

Market Review and Outlook

Canadian Economy: On October 24, 2018, The Bank of Canada ("Bank") increased its target for the overnight rate to 1.75% as the Canadian economy continues to operate close to its capacity and the composition of growth is more balanced. Over the second half of 2018, growth is expected to average approximately 2%. Real GDP is forecasted to grow by 2.1% in 2018 and 2019 before decreasing to 1.9% in 2020. The new US-Mexico-Canada Agreement ("USMCA") reduced trade policy uncertainty in North America and cleared the way for deferred investments to proceed. The forecast for business investment and exports have been revised up driven by the USMCA and the approved LNG project in British Columbia. Household spending is projected to continue growing at a healthy pace, driven by strong employment income growth. Households are moderating spending as expected in response to higher interest rates and housing marketing policies. CPI inflation decreased to 2.2% in September 2018 and is expected to remain close to the 2% target through the end of 2020. (Bank of Canada, Press Release October 24, 2018)

Real Estate Market: Canadian home sales activity dropped by 0.4% from August to September 2018, marking the first drop since April. Sales activity remains stronger than the first half of 2018 but it remains well below most other months since 2014. From August to September, the decline in sales activity, which occurred in slightly more than half of the local markets, was led by Vancouver Island, Edmonton and several markets in the Ontario's Greater Golden Horseshoe Region. Fraser Valley and Montreal bucked the trend, leading in increased sales activity. Activity, not seasonally adjusted, was down 8.9% compared to September 2017. Sales activity in approximately 70% of local markets were down compared to 2017, led primarily by declines in major urban areas in British Columbia, Calgary, Edmonton and Winnipeg. Sales to new listings ratio reduced to 54.4% in September from 56.2% in July as new listings increased by 3% from the previous month whilst sales dropped slightly. The national housing inventory as of August 2018 stood at 5.3 months. The national average price for homes sold in September 2018, not seasonally adjusted, was \$487,000, down 0.2% from one year earlier. (CREA Housing Market Stats October 15, 2018)

Even as long-term Canadian 5 and 10 year bond yields increased by almost 30 basis points during the quarter, investors focused on sector fundamentals that remain for the most part, rock solid. Fundamentals are expected to remain healthy across the country from improving macroeconomic conditions and a tight labour market. After two consecutive quarters of no reported changes in the national office sector cap rates, Class B properties have begun to display minor movements in the third quarter. Demand is increasing for underperforming office properties that have potential for repositioning. The average national industrial cap rate for Class A and Class B properties decreased, as demand for assets remains high whilst supply limited. The national retail sector continues to evolve with valuations differing across retail formats in the third quarter, with most remaining stable during the quarter. Vancouver, Toronto and Victoria continue to lead retail valuations across Canada. The national multifamily average cap rate fell across all categories of properties in the third quarter, as strong fundamentals and limited supply, increased property valuations. Demand has strengthened in Calgary, Edmonton, Montreal and London. (CBRE Q3 2018 Canadian Cap Rates & Investment Insights)

Capital Market: The 2-year, 5-year and 10-year Government of Canada benchmark bonds are currently yielding 2.21%, 2.33% and 2.42%, respectively. (Bank of Canada, September 28th Select Bond Yields)

Fund Commentary

Trez Capital Prime Trust ("TCPT") was created for the purpose of preserving invested capital, while generating a consistent rate of interest income by investing in a diversified portfolio of conservative commercial and multi-residential, first position mortgages which do not exceed 75% of the value of the real property at the time of funding.

Quarter 3 Key Points:

- TCPT paid a Q3 distribution of 1.00% and 0.75% for F Series and A Series units.
- During the quarter ended September 30, 2018, the mortgage portfolio increased by 29.1% from \$108.7 million to \$140.3 million.
- During the third quarter, eleven new mortgages totaling \$41.0 million were funded or transferred in and eight mortgages totaling \$26.0 million were transferred or paid out. In addition, there were net movements on existing mortgages of \$16.6 million.
- Units issued increased by 28.7% to 13.0 million.
- Weighted average LTV ratio increased from 47.2% to 51.0%. The weighted average term to maturity of the portfolio is 13.3 months.
- All mortgage assets were performing at June 30, 2018 with the exception of two mortgages with a value of \$4.2 and \$0.8 million. The manager believes the value of the underlying security is sufficient to ensure that no loss will be incurred on the mortgages.
- During the quarter ended September 30, 2018, the Trust complied with all investment objectives and restrictions set out in the Offering Memorandum dated May 1, 2018.

Quarterly Report

September 30, 2018

Fund Overview

Unaudited and non-consolidated, as at September 30, 2018

| | |
|--|-----------------------|
| Total Fund Assets Before Loan Syndication | \$ 143,163,868 |
| Mortgage Loan Portfolio | \$ 140,289,710 |
| Cash (and Equivalents) | \$ 885,033 |
| Other Receivables | \$ 1,989,125 |
| No. of Mortgage Investments | 41 |
| Average Mortgage Size | 3,421,700 |
| Average Loan-to-Value (LTV) ¹ | 51.0% |
| Total Units Outstanding | 12,981,202 |
| Net Assets per Unit | \$ 10.00 |

¹LTV is based on initial underwriting or renewal, and is subject to variation during the term of the loans.

Fund Description

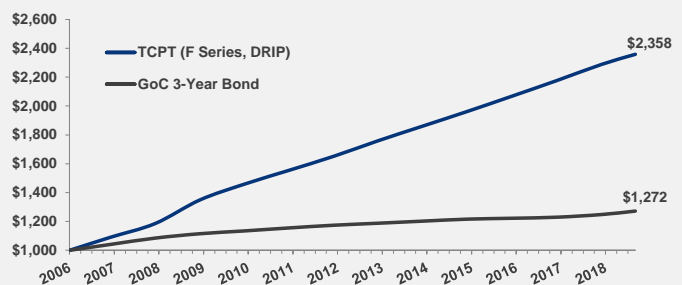
| | |
|-------------------------|---|
| Fund Manager | Trez Capital Fund Management Limited Partnership |
| Asset Class | Open-ended pooled mortgage fund |
| Inception Date | January 2006 |
| New Investments | Open |
| Minimum Investment | 500 units (\$5,000) |
| RRSP/RRIF/TFSA Eligible | Yes |
| Retraction Rights | Retractable on demand (with 30 days written notice) at 99% of the subscription price up to the first anniversary of the investment, and the full subscription price thereafter. |

Distribution History

| | 2018 | | 2017 | | 2016 | |
|-------------------------------|----------|----------|----------|----------|----------|----------|
| | A Series | F Series | A Series | F Series | A Series | F Series |
| Quarter 1 | \$0.075 | \$0.100 | \$0.075 | \$0.100 | \$0.075 | \$0.100 |
| Quarter 2 | \$0.075 | \$0.100 | \$0.075 | \$0.100 | \$0.075 | \$0.100 |
| Quarter 3 | \$0.075 | \$0.100 | \$0.075 | \$0.100 | \$0.075 | \$0.100 |
| Quarter 4 | | | \$0.075 | \$0.100 | \$0.075 | \$0.100 |
| Quarterly Distribution | \$0.225 | \$0.300 | \$0.300 | \$0.400 | \$0.300 | \$0.400 |
| Top-up² | | | \$0.102 | \$0.102 | \$0.113 | \$0.113 |
| Total Distribution | \$0.225 | \$0.300 | \$0.402 | \$0.502 | \$0.413 | \$0.513 |

²Based on a weighted average return to Unitholders, this amount is an estimate of the average top up distribution paid. Those invested for less than a full one year period will receive a prorated allocation, and those invested in the dividend reinvestment plan will receive a slightly higher top up due to the effects of compounding. Top-up distributions are paid following the conclusion of the annual audit, to all registered unitholders on the record date December 31.

Comparative Investment Growth (DRIP) F Series, Since Inception



Fund Performance (DRIP)

| | 2018 Q2 | 2018 YTD ⁴ | 2017 | 2016 | 2015 | 2014 |
|--|---------|-----------------------|------|------|------|------|
| Trez Capital Prime Trust (F Series) | 1.0% | 3.0% | 5.1% | 5.2% | 5.4% | 5.5% |
| Trez Capital Prime Trust (A Series) ³ | 0.8% | 2.3% | 4.1% | 4.2% | 4.4% | 4.4% |
| Fixed Income | | | | | | |
| GOC 3-yr Benchmark Bond Yield | 0.5% | 1.5% | 1.2% | 0.6% | 0.5% | 1.2% |
| Cash | | | | | | |
| Inflation (Canada CPI) | 0.1% | 2.2% | 1.9% | 1.5% | 1.6% | 1.5% |

³ A Series units were introduced on April 1, 2013. Returns are reported as F Series returns, less the 100bps trailer fee.

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The GOC 3-year benchmark bond yield is provided as an example of the risk free return during the period. The yield is the average monthly yield, pro-rated for the period.

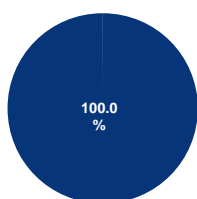
Data Sources: Bank of Canada, Trez Capital Fund Management Limited Partnership.

TOP 25 HOLDINGS

| CITY | PROVINCE/ STATE | BALANCE | LTV | TYPE | INTEREST RATE | RANK | % NAV |
|----------------------|-----------------|--------------|-----|-------------|---------------|-------|-------|
| Calgary | Alberta | \$12,786,060 | 34% | Industrial | 7.8% | First | 9.8% |
| Dallas/Ft. Worth | Texas | \$8,323,466 | 49% | Residential | 8.5% | First | 6.4% |
| Coquitlam | BC | \$7,078,679 | 39% | Residential | 8.3% | First | 5.4% |
| Langley | BC | \$6,716,762 | 47% | Residential | 8.3% | First | 5.2% |
| Palm Desert | California | \$6,455,500 | 63% | Residential | 7.5% | First | 5.0% |
| Argyle/Denton County | Texas | \$6,423,032 | 60% | Residential | 8.0% | First | 4.9% |
| Lynwood | Washington | \$5,392,787 | 65% | Residential | 8.5% | First | 4.1% |
| Leduc | Alberta | \$5,150,000 | 81% | Industrial | 7.8% | First | 4.0% |
| Richmond | BC | \$5,000,000 | 52% | Industrial | 6.5% | First | 3.8% |
| Vancouver | BC | \$4,525,251 | 70% | Residential | 8.6% | First | 3.5% |
| Quebec | Quebec | \$4,158,389 | 86% | Retail | 0.0% | First | 3.2% |
| North Vancouver | BC | \$4,151,055 | 28% | Residential | 8.5% | First | 3.2% |
| Kyle/Hayes County | Texas | \$4,119,326 | 49% | Residential | 8.5% | First | 3.2% |
| Edmonton | Alberta | \$4,000,000 | 43% | Residential | 7.8% | First | 3.1% |
| Surrey | BC | \$4,000,000 | 64% | Retail | 9.0% | First | 3.1% |
| Surrey | BC | \$3,846,984 | 64% | Industrial | 7.0% | First | 3.0% |
| Fremont | California | \$3,834,057 | 46% | Residential | 9.0% | First | 2.9% |
| Edmonton | Alberta | \$3,500,000 | 24% | Industrial | 7.5% | First | 2.7% |
| Philadelphia | Pennsylvania | \$3,302,989 | 30% | Residential | 8.5% | First | 2.5% |
| Vancouver | BC | \$3,080,487 | 68% | Residential | 9.0% | First | 2.4% |
| Richmond | BC | \$3,000,000 | 11% | Residential | 7.8% | First | 2.3% |
| Fort McMurray | Alberta | \$2,988,520 | 77% | Residential | 8.6% | First | 2.3% |
| Burnaby | BC | \$2,726,840 | 49% | Residential | 8.3% | First | 2.1% |
| Edmonton | Alberta | \$2,719,494 | 59% | Residential | 8.8% | First | 2.1% |
| Burnaby | BC | \$2,589,292 | 59% | Residential | 9.9% | First | 2.0% |

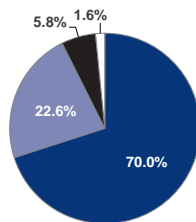
MORTGAGE PORTFOLIO DIVERSIFICATION

Security Rank



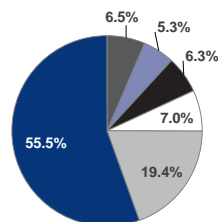
■ First Mortgages (100.0%)

Asset Class



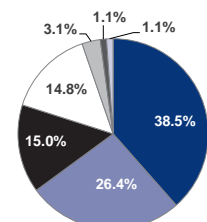
■ Residential (70.0%)
■ Industrial (22.6%)
■ Retail (5.8%)
□ Office (1.6%)

Weighted Average Term to Maturity



■ Month-to-Month (6.5%)
■ 1 Day to 90 Days (5.3%)
■ 91 Days - 120 Days (6.3%)
□ 121 Days - 240 Days (7.0%)
■ 241 Days - 365 Days (19.4%)
■ Over 365 Days (55.5%)

Geographic Region



■ British Columbia (38.5%)
■ Alberta (26.4%)
■ United States - Other (15.0%)
□ Texas (14.8%)
■ Quebec (3.1%)
■ Ontario (1.1%)
■ Florida (1.1%)

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