



# TG INCOME TRUST II

A Fixed Return Mortgage Investment Vehicle

## FUND DESCRIPTION

Managed by	TG Income Management Ltd.
Mortgage Broker	Trez Capital Corporation
Asset Class	Income Trust Fund
Inception Date	August 2009
New Investments	Open
Minimum Investment	200 Units (\$2,000)
Term	45 months
RRSP/RESP/RRIF /TFSA Eligible	Yes
Retraction Rights	Units are retractable at the option of Unitholders at a retraction price equal to 95% of the subscription price subject to certain restrictions

## FUND RETURNS

Series	Term	Return
Series A Units	45 months	7.75%
Series B Units	0 – 15 months	7.50%
Series B Units	15 – 30 months	7.75%
Series B Units	30 – 45 months	8.00%

## FUND OVERVIEW

	September 30, 2011
Gross Mortgage Loan Portfolio	\$19,182,647
Fair Market Value Loan Portfolio	\$19,182,647
No. of Mortgage Investments	20
Average Mortgage Size (based on Gross Mortgage Loan Portfolio)	\$959,132
Total Fund Assets	\$21,574,926
Average Loan-to-Value (LTV)*	73.2%
Unitholder Equity**	\$20,114,150
Net Asset Value per Unit	\$10.00

\*LTV is based on initial underwriting or renewal, and is subject to variation during the terms of the loans.

\*\*Unitholder Equity equals the aggregate subscription price of all units outstanding.

## DISTRIBUTION HISTORY

2011	Series A & C	Series B
First Quarter	\$0.194	\$0.188
Second Quarter	\$0.193	\$0.187
Third Quarter	\$0.195	\$0.189
Fourth Quarter	-	-
Total Distribution	\$0.582	\$0.564

## A COMMENTARY ON RECENT MARKET TURMOIL

In recent months the condition of the world economy as a whole has become much more uncertain and volatile. A steady stream of poor economic statistics from the US, including an unprecedented credit rating downgrade by Standard & Poor's, coupled with more intense worries over sovereign debt in the Euro area has had a significant impact on investor confidence and growth forecasts. The stock market has been highly volatile, with the TSX down at the start of October by over 20% since 2011 highs in March. Stock and equities concerns drove investors to seek out safe havens with Gold the preferred choice of many. Gold, however, has proved in recent days that it is not immune to the volatility, hitting all time highs in early September before suffering record falls of over 13% by the end of that month.

At times of uncertainty and volatility we believe it is important to remind investors of the advantages of investing in a Trez Capital Mortgage Fund Investment:

- **Wealth preservation** - Because mortgages have a low correlation with traditional assets, they can help to preserve your wealth, especially given the volatility of stocks and bonds
- **Predictable income** - We distribute income quarterly, which you can reinvest to earn compounded returns
- **Inflation hedging** - Our mortgages are short term in nature (typically 12 to 24 months), which acts as a hedge against interest-rate risk and real estate market conditions
- **Security** - Unlike a bond or a bond fund, our mortgage investment funds are secured by real property. We diversify our portfolios across several markets, types of mortgages and properties
- **Higher yields** - Our mortgage investment funds have traditionally outperformed bonds and GICs over the long term

## FUND COMMENTARY

TG Income Trust II ("TGIT II") has been created for the purpose of generating at least the Fixed Return per annum from interests acquired in a portfolio of mortgages. TGIT II is the successor offering to TG Income Trust, which is now closed to new investment.

### Quarter 3 Key Points:

- TGIT II Series A and B Units provided the preferred 7.75% and 7.5% annualized return respectively during the quarter
- Unitholders' equity up 13.5% from \$17.7 million to \$20.1 million due to two fund closings
- Total assets up 5.5% from \$20.4 million to \$21.6 million
- Number of mortgages down from 21 to 20 as two loans were paid down totaling \$2.6 million and one new loan was funded totaling \$1.5 million in addition to net partial funding on existing loans of \$0.1 million
- Gross mortgage loan portfolio of \$19.2 million is \$0.9 million lower due to loan pay downs at the end of September being held as cash at the quarter end. This cash was reinvested in mortgages during the first week of October
- Weighted average LTV has decreased from 74% to 73.2%
- Improved asset class diversification with a decreased allocation to residential and increased allocation to industrial and retail
- Weighted average time to maturity has increased from 12 months to 16 months

The Manager confirms that all mortgage assets held by TGIT II are compliant with the investment restrictions as identified in the prospectus.

TGIT II is well positioned in the market with mortgages in high quality properties. The Manager believes that TGIT II will continue to achieve target returns in 2011.



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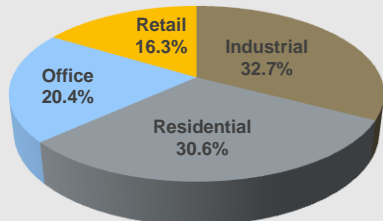


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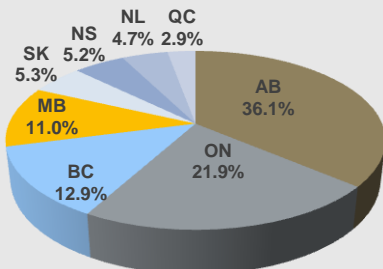
## MORTGAGE INVESTMENT ALLOCATION

### By Type



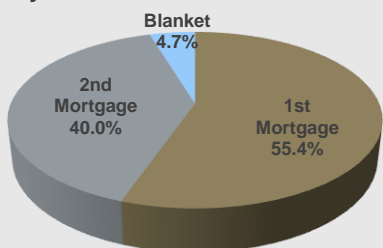
	Amount	%
Industrial	\$6,267,359	32.7%
Residential	\$5,876,059	30.6%
Office	\$3,911,097	20.4%
Retail	\$3,128,132	16.3%
<b>Total</b>	<b>\$19,182,647</b>	<b>100.0%</b>

### By Location



	Amount	%
AB	\$6,933,728	36.1%
ON	\$4,202,737	21.9%
BC	\$2,468,038	12.9%
MB	\$2,106,793	11.0%
SK	\$1,023,132	5.3%
NS	\$1,000,000	5.2%
NL	\$900,000	4.7%
QC	\$548,219	2.9%
<b>Total</b>	<b>\$19,182,647</b>	<b>100.0%</b>

### By Security



	Amount	%
1st Mortgage	\$10,618,661	55.3%
2nd Mortgage	\$7,663,986	40.0%
Blanket*	\$900,000	4.7%
<b>Total</b>	<b>\$19,182,647</b>	<b>100.0%</b>

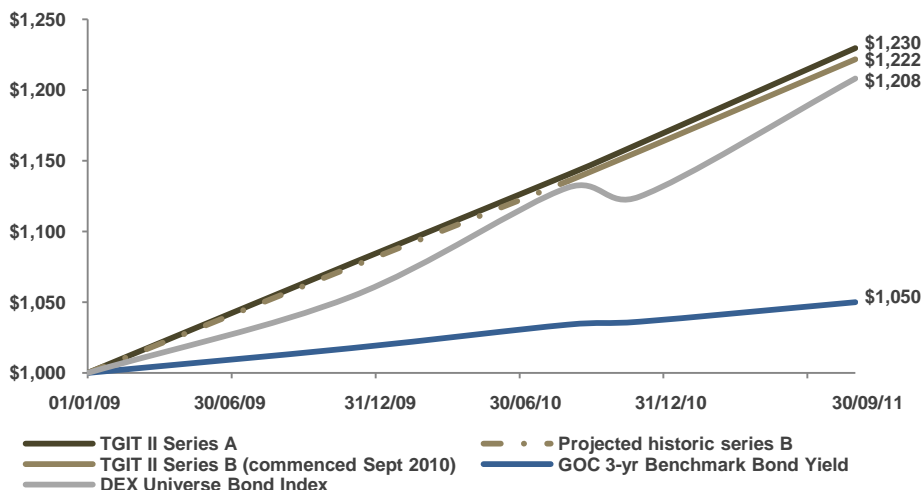
\*A Blanket mortgage covers more than one piece of property.

## PERFORMANCE

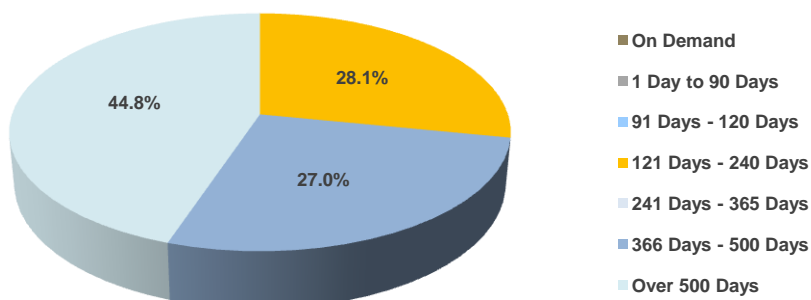
	YTD	Q3	2010	2009
<b>TG Income Trust II</b>				
Series A	5.9%	2.0%	7.8%	7.8%
Series B	5.6%	1.9%	7.5%	-
<b>Fixed Income</b>				
GoC 3-yr Benchmark Bond Yield*	1.3%	0.3%	1.8%	1.8%
DEX Universe Bond Index	7.4%	5.1%	6.7%	5.4%
<b>Cash</b>				
Inflation (Canada CPI)	2.7%	0.7%	2.4%	1.3%

Data sources: Bank of Canada, iShares Canada & Trez Capital Corporation  
 \* The GOC 3-year benchmark bond yield is the average yield over the stated period.

## Comparative Investment Growth



## Time to Maturity Summary



Weighted average time to maturity of the gross mortgage portfolio is 488 days (16 months).



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