place of business	Country of incorporation	Ownership interest %	Voting rights %[1]
Tricon SF Home Rental Inc.	Holding Company	USA	Canada	100%	100%
Tricon American Homes LLC	Holding Company	USA	USA	100%	100%
Turnstone LA LP	Limited Partnership	USA	USA	97%	100%
Greater Phoenix SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
Greater Sacramento SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
McKinley SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
Southeast Florida Rental Housing LP	Limited Partnership	USA	USA	70%	50%/100%[2]
29 McKinley SF Home Rental LP	Limited Partnership	USA	USA	97%	100%
Tricon IX LP	Limited Partnership	USA	USA	68%	68%
Tricon XI B GP LP	Limited Partnership	USA	USA	16%	16%
Tricon Capital Fund XII Co-Investment Inc.	Holding Company	Canada	Canada	100%	100%
Tricon XII LP (Ontario)	Limited Partnership	Canada	Canada	10%	10%
Tricon USA Lender Inc. (formerly CCR Texas Lender Inc.)	Holding Company	USA	Canada	100%	100%
Vistancia West Lender Inc.	Holding Company	USA	Canada	100%	100%
Castle Atlanta Holding LP	Limited Partnership	USA	USA	100%	100%
CCR Texas Equity LP	Limited Partnership	USA	USA	10%	50%
CCR Texas Holdings LP	Limited Partnership	USA	USA	9%	50%
Vistancia West Equity LP	Limited Partnership	USA	USA	73%	100%
Vistancia West Holdings LP	Limited Partnership	USA	USA	66%	50%
FF Texas Equity LP	Limited Partnership	USA	USA	10%	50%
FF Texas Holdings LP	Limited Partnership	USA	USA	9%	50%
Conroe CS Texas Equity LP	Limited Partnership	USA	USA	10%	50%
Conroe CS Texas Holdings LP	Limited Partnership	USA	USA	9%	50%

(1) In respect of major decisions only.

(2) 50% voting rights with respect to certain major decisions and 100% to the balance of the major decisions as outlined in the limited partnership agreement.

8 / Related Party Transactions and Balances

The Company has a 10-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by Geoff Matus, co-founder and current director of the Company. During the year ended December 31, 2013, the Company paid $154,000 in rental payments to Mandukwe, including maintenance and utility costs (2012 – $96,000).

Transactions with related parties

The following table summarizes revenue based on contractual arrangements from investment funds managed by the Company. The funds are considered related parties, of which the Company is the general partner of the investment funds. In addition, the table summarizes investment income from entities engaged in real estate development and the investment and sale of single-family rental housing:

For the Year Ended December 31,	2013	2012
Contractual fees	$ 15,139,000	$ 9,985,000
General partner distributions	2,959,000	3,630,000
Performance fees	195,000	95,000
Interest income	1,302,000	608,000
Total revenue	$ 19,595,000	$ 14,318,000
Investment income – single-family rental	37,158,000	(539,000)
Investment income – land and homebuilding	34,482,000	4,497,000
Total investment income	$ 71,640,000	$ 3,958,000

Balances arising from transactions with related parties

	December 31, 2013	December 31, 2012
Receivables from related parties included in accounts receivable		
Contractual fees receivable from investment funds managed by the Company	$ 523,000	$ 612,000
Other receivables	804,000	88,000
Loan receivables from investment in associates and joint ventures	17,464,000	8,329,000
Loan receivables from investment in non-consolidated subsidiaries	194,325,000	52,901,000
Long-term incentive plan (current and non-current portion)	10,646,000	9,995,000
Annual Incentive Plan	4,222,000	1,392,000
Phantom units (cash settled)	1,405,000	–
Dividends payable to employees and associated corporations	418,000	397,000
Other payables to related parties included in accounts payable and accruals	491,000	108,000

Revenues and receivables from related parties relate to general partner distributions, contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at December 31, 2013 (December 31, 2012 – $nil).

9 / Financing Arrangements

Bank debt

On August 13, 2013, the Company obtained a four-year revolving credit facility of $45 million, provided jointly by J.P. Morgan Chase and The Royal Bank of Canada with interest of Libor plus 350 bps. As of December 31, 2013, US$4,000,000 ($4,254,000 Canadian) was drawn from the credit facility, which will mature on February 10, 2014. Interest on this draw was 3.75%. Interest expense incurred in the year ended December 31, 2013 was US$263,000 ($276,000 Canadian) and total interest payable on maturity (February 10, 2014) was US$16,000 ($17,000 Canadian).

Convertible debentures

The values of both convertible debentures recognized on the consolidated balance sheet are calculated as follows:

	December 31, 2013	December 31, 2012
Debentures and interest payable – beginning of period	$ 35,135,000	$ –
Face value of convertible debentures issued	86,000,000	51,750,000
Debentures converted	(75,000)	–
Less: Transaction costs	(4,080,000)	(2,766,000)
Embedded derivative options (at conversion price)	(17,363,000)	(16,250,000)
Interest expense	11,955,000	2,401,000
Interest paid	(6,449,000)	–
Debentures and interest payable – end of period	$ 105,123,000	$ 35,135,000

July 2012 convertible debentures

The Company issued 517,500 6.375% convertible debentures at $1,000 per unit for a par value of $51,750,000 on July 30, 2012. The debentures mature on August 31, 2017 at their nominal value of $51.8 million or can be converted into shares at the holder's option at any time prior to the close of business on the earlier of maturity or redemption date at the conversion price of $6.00 or at a rate of 166.67 shares per $1,000 debentures owned.

The Company may settle the conversion right in cash in lieu of common shares unless the holder has expressly indicated that they do not wish to receive cash. The amount of cash the Company will have to deliver to the holder is determined by multiplying the weighted average trading price of the common shares on the TSX during the prior 20 consecutive trading days by the number of common shares into which the elected amount would then be convertible.

The convertible debenture units outstanding are redeemable at the option of the Company on or after August 31, 2015 and prior to August 31, 2016 provided that the current market price of the common shares on the TSX on the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after August 31, 2016 and prior to the maturity date, the Company may elect to redeem the outstanding debentures in whole or part at a price equal to the principal amount plus accrued and unpaid interest.

The Company has the option to settle the redemption right by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending five trading days preceding the date fixed for redemption.

As of December 31, 2013, 75 units of the debentures have been converted at the conversion rate of 166.67 shares per $1,000 debentures owned, resulting in the issuance of 12,500 common shares on April 30, 2013.

February 2013 convertible debentures

The Company issued 860,000 5.6% convertible debentures at $1,000 per unit for a par value of $86,000,000 on February 25, 2013. The debentures mature on March 31, 2020 at their nominal value of $86,000,000 or can be converted into shares at the holder's option at any time prior to the close of business on the earlier of maturity or redemption date at the conversion price of $9.80 or at a rate of 102.04 shares per $1,000 debentures owned.

The Company may settle the conversion right in cash in lieu of common shares unless the holder has explicitly indicated that they do not wish to receive cash. The amount of cash the Company will have to deliver to the holder is determined by multiplying the trading price of the common shares on the date on which the conversion notice is given by the holder to the Company by the number of common shares into which the elected amount would then be convertible.

The convertible debenture units outstanding from the February issuance are redeemable at the option of the Company on or after March 31, 2016 and prior to March 31, 2018 provided that the current market price on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2018 and prior to the maturity date, the Company may elect to redeem the outstanding debentures in whole or part at a price equal to the principal amount plus accrued and unpaid interest.

The Company has the option to settle the redemption right by delivering the number of common shares determined by dividing the principal amount of the convertible debentures by 95% of the trading price on the fifth trading day preceding the date fixed for redemption or the maturity date.

None of the convertible debentures have been converted as of December 31, 2013.

Derivative financial instruments

The conversion and redemption options of the convertible debentures are combined pursuant to IAS 39 and both options are measured at fair value at each reporting period using model calibration. The fair value of the derivative financial instruments was $46,964,000 as of December 31, 2013 (2012 – $23,921,000) resulting in a loss on the derivative financial instruments of $5,680,000 (2012 – $7,671,000) for the year ended December 31, 2013.

10 / Income Taxes

For the Year Ended December 31,	2013	2012
Current income tax		
Current income tax expense on income for the year	$ (4,693,000)	$ (1,560,000)
Adjustments relating to prior years	(108,000)	90,000
	(4,801,000)	(1,470,000)
Deferred taxes		
Origination and reversal of temporary differences	$ (8,056,000)	$ 239,000
Adjustments relating to prior years	(5,000)	(140,000)
Impact of change in effective rates	–	25,000
	(8,061,000)	124,000
Income tax expense	$ (12,862,000)	$ (1,346,000)

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

For the Year Ended December 31,	2013	2012
Income before income taxes	$ 48,935,000	$ (2,852,000)
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax recovery (expense)	(12,968,000)	756,000
Tax rate differential (foreign tax rates)	(726,000)	(449,000)
Tax effects of		
Permanent differences	996,000	(1,563,000)
Change in effective tax rates	–	25,000
Adjustments relating to prior periods	(113,000)	(50,000)
Other	(51,000)	(65,000)
Income tax expense	$ (12,862,000)	$ (1,346,000)

The estimated average annual rate used for the year ended December 31, 2013 was 26.5% (2012 – 26.5%).

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2013	December 31, 2012
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	$ 917,000	$ 4,833,000
Deferred tax asset to be recovered within 12 months	1,048,000	834,000
Total deferred tax assets	$ 1,965,000	$ 5,667,000
Deferred tax liabilities:		
Deferred tax liabilities reversing after more than 12 months	$ 1,651,000	$ 1,655,000
Deferred tax liabilities reversing within 12 months	661,000	11,000
Total deferred tax liabilities	$ 2,312,000	$ 1,666,000

The movement of the deferred tax account is as follows:

Difference between deferred tax assets and deferred tax liabilities:		
Opening balance	$ 4,001,000	$ 2,199,000
Credit (charge) to the statement of comprehensive income	(8,050,000)	85,000
Credit to equity	3,702,000	–
Other	–	1,717,000
Closing balance	$ (347,000)	$ 4,001,000

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

Deferred Tax Assets	Issuance costs	Long-term incentive plan accrual	Investments	Net operating losses	Debentures	Other	Total
At January 1, 2012	$ 1,057,000	$ 2,078,000	$ (408,000)	$ –	$ –	$ 177,000	$ 2,904,000
Addition/(reversal)	1,066,000	571,000	408,000	–	948,000	(231,000)	2,762,000
At December 31, 2012	2,123,000	2,649,000	–	–	948,000	(54,000)	5,666,000
Addition/(reversal)	2,312,000	172,000	(5,911,000)	394,000	(1,180,000)	512,000	(3,701,000)
At December 31, 2013	$ 4,435,000	$ 2,821,000	$ (5,911,000)	$ 394,000	$ (232,000)	$ 458,000	$ 1,965,000

Deferred Tax Liabilities	Deferred placement fees	Investments	Other	Total
At January 1, 2012	$ 706,000	$ –	$ –	$ 706,000
Addition/(reversal)	–	960,000	–	960,000
At December 31, 2012	706,000	960,000	–	1,666,000
Addition/(reversal)	656,000	(35,000)	25,000	646,000
At December 31, 2013	$ 1,362,000	$ 925,000	$ 25,000	$ 2,312,000

11 / Intangible Assets

	Placement fees	Rights to performance fees	Total
Year ended December 31, 2012			
Opening net book value	$ 2,205,000	$ 572,000	$ 2,777,000
Additions	757,000	–	757,000
Amortization expense	(1,012,000)	(81,000)	(1,093,000)
Net book value	1,950,000	491,000	2,441,000
As at December 31, 2012			
Cost	9,362,000	707,000	10,069,000
Accumulated amortization	(7,412,000)	(216,000)	(7,628,000)
Net book value	$ 1,950,000	$ 491,000	$ 2,441,000
Year ended December 31, 2013			
Opening net book value	1,950,000	491,000	2,441,000
Additions	2,671,000	–	2,671,000
Amortization expense	(590,000)	(81,000)	(671,000)
Net book value	4,031,000	410,000	4,441,000
As at December 31, 2013			
Cost	12,033,000	707,000	12,740,000
Accumulated amortization	(8,002,000)	(297,000)	(8,299,000)
Net book value	$ 4,031,000	$ 410,000	$ 4,441,000

There were no impairment charges of placement fees and rights to performance fees in the year ended December 31, 2013 and December 31, 2012.

12 / Office Equipment and Leasehold Improvements

	Furniture	Office equipment	Computer equipment	Leasehold improvements	Total
Year ended December 31, 2012					
Opening net book value	$ 13,000	$ 3,000	$ 25,000	$ 112,000	$ 153,000
Additions	3,000	9,000	26,000	42,000	80,000
Amortization expense	(7,000)	(3,000)	(30,000)	(27,000)	(67,000)
Net book value	$ 9,000	$ 9,000	$ 21,000	$ 127,000	$ 166,000
As at December 31, 2012					
Cost	$ 155,000	$ 67,000	$ 494,000	$ 468,000	$ 1,184,000
Accumulated amortization	(146,000)	(58,000)	(473,000)	(341,000)	(1,018,000)
Net book value	$ 9,000	$ 9,000	$ 21,000	$ 127,000	$ 166,000
Year ended December 31, 2013					
Opening net book value	$ 9,000	$ 9,000	$ 21,000	$ 127,000	$ 166,000
Adjustment	9,000	(9,000)			
Additions	157,000	–	41,000	199,000	397,000
Amortization expense	(20,000)	–	(30,000)	(43,000)	(93,000)
Net book value	$ 155,000	$ –	$ 32,000	$ 283,000	$ 470,000
As at December 31, 2013					
Cost	$ 321,000	$ 58,000	$ 535,000	$ 667,000	$ 1,581,000
Accumulated amortization	(166,000)	(58,000)	(503,000)	(384,000)	(1,111,000)
Net book value	$ 155,000	$ –	$ 32,000	$ 283,000	$ 470,000

There were no impairment charges in the years ended December 31, 2013 and December 31, 2012.

13 / Dividends

Date of declaration	Record date	Payment date	Dividend amount per common share	Shares outstanding	Dividend amount
2012					
March 14, 2012	March 30, 2012	April 13, 2012	$ 0.06	18,230,471	$ 1,094,000
May 8, 2012	June 30, 2012	July 13, 2012	$ 0.06	31,167,971	$ 1,870,000
August 9, 2012	September 30, 2012	October 15, 2012	$ 0.06	31,167,971	$ 1,870,000
November 9, 2012	December 31, 2012	January 15, 2013	$ 0.06	41,752,849	$ 2,505,000
					$ 7,339,000
2013					
March 12, 2013	March 31, 2013	April 15, 2013	$ 0.06	41,754,244	$ 2,505,000
May 8, 2013	June 30, 2013	July 15, 2013	$ 0.06	41,768,705	$ 2,506,000
August 13, 2013	September 30, 2013	October 15, 2013	$ 0.06	90,146,865	$ 5,409,000
November 12, 2013	December 31, 2013	January 15, 2014	$ 0.06	90,276,953	$ 5,417,000
					$ 15,837,000

On November 20, 2012, the Company implemented a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders of the Company may elect to have all or part of their cash dividend automatically reinvested into additional common shares. These additional shares will be issued from treasury (or purchased on the open market) on the applicable dividend payment date and will be priced at 95% of the average market price, calculated as the volume weighted trading price of the Company's common shares on the TSX over the five business days immediately preceding the dividend payment date. If common shares are purchased in the open market, they will be priced at the average weighted cost of the Company's common shares on the TSX over the five business days following the dividend payment date.

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

As of December 31, 2013, 143,616 common shares were issued under the DRIP (nil in 2012) for a total amount of $955,000 ($nil in 2012).

14 / Share Capital

Date	Particulars	Notes	Number of shares issued	Share capital
As at January 1, 2012			18,230,471	$ 57,901,000
April 27, 2012	Bought deal offering		12,937,500	49,421,000
December 4, 2012	Bought deal offering		10,447,500	56,721,000
December 17, 2012	Vested Phantom Units		137,378	571,000
As at December 31, 2012			41,752,849	164,614,000
January 15, 2013	Shares issued under DRIP	(A)	1,468	9,000
April 15, 2013	Shares issued under DRIP	(B)	2,063	14,000
April 30, 2013	Conversion of debenture	(C)	12,500	75,000
July 15, 2013	Shares issued under DRIP	(D)	9,997	61,000
August 13, 2013	Bought deal offering	(E)	39,272,500	233,599,000
August 13, 2013	Private placement – Tricon IX LP	(F)	9,106,388	56,005,000
August 30 – Sep 6, 2013	Normal course issuer bid (NCIB)	(G)	(10,900)	(57,000)
October 15, 2013	Shares issued under DRIP	(H)	130,088	871,000
As at December 31, 2013			90,276,953	$ 455,191,000

Notes

(A) On January 15, 2013, 1,468 common shares were issued under the DRIP at $6.78 per share.

(B) On April 15, 2013, 2,063 common shares were issued under the DRIP at $6.70 per share.

(C) On April 30, 2013, 75 units of the July convertible debenture were converted at a rate of 166.67 shares per $1,000 owned.

(D) On July 15, 2013, 9,997 common shares were issued under the DRIP at $6.15 per share.

(E) On August 13, 2013, the Company issued 39,272,500 common shares under a bought deal agreement at $6.15 per share for gross proceeds of $241,526,000 resulting in net proceeds from the offering of approximately $233,503,000. The net proceeds from the offering were primarily used to fund a portion of the acquisition of a 68.4% limited partnership interest in Tricon IX.

(F) On August 13, 2013, 9,106,388 common shares were issued to limited partners of Tricon IX at $6.15 per share as partial consideration for their interest.

(G) On August 27, 2013, the Toronto Stock Exchange ("TSX") approved the Company's intention to make a normal course issuer bid (NCIB) for a portion of its common shares. Under the NCIB, the Company may repurchase for cancellation up to a maximum of 4,507,888 common shares, being 5% of the issued and outstanding common shares in the twelve-month period commencing August 29, 2013 and ending August 29, 2014. Between August 30 and September 6, 2013, the Company acquired and cancelled 10,900 common shares at an average price of $5.24 for a total of $57,000.

(H) On October 15, 2013, 130,088 common shares were issued under the DRIP at $6.70 per share.

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares. The common shares of the Company do not have par value.

As of December 31, 2013, the Company had 90,276,953 common shares outstanding (December 31, 2012 – 41,752,849).

15 / Compensation Arrangements

The breakdown of the various compensation arrangements is as follows:

For the Year Ended December 31,	2013	2012
AIP – cash	$ 2,532,000	$ 1,443,000
AIP – phantom units	1,015,000	722,000
AIP – deferred share units	1,689,000	–
Total short-term compensation expense	$ 5,236,000	$ 2,165,000
Stock options	$ 538,000	$ 265,000
Tricon IX deemed performance fees – phantom units	3,593,000	–
LTIP – DSU Tricon IX investment income	995,000	–
LTIP – other funds and separate accounts	749,000	1,732,000
Total long-term compensation expense	$ 5,875,000	$ 1,997,000
Directors' fees – cash	$ 241,000	$ 160,000
Directors' fees – DSUP	92,000	87,000
Total directors' fees	$ 333,000	$ 247,000

The Company operates various equity-settled and cash-settled arrangements, detailed in the sections below.

Stock option plan

Stock options may be granted to all employees. Prior to September 30, 2013, the exercise price of the options was calculated using the volume-weighted average trading price of the common shares for the five trading days immediately preceding the grant date. Starting in 4Q13, the exercise price of the options is calculated using the closing price of the trading day immediately preceding the grant date.

The options are not conditional on any performance criteria, and shall vest equally at one-third per year from the anniversary of the grant date (the vesting period) provided the optionee is employed with the Company. The options are exercisable at any time from the date of vesting and have a contractual option term of 10 years for employees and at management's discretion for service providers. The Company has no legal or constructive obligation to repurchase or settle the options in cash. All options will be settled in equity.

In the year ended December 31, 2013, 1,530,000 stock options were granted and will require shareholder certification in May 2014. No options were exercised during the year. There were 2,541,500 stock options outstanding as of December 31, 2013 at an average exercise price per share of $6.45.

The fair value of the options granted in 2013 was determined using the Black-Scholes valuation model. The fair value of the options granted in 2013 totaled $1,671,000. The significant inputs to the model were:

As at	November 25, 2013	November 1, 2013	September 9, 2013	May 17, 2013
Number of stock options granted	250,000	20,000	250,000	1,010,000
Share price	$ 7.59	$ 7.39	$ 6.22	$ 6.84
Exercise price	$ 7.74	$ 7.49	$ 6.07	$ 6.81
Expected volatility	24%	20%	26%	30%
Expected dividend yield	3.16%	3.25%	3.86%	3.51%
Expected option life	4.6 years	0.71 years	4.6 years	4.6 years
Risk-free interest rate	1.53%	1.09%	1.72%	1.13%

Phantom Unit Plan

The Company adopted a Phantom Unit Plan ("PUP") on April 18, 2011 in accordance with the Toronto Stock Exchange guidelines as approved by the shareholders on May 18, 2011. The Plan consists of share-based awards to officers and employees of, and advisors to, the Company and its subsidiaries.

All phantom units previously issued were exercised net of taxes required to be withheld under the PUP on December 17, 2012.

The fair value of the units granted in 1Q13 totaled $1,123,000 (being 146,500 units issued at $6.95 per unit and 15,000 units issued at $6.99 per unit vesting in one year in accordance with the PUP). As of December 31, 2013, none of the units issued in 1Q13 have vested.

The fair value of the units granted in 3Q13 totaled $3,593,000 (being 584,252 units issued at $6.15 per unit). As of December 31, 2013, all of the units issued in 3Q13 have vested but are held in escrow to be released to employees over the next three years.

The Company estimated that 30% of the benefit value will be settled in cash to satisfy the tax withholding requirements. Accordingly, the cash-settled component is fair valued at each reporting period and is reflected in current liabilities on the balance sheet.

Annual Incentive Plan ("AIP")

The AIP is based on a percentage of Adjusted Base EBITDA, as defined in the plan, with the percentage varying between 15%–20% and will be determined annually by the Board of Directors. The AIP percentage for 2013 is 20%; of this amount 60% will be paid in cash and 40% in deferred share units. These deferred share units are expensed over a one-year period in the Consolidated Statements of Comprehensive Income.

Long-term incentive plan ("LTIP")

Certain of the Company's executives and management participate in the LTIP. The LTIP pool is determined based on 50% of performance fees earned from funds managed by the Company and is paid to plan participants only if and when performance fees are generated from the funds. LTIP for all employees in funds established prior to May 20, 2010 is fully vested. For current active funds, the employees' LTIP entitlements will vest at one third each year from the initial closing of such future funds, except for Tricon XI. Tricon XI shall vest in equal proportions on each of the first four anniversaries of the initial close of the Fund. Future funds shall have a vesting period calculated from the initial close of the Fund and ending one year after the end of the investment period. The LTIP liability is determined based on 50% of the expected performance fee that would be generated from the fair value of the assets within each fund at the balance sheet date; such performance fees will be recognized as revenue when earned. The fair value determination of the assets within a fund is based on a discounted cash flow model and requires management to make estimates and judgments concerning the future. These estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. The resulting accounting estimates may differ from the related actual results. These estimates, assumptions and management judgments could result in a material adjustment to the carrying value of amounts of the LTIP liability in future years.

Year Ended	December 31, 2013	December 31, 2012
Opening balance – beginning of period	$ 9,995,000	$ 8,310,000
Payments	(85,000)	(48,000)
LTIP expense – other funds and separate accounts	736,000	1,733,000
LTIP expense – Tricon IX investment income	995,000	–
Closing balance – end of period	$ 11,641,000	$ 9,995,000

Balance sheet

	December 31, 2013	December 31, 2012
Long-term incentive plan – current portion	$ 11,000	$ 15,000
Long-term incentive plan – non-current portion	10,635,000	9,980,000
Equity – contributed surplus – DSU	995,000	–
	$ 11,641,000	$ 9,995,000

Key management compensation

Key management includes directors and the "Named Executive Officers" who are the Chief Executive Officer, Chief Financial Officer and the other top three executive officers of the Company. Compensation paid or payable to key management for employee services is based on employment agreements and is as follows:

For the Year Ended December 31,	2013	2012
Salaries, benefits and AIP – Cash	$ 3,988,000	$ 2,564,000
Stock options	218,000	139,000
AIP – phantom units	464,000	–
Tricon IX deemed performance fees – phantom units	2,156,000	–
LTIP – other funds and separate accounts	335,000	693,000
LTIP – DSU Tricon IX investment income	597,000	–
	7,758,000	3,396,000
Directors' fees	333,000	247,000
Total key management compensation	$ 8,091,000	$ 3,643,000

16 / General and Administration

For the Year Ended December 31,	2013	2012
Office and other	$ 762,000	$ 510,000
U.S. office relocation	135,000	11,000
Public company expenses	340,000	231,000
Rent (Note 8)	154,000	96,000
Travel	275,000	91,000
	$ 1,666,000	$ 939,000

17 / Income Per Share

a) Basic

Basic income per share is calculated by dividing net income by the weighted average number of shares outstanding and vested phantom units during the year.

For the Year Ended December 31,	2013	2012
Net income (loss)	$ 36,073,000	$ (4,198,000)
Weighted average number of common shares outstanding	60,377,812	27,731,820
Vested phantom units	156,868	–
Weighted average number of common shares outstanding for basic earnings per share	60,534,679	27,731,820
Basic net income (loss) per share	$ 0.60	$ (0.15)

b) Diluted

Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The Company has four categories of dilutive potential shares: stock options, phantom units, deferred share unit plan (see Note 15) and the convertible debentures (see Note 9). For the stock compensation, a calculation was done to determine the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of December 31, 2013) based on the monetary value of the stock compensation arrangements. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the execution of the stock compensation arrangements.

Stock compensation

As at December 31, 2013, the Company's stock compensation plans resulted in 837,910 dilutive share units (December 31, 2012 – 14,375) as the exercise price of the potential share units is below the average market share price of $6.80 for the year.

Convertible debentures

As of December 31, 2013, none of the Company's convertible debenture units is dilutive (December 31, 2012 – nil). Convertible debentures are antidilutive as the interest, net of tax and the change in fair value of financial instruments through profit and loss per ordinary share obtainable on conversion, exceeds basic earnings per share.

For the Year Ended December 31,	2013	2012
Net income (loss)	$ 36,073,000	$ (4,198,000)
Weighted average number of common shares outstanding	60,534,679	27,731,820
Adjustments for stock compensation	837,910	14,375
Weighted average number of common shares outstanding for diluted earnings per share	61,372,589	27,746,195
Diluted earnings (loss) per share	$ 0.59	$ (0.15)

18 / Segmented Information

The main segments of the business are considered to be private funds and advisory; principal investing in land and homebuilding, and the U.S. Single-Family Rental Limited Partnership. The Company evaluates segment performance based on Adjusted EBITDA.

Adjusted EBITDA refers to Earnings before interest expense, income taxes, depreciation and amortization and includes AIP, investment income – SFR fair value adjustment, performance fees, performance fee-related bonus pool (LTIP) and non-recurring items of the business.

The reconciliation between Adjusted EBITDA and net income is shown below:

For the Year Ended December 31, 2013	Private fund	Single-family rental	Land and homebuilding	Total
Adjusted EBITDA	$ 16,782,000	$ 38,543,000	$ 13,462,000	$ 68,787,000
Amortization	(708,000)	(18,000)	(37,000)	(763,000)
LTIP – other funds and separate accounts	(736,000)	–	–	(736,000)
LTIP paid	85,000	–	–	85,000
Phantom units for 2012	(420,000)	(194,000)	(401,000)	(1,015,000)
Stock compensation expense	(222,000)	(103,000)	(213,000)	(538,000)
Tricon IX advisory fees	–	–	(4,624,000)	(4,624,000)
Financing charges – single-family rental	–	(5,118,000)	–	(5,118,000)
Bond discount amortization	–	(3,690,000)	–	(3,690,000)
Interest expense	(142,000)	(10,663,000)	(136,000)	(10,941,000)
Financing charges – credit facility	(166,000)	(76,000)	(158,000)	(400,000)
Net change in fair value of derivative	–	(5,680,000)	–	(5,680,000)
Unrealized selling expenses	–	(5,159,000)	–	(5,159,000)
Unrealized foreign exchange gain	1,191,000	14,091,000	8,798,000	24,080,000
Income tax (expense) recovery	(2,116,000)	(8,714,000)	(7,385,000)	(18,215,000)
Net Income	$ 13,548,000	$ 13,219,000	$ 9,306,000	$ 36,073,000

For the Year Ended December 31, 2012	Private fund	Single-family rental	Land and homebuilding	Total
Adjusted EBITDA	$ 8,481,000	$ 430,000	$ 2,551,000	$ 11,462,000
Amortization	(1,144,000)	(1,000)	(15,000)	(1,160,000)
LTIP – other funds and separate accounts	(1,732,000)	–	–	(1,732,000)
LTIP paid	48,000	–	–	48,000
Phantom units for 2012	(546,000)	(11,000)	(165,000)	(722,000)
Stock compensation expense	(200,000)	(4,000)	(61,000)	(265,000)
Interest expense	–	(1,455,000)	–	(1,455,000)
Bond discount amortization	–	(838,000)	–	(838,000)
Formation costs – new funds	192,000	–	–	192,000
Net change in fair value of derivative	–	(7,671,000)	–	(7,671,000)
Unrealized foreign exchange (gain) loss	289,000	(1,048,000)	74,000	(685,000)
Income tax (expense) recovery	(2,158,000)	955,000	(169,000)	(1,372,000)
Net Income	$ 3,230,000	$ (9,643,000)	$ 2,215,000	$ (4,198,000)

The Corporate overhead expenses are allocated to each segment based on the segment's adjusted revenue.

The balance sheet segmented information is as follows:

	Private fund	Single-family rental	Land and homebuilding	Corporate	Total
	A	B	C	D	
Segmented current assets					
(as at December 31, 2013)	$ 7,536,000	$ 1,964,000	$ 308,000	$ 6,650,000	$ 16,458,000
Segmented non-current assets					
(as at December 31, 2013)					
Investments – single-family rental	–	287,053,000	–	–	287,053,000
Investments – land and homebuilding	–	–	332,556,000	–	332,556,000
Intangible assets	4,441,000	–	–	–	4,441,000
Office equipment and					
leasehold improvements	–	–	–	470,000	470,000
Deferred income tax assets	2,312,000	1,891,000	–	852,000	5,055,000
Total segmented assets					
(as at December 31, 2013)	14,289,000	290,908,000	332,864,000	7,972,000	646,033,000
Segmented current liabilities					
(as at December 31, 2013)	3,247,792	6,687,000	2,765,393	10,744,815	23,445,000
Segmented non-current liabilities					
(as at December 31, 2013)					
Deferred income tax liabilities	1,362,000	–	4,015,000	25,000	5,402,000
Long-term incentive plan					
– non-current portion	10,635,000	–	–	–	10,635,000
Derivative financial instruments	–	46,964,000	–	–	46,964,000
Debentures payable	–	102,790,000	–	–	102,790,000
Total segmented liabilities					
(as at December 31, 2013)	$ 15,244,792	$ 156,441,000	$ 6,780,393	$ 10,769,815	$ 189,197,000

	Private fund A	Single-family rental B	Land and homebuilding C	Corporate D	Total
Segmented current assets (as at December 31, 2012)	$ 918,000	$ 7,165,000	$ 28,214,000	$ 48,000	$ 36,345,000
Segmented non-current assets (as at December 31, 2012)					
Investments – single-family rental	–	140,693,000	–	–	140,693,000
Investments – land and homebuilding	–	–	32,241,000	–	32,241,000
Intangible assets	2,441,000	–	–	–	2,441,000
Office equipment and leasehold improvements	–	–	–	166,000	166,000
Deferred income tax assets	2,590,000	–	–	3,077,000	5,667,000
Total segmented assets (as at December 31, 2012)	5,949,000	147,858,000	60,455,000	3,291,000	217,553,000
Segmented current liabilities (as at December 31, 2012)	1,265,000	1,379,000	118,000	4,173,000	6,935,000
Segmented non-current liabilities (as at December 31, 2012)					
Deferred income tax liabilities	707,000	–	959,000	–	1,666,000
Long-term incentive plan – non-current portion	9,980,000	–	–	–	9,980,000
Derivative financial instruments	–	23,921,000	–	–	23,921,000
Debentures payable	–	33,756,000	–	–	33,756,000
Total segmented liabilities (as at December 31, 2012)	$ 11,952,000	$ 59,056,000	$ 1,077,000	$ 4,173,000	$ 76,258,000

(A) The Private fund segmented current assets consist of accounts receivable from the funds and prepaid expenses. Funds' segmented current liabilities consist of accounts payable and accruals, current LTIP liabilities and income taxes payable.

(B) U.S. single-family rental home LPs' segmented current assets consist of cash held at the corporate level and accounts receivable. Segmented current liabilities consist of debentures interest payable and bank debt.

(C) The land and homebuilding segmented current assets consist of cash and accounts receivable. Segmented current liabilities consist of income taxes payable.

(D) Corporate segmented current assets consist of cash held at the corporate level and prepaid expenses. Segmented current liabilities consist of accounts payable and accruals and dividends payable.

19 / Lease Commitments

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (see Note 9). The minimum rental amount is $43,000 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred. In 2013, the Company entered into a new lease commitment on an office premise located at 1055 Yonge Street, Toronto, Ontario. The minimum rent and shared common area expenses amount is $58,000 per annum extending to December 31, 2018. The Company also entered into a lease commitment on an office premise in San Francisco, California. The minimum lease payment is $90,000 (US$87,000) per annum extending to April 31, 2018.

In addition, the Company leases office equipment. The future minimum payments in respect of the office equipment leases are:

2014	$ 30,000
2015	27,000
2016	19,000
2017	17,000
2018	9,000
2019	4,000
Thereafter	–

20 / Working Capital

For the Year Ended December 31,	2013	2012
Changes in non-cash working capital items		
Accounts receivable	$ (2,096,000)	$ (46,000)
Income tax recoverable	–	177,000
Prepaid expenses and other assets	(114,000)	(148,000)
Accounts payable and accruals	2,978,000	1,694,000
Income taxes payable	2,146,000	347,000
	$ 2,914,000	$ 2,024,000

21 / Indemnification

Pursuant to Indemnification Agreements with certain General Partners of Limited Partnerships managed by the Company and certain shareholders of the Company (who are also officers and directors of the Company), the Company has agreed to indemnify the General Partner and those shareholders and, where applicable, any of their directors, officers, agents and employees (collectively, the Indemnified Parties) for any past, present or future amounts paid or payable by any of the Indemnified Parties to the Limited Partnership in the form of a capital contribution or clawback guarantee relating to performance fees for any claim or obligation, as set out in the Limited Partnership Agreements. There are no amounts payable in respect of this indemnification as of December 31, 2013 (December 31, 2012 – $nil).

22 / Variability of Results

The nature of our business does not allow for consistent year-to-year or quarter-to-quarter revenue comparisons. Revenues earned from a fund are dependent upon where the fund is in its life cycle. At the beginning of the fund's life cycle, consistent contractual fees and certain general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual fees and the aforementioned general partner distributions start to decline as investments within a fund are realized. Performance fees that are earned at the end of the life cycle can vary significantly depending on fund performance, resulting in volatile revenue streams. Similarly, the performance of the Company's investments carried at fair value through profit or loss may not be consistent from period to period.

23 / Impact of Adoption of Investment Entities Amendments

The Company previously consolidated its investments in SFR acquired during 2012 and subsequently. As explained in Note 2, the Company has early adopted the investment entity amendments of IFRS 10 effective January 1, 2013 and determined that the Company qualified as an investment entity in 2012. As a result, it has accounted for this change in accounting policy using the relevant transitional provisions and derecognized the carrying amounts of assets, liabilities and non-controlling interests of the limited partnerships as at the date of their acquisition and instead recorded the investments therein at fair value through profit or loss. The adjustments for each financial statement line item affected for the year ended December 31, 2013 are shown below.

Balance Sheet

December 31, 2012	Before accounting change	Adjustment(s)	After accounting change
ASSETS			
Current assets			
Cash and cash equivalents	$ 38,321,000	$ (7,184,000)	$ 31,137,000
Short-term investments	4,094,000	–	4,094,000
Accounts receivable	2,226,000	(1,414,000)	812,000
Prepaid expenses and other assets	1,242,000	(940,000)	302,000
Inventory homes	14,544,000	(14,544,000)	–
	60,427,000	(24,082,000)	36,345,000
Non-current assets			
Loan receivable	7,429,000	(7,429,000)	–
Investments – single-family rental	–	140,693,000	140,693,000
Investments – land and homebuilding	23,897,000	8,344,000	32,241,000
Investment properties	139,603,000	(139,603,000)	–
Intangible assets	2,441,000	–	2,441,000
Office equipment and leasehold improvements	166,000	–	166,000
Deferred income tax assets	5,726,000	(59,000)	5,667,000
	179,262,000	1,946,000	181,208,000
Total assets	$ 239,689,000	$ (22,136,000)	$ 217,553,000
LIABILITIES			
Current liabilities			
Bank debt	$ 1,459,000	$ (1,459,000)	$ –
Accounts payable and accruals	5,059,000	(2,389,000)	2,670,000
Long-term incentive plan – current portion	15,000	–	15,000
Dividends payable	2,505,000	–	2,505,000
Income taxes payable	786,000	(420,000)	366,000
Interest payable	1,379,000	–	1,379,000
	11,203,000	(4,268,000)	6,935,000
Non-current liabilities			
Bank debt	6,298,000	(6,298,000)	–
Deferred income tax liabilities	1,740,000	(74,000)	1,666,000
Non-controlling interest	11,496,000	(11,496,000)	–
Long-term incentive plan – non-current portion	9,980,000	–	9,980,000
Derivative financial instruments	23,921,000	–	23,921,000
Debentures payable	33,756,000	–	33,756,000
Total liabilities	98,394,000	(22,136,000)	76,258,000
EQUITY			
Share capital	164,614,000	–	164,614,000
Contributed surplus	1,377,000	–	1,377,000
Accumulated other comprehensive income	1,014,000	(1,014,000)	–
Deficit	(25,710,000)	1,014,000	(24,696,000)
Total equity	141,295,000	–	141,295,000
Total liabilities and equity	$ 239,689,000	$ (22,136,000)	$ 217,553,000

Statements of Comprehensive Income (Loss)

For the Year Ended December 31, 2012	Before accounting change	Adjustment(s)	After accounting change
Revenue			
Contractual fees	$ 9,985,000	$ –	$ 9,985,000
General partner distributions	3,630,000	–	3,630,000
Performance fees	95,000	–	95,000
Investment income	2,594,000	(2,594,000)	–
Rental revenue	2,291,000	(2,291,000)	–
Revenue from homes sold	11,091,000	(11,091,000)	–
Gain on sale of investments in associates	958,000	(958,000)	–
Interest income	1,358,000	(750,000)	608,000
Total revenue	32,002,000	(17,684,000)	14,318,000
Investment income			
Investment income – single-family rental	–	(539,000)	(539,000)
Investment income – land and homebuilding	–	4,497,000	4,497,000
Total investment income	–	3,958,000	3,958,000
Total revenue and investment income	32,002,000	(13,726,000)	18,276,000
Expenses			
Salaries and benefits expense	3,919,000	(124,000)	3,795,000
Short-term incentive plan	1,443,000	–	1,443,000
Long-term incentive plan	1,733,000	–	1,733,000
Stock compensation	986,000	–	986,000
Rental expense	1,069,000	(1,069,000)	–
Rental operator management fees	619,000	(619,000)	–
Impairment on inventory homes	332,000	(332,000)	–
Cost of homes sold	10,301,000	(10,301,000)	–
Professional fees	1,788,000	(554,000)	1,234,000
Directors' fees	247,000	–	247,000
Formation costs	(192,000)	–	(192,000)
Fair value adjustment on investment properties	(254,000)	254,000	–
General and administration expense	1,028,000	(89,000)	939,000
Interest expense	2,477,000	(76,000)	2,401,000
Net change in fair value of derivative	7,671,000	–	7,671,000
Amortization expense	1,160,000	–	1,160,000
Realized and unrealized foreign exchange (gain) loss	1,847,000	(2,136,000)	(289,000)
	36,174,000	(15,046,000)	21,128,000
Income (loss) before non-controlling interest and income taxes	(4,172,000)	1,320,000	(2,852,000)
Non-controlling interest fair value change	332,000	(332,000)	–
Income (loss) before income taxes	(3,840,000)	988,000	(2,852,000)
Income tax expense	(1,372,000)	26,000	(1,346,000)
Net income (loss)	$ (5,212,000)	$ 1,014,000	$ (4,198,000)
Other comprehensive income			
Cumulative translation reserve	1,014,000	(1,014,000)	–
Comprehensive income (loss) for the year	$ (4,198,000)	$ –	$ (4,198,000)
Basic and diluted income (loss) per share	$ (0.19)		$ (0.15)

Statements of Cash Flows

December 31, 2012	Before accounting change	Adjustment(s)	After accounting change
CASH PROVIDED BY (USED IN)			
Operating activities			
Net (loss)	$ (5,212,000)	$ 1,014,000	$ (4,198,000)
Adjustments for			
Non-controlling interest	(332,000)	332,000	–
Amortization	1,160,000	–	1,160,000
DSUP expense	87,000	–	87,000
Deferred income taxes	(1,717,000)	458,000	(1,259,000)
Long-term incentive plan	1,685,000	–	1,685,000
Stock compensation expense	1,016,000	–	1,016,000
Gain on disposal of long-term investment	(258,000)	258,000	–
Bond premium amortization/write-off	341,000	–	341,000
Accrued interest income	(122,000)	38,000	(84,000)
Accrued interest expense	1,022,000	(76,000)	946,000
Accrued investment income – single-family rental	–	539,000	539,000
Accrued investment income – land and homebuilding	–	(4,497,000)	(4,497,000)
Fair value adjustment on investment properties	(254,000)	254,000	–
Impairment on inventory homes	332,000	(332,000)	–
Net change in fair value of financial instruments at fair value through profit or loss	7,671,000	–	7,671,000
Investment (income) loss	(2,594,000)	2,594,000	–
Gain on sale of investment in associates	(958,000)	958,000	–
Unrealized foreign exchange (gain) loss	410,000	(147,000)	263,000
Purchase of investments	–	(187,433,000)	(187,433,000)
Distributions received	–	42,943,000	42,943,000
	2,277,000	(143,097,000)	(140,820,000)
Changes in non-cash working capital items	(10,558,000)	12,582,000	2,024,000
	(8,281,000)	(130,515,000)	(138,796,000)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	(80,000)	–	(80,000)
Purchase of short-term investments	(10,500,000)	10,500,000	–
Placement fees	(757,000)	–	(757,000)
Investment in associates	(27,011,000)	27,011,000	–
Proceeds on disposal of investments in associates	14,582,000	(14,582,000)	–
Proceeds on disposal of short-term investment	19,688,000	(19,688,000)	–
Proceeds on disposal of long-term investments	6,709,000	(6,709,000)	–
Investment properties/inventories	(138,622,000)	138,622,000	–
Loan receivable	(7,464,000)	7,464,000	–
	(143,455,000)	142,618,000	(837,000)
Financing activities			
Issuance/(repurchase) of common shares (net of issuance costs)	106,142,000	–	106,142,000
Issuance/(repurchase) of debentures (net of issuance costs)	48,984,000	–	48,984,000
Vested phantom units	(339,000)	–	(339,000)
Proceeds from borrowing (net of financing costs)	7,689,000	(7,689,000)	–
Dividends paid	(5,928,000)	–	(5,928,000)
Non-controlling interest	11,745,000	(11,745,000)	–
	168,293,000	(19,434,000)	148,859,000
Foreign exchange gain (loss) on cash	(244,000)	147,000	(97,000)
Change in cash and cash equivalents during the year	16,313,000	(7,184,000)	9,129,000
Cash and cash equivalents – Beginning of year	22,008,000	–	22,008,000
Cash and cash equivalents – End of year	$ 38,321,000	$ (7,184,000)	$ 31,137,000

24 / Subsequent Events

On January 15, 2014, recipients of dividends elected to receive 110,318 shares under the DRIP (nil in 2012) for a total amount of $842,035 ($nil in 2012).

On March 5, 2014, the Company declared a dividend of $0.06 per share payable on April 15, 2014 to common shareholders of record on March 31, 2014 for a total dividend of $5,417,000, following approval from the Board of Directors.

Corporate Information

Senior Management Team

David Berman
Chairman and
Chief Executive Officer

Geoff Matus
Co-Founder and Director

Gary Berman
President and
Chief Operating Officer

Margaret Whelan
Chief Financial Officer

June Alikhan
Executive Vice President,
Finance and Administration

Jonathan Ellenzweig
Managing Director

Craig Mode
Director

Jeremy Scheetz
Vice President

David Giles
Vice President

Adrian Rocca
Vice President

Board of Directors

Duff Scott
Lead Director and Chair of
Compensation, Nominating and
Corporate Governance
Committees

J. Michael Knowlton
Chair of Audit Committee

Aida Tammer
Independent Director

David Berman
Chairman and
Chief Executive Officer

Geoff Matus
Co-Founder and Director

Shareholder Information

Exchange and Symbol:
TSX: TCN

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Plan Eligibility
RRSP. RRIF, DPSP, RESP,
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Annual General Meeting

May 21, 2014 at 10:00 a.m. ET
Goodmans LLP
333 Bay Street. Suite 3400
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