

Market Review and Outlook

U.S. Economy: The US economy is projected to grow 3.8% in the second half of the year. The Conference Board's Consumer Confidence Index remains at its highest level since 2000. Strong sentiment, continued support from tax cuts, strong job growth and modestly accelerating wage growth are supporting the growth of the US economy. In the second quarter, corporate profits reached record highs on a before and after tax basis and are projected to remain elevated due to strong consumer demand. With the Federal Reserve expected to raise interest rates three to four more times by the end of next year, growth is projected to encounter more headwinds in 2019. GDP growth is forecasted to drop to 2.2% by the end of 2019 due to the withdrawal of stimulus support and the effect of higher capital costs. The new US-Mexico-Canada Agreement reduced trade policy uncertainty in North America and cleared the way for deferred investments to proceed. Even though the agreement largely keeps provisions governing commerce between the three countries the same, one notable exception is the auto industry. The industry is expected to struggle with continued steel tariffs, stepped up requirements on wages and the use of components from outside the three countries. (The Conference Board Economic Forecast for the U.S. Economy, October 10, 2018)

Texas Real Estate Market: Dallas Fort Worth (DFW) home builders initiated construction on 8,973 units in Q3 2018, increasing the annual rate by 10.14% (Q4 2017-Q3 2018) to 35,733 new homes and setting another housing cycle record. Even though there was a modest uptick in start activity, builders reported a choppy quarter from a sales perspective. In Q3 2018, builders have noted that new home sales pace has moderated as increasing mortgage rates, inflated house prices driven by increases in construction costs and land prices amplified the challenges many households face with housing affordability. This year's decline has been more pronounced even after adjusting for the normal seasonal slow-down in house sales in late summer. New home closings increased to 8,676 units in Q3 2018, an increase of 7.8% over Q3 2017. The annual closing rate stands at 33,668 units. Existing home sales have remained flat over the past year. The strength of the housing market remains firmly in the \$251,000 to \$350,000 price range, representing 89.7% of the growth in home starts in the market. According to the Texas Workforce Commission, 114,900 net new jobs have been created in the 12-month period ending in August 2018. DFW continues to lead the state with respect to job growth and ranks second in the nation behind New York City area (+136,000). The unemployment rate was reported at 3.6% in August 2018. The unemployment rate has now been under 4%, which is considered full employment, for 18 months. (RSI DFW Initial 3Q18 Market Review)

Fund Commentary

TG Income Trust III ("TGIT III") was created for the purpose of generating at least the Fixed Return per annum from interests acquired in a diversified portfolio of commercial and multi-residential mortgages in Canada and the United States.

Quarter 3 Key Points:

- TG Income Trust III Series A, C and D units provided Fixed Returns of 7.10%, 7.20% and 7.50%, respectively, annualized during the quarter.
- Unitholder equity increased 8.1% to \$54.6 million and total assets increased 8.1% to \$58.5 million during the third quarter.
- During the quarter 8 new loans were funded totalling \$17.1 million and 3 loans were paid out totaling \$3.5 million. In addition, there were net movements on existing mortgages of \$4.9 million.
- The weighted average LTV and term to maturity were 68.8% and 17 months respectively.
- All mortgages are current and performing.

Quarterly Report

September 30, 2018

Fund Overview

As at September 30, 2018

Total Fund Assets	\$ 58,514,433
Mortgage Loan Portfolio (Including Accrued Interest)	\$ 54,787,345
Cash (and Equivalents)	\$ 2,047,366
Other Assets	\$ 1,679,721
No. of Mortgage Investments	27
Average Mortgage Size	\$ 2,029,161
Average Loan-to-Value (LTV) ¹	68.8%
Total Units Outstanding	5,461,368
Net Assets per Unit	\$ 10.00

Fund Returns

Series	Term	Return
Series A Units	45 months	7.10%
Series C Units	45 months	7.20%
Series D Units	45 months	7.50%

¹ LTV 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
Mortgage Broker	Trez Capital Limited Partnership
Asset Class	Income Trust Fund
Inception Date	July 14, 2016
New Investments	Open
Minimum Investment	200 units (\$2,000)
Term	45 months
RRSP/RRIF/TFSA Eligible	Yes
Retraction Rights	Units are retractable at the option of the Unitholders at a retraction price equal to 95% of the subscription price subject to certain restrictions.

Distribution History

Series	Maturity	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Series A-1	5/29/2020	\$ 0.179	\$ 0.177	\$ 0.175	\$ 0.179
Series A-2	6/19/2020	\$ 0.179	\$ 0.177	\$ 0.175	\$ 0.179
Series C-1	9/21/2020	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.181
Series C-2	11/6/2020	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.181
Series C-3	12/13/2020	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.181
Series C-4	5/1/2021	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.181
Series C-5	5/30/2021	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.181
Series C-6	7/20/2021	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.144
Series C-7	9/20/2021	\$ 0.181	\$ 0.180	\$ 0.178	\$ 0.024
Series C-8	10/31/2021	\$ 0.181	\$ 0.180	\$ 0.118	
Series C-9	12/8/2021	\$ 0.181	\$ 0.180	\$ 0.047	
Series D-1	3/19/2022	\$ 0.189	\$ 0.025		
Series D-2	5/27/2022	\$ 0.072			

Fund Performance

	Q3 2018	2018 YTD	2017	2016	2015	2014
TG Income Trust III						
Series A ¹	1.8%	5.3%	7.1%	7.1%	-	-
Series C ¹	1.8%	5.4%	7.2%	7.2%	-	-
Series D ²	1.9%	5.6%	-	-	-	-
Fixed Income						
GOC 3-yr Benchmark Bond Yield	0.5%	1.5%	1.2%	0.6%	-	-
Cash						
Inflation (US CPI)	0.2%	2.4%	2.1%	2.1%	-	-

¹ The 2016 YTD returns for Series A and Series C are annualized as the initial closing date of each series occurred part way through 2016.

² The 2018 YTD return for Series D are annualized as the initial closing date of the series occurred part way through 2018.

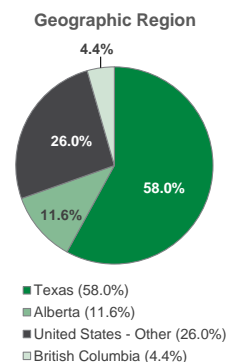
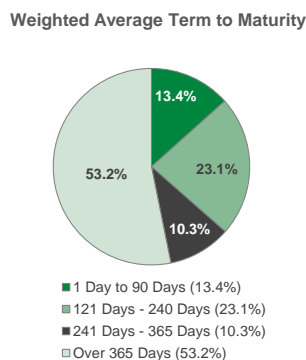
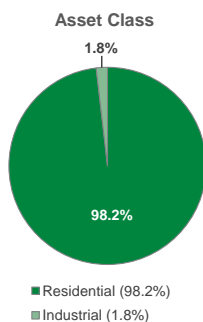
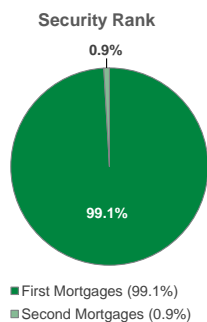
The GOC 3-year benchmark bond yield is provided as an example of the risk free return during the period. The yield is the average monthly yield, pro-rated for the period.

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

TOP 25 HOLDINGS

CITY	PROVINCE/STATE	BALANCE	LTV	TYPE	INTEREST RATE	RANK	% NAV
Fort McMurray	Alberta	\$5,294,728	81%	Residential	7.8%	First	9.7%
Parker	Colorado	\$4,683,666	42%	Residential	13.3%	First	8.6%
Kaufman County	Texas	\$4,516,129	75%	Residential	12.0%	First	8.3%
Belleveu	Washington	\$3,870,968	65%	Residential	10.6%	First	7.1%
Dallas/Forth Worth	Texas	\$3,061,068	85%	Residential	10.0%	First	5.6%
Little Elm	Texas	\$2,990,661	67%	Residential	10.3%	First	5.5%
San Marcos	Texas	\$2,952,116	72%	Residential	12.0%	First	5.4%
Portland	Oregon	\$2,580,645	53%	Residential	9.5%	First	4.7%
Rockwall	Texas	\$2,479,855	78%	Residential	15.2%	First	4.5%
Celina	Texas	\$2,469,431	71%	Residential	10.0%	First	4.5%
Langley	BC	\$2,136,154	69%	Residential	17.3%	First	3.9%
Houston	Texas	\$2,119,231	77%	Residential	12.0%	First	3.9%
Houston	Texas	\$2,094,314	76%	Residential	12.0%	First	3.8%
Maricopa County	Arizona	\$1,813,584	70%	Residential	11.0%	First	3.3%
Denton County	Texas	\$1,545,113	74%	Residential	12.4%	First	2.8%
Rockwall	Texas	\$1,537,686	31%	Residential	11.6%	First	2.8%
Celina	Texas	\$1,306,587	72%	Residential	10.0%	First	2.4%
Denton County	Texas	\$1,167,121	60%	Residential	12.5%	First	2.1%
Tampa	Florida	\$1,161,290	74%	Residential	10.3%	First	2.1%
Forth Worth	Texas	\$797,404	80%	Residential	11.9%	First	1.5%
Williamson	Texas	\$793,548	56%	Residential	12.0%	First	1.5%
Houston	Texas	\$673,268	60%	Residential	12.0%	First	1.2%
Dallas	Texas	\$574,373	92%	Residential	10.4%	First	1.1%
Nisku	Alberta	\$500,000	79%	Industrial	10.7%	Second	0.9%
Sherwood Park	Alberta	\$500,000	85%	Industrial	8.7%	First	0.9%

PORTFOLIO DIVERSIFICATION



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