Quarterly Report

September 30, 2018

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 Yield Trust ("TCYT") was created for the purpose of preserving capital, while delivering an attractive, consistent rate of interest income from a diversified portfolio of commercial and multi-residential mortgages in Canada and the United States.

Quarter 3 Key Points:

- TCYT paid a Q3 distribution of 1.5% and 1.25% for F Series and A Series units respectively.
- During the quarter ended September 30, 2018, the mortgage portfolio increased by 17.0% from $580.6 million to $679.3 million.
- Thirty three mortgages totaling $163.6 million were funded or transferred in, and twenty eight mortgages totaling $129.0 million were transferred or paid out. There were net movements on existing mortgages of $21.6 million. In addition, included in mortgages in Q3 were $12.8 million in mortgages, previously classified as Limited Partnership Interests and also one mortgage of $29.7 million previously classified as Property under Development.
- Units issued increased by 5.8% to $72.9 million units.
- Weighted average LTV ratio remained relatively consistent and changed from 71.4% to 72.8% with a weighted average term to maturity of 18.2 months.
- An affiliated company to the Trust foreclosed on the property that was in default in the previous year. The Trust now holds an unsecured note from the affiliated company in the amount $0.8 million.
- All mortgage assets were performing at September 30, 2018 with the exception of one mortgage with a value of $0.1 million. The manager believes the underlying security is sufficient to ensure that no loss will be incurred on this mortgage.
- 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.

Fund Overview

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

Total Fund Assets Before Loan Syndication	**$ 744,144,411**
Mortgage Loan Portfolio	$679,303,340
Cash	$ 20,896,649
Property Held for Sale	$ 1,500,000
Limited Partnership Investments	$ 18,289,671
Other Receivables	$ 24,154,751
No. of Mortgage Investments	132
Average Mortgage Size	$ 5,146,237
Average Loan-to-Value (LTV)[1]	72.8%
Total Units Outstanding	72,881,603
Net Assets per Unit	$ 10.00

[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
Asset Class	Open-ended pooled mortgage fund
Inception Date	June 2009
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.

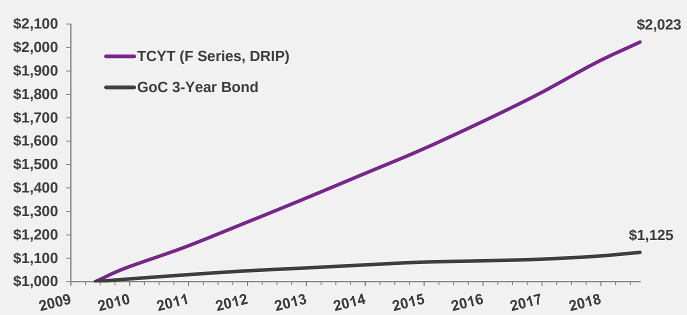
Distribution History

	2018		2017		2016	
	A Series	F Series	A Series	F Series	A Series	F Series
Quarter 1	$0.125	$0.150	$0.125	$0.150	$0.125	$0.150
Quarter 2	$0.125	$0.150	$0.125	$0.150	$0.125	$0.150
Quarter 3	$0.125	$0.150	$0.125	$0.150	$0.125	$0.150
Quarter 4			$0.125	$0.150	$0.125	$0.150
Quarterly Distribution	$0.375	$0.450	$0.500	$0.600	$0.500	$0.600
Top-up[2]			$0.157	$0.157	$0.118	$0.118
Total Distribution	$0.375	$0.450	$0.657	$0.757	$0.618	$0.718

[2] Based 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 Q3	2018 YTD [4]	2017	2016	2015	2014
Trez Capital Yield Trust (F Series)	1.5%	4.6%	7.6%	7.4%	7.4%	7.2%
Trez Capital Yield Trust (A Series[3])	1.3%	3.8%	6.6%	6.3%	6.4%	6.2%
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%

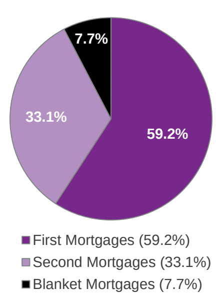
[3] A Series unit returns are reported as F Series returns, less the 100bps trailer fee.
[4] Based on distributions paid year-to-date.
The GOC 3-year benchmark bond yield is provided as an example of the risk free return during the period. The yield is the average monthly yield, pro-rated for the period.
Data Sources: Bank of Canada, Trez Capital Fund Management Limited Partnership.

TOP 25 HOLDINGS

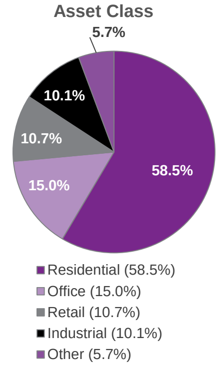
CITY	PROVINCE/ STATE	BALANCE	LTV	TYPE	INTEREST RATE	RANK	% NAV
Edmonton	Alberta	$51,200,000	72%	Residential	11.0%	Second	7.0%
Edmonton	Alberta	$40,196,662	63%	Office	10.8%	Second	5.5%
Richmond	BC	$36,200,000	73%	Retail	8.8%	First	5.0%
Victoria	BC	$29,644,441	97%	Residential	8.0%	First	4.1%
Edmonton	Alberta	$23,910,552	99%	Office	8.0%	Second	3.3%
Edmonton	Alberta	$23,288,766	68%	Other	10.8%	Second	3.2%
Fort McMurray	Alberta	$22,726,414	81%	Residential	6.8%	First	3.1%
Edmonton	Alberta	$16,000,000	92%	Industrial	9.5%	Blanket	2.2%
Celina	Texas	$13,695,067	72%	Residential	10.0%	First	1.9%
Langley	BC	$12,985,000	66%	Retail	8.8%	Blanket	1.8%
Miami	Florida	$12,968,611	44%	Other	10.3%	First	1.8%
Calgary	Alberta	$12,159,334	89%	Office	8.6%	Second	1.7%
Coquitlam	BC	$12,000,000	74%	Residential	7.0%	First	1.6%
Scarborough	Ontario	$11,500,000	69%	Residential	5.8%	First	1.6%
Vancouver	BC	$11,000,000	54%	Residential	9.9%	Second	1.5%
Hillsborough	North Carolina	$10,738,758	72%	Retail	12.3%	Blanket	1.5%
Red Deer	Alberta	$10,410,052	100%	Industrial	0.0%	First	1.4%
Richmond	BC	$10,000,000	60%	Residential	10.3%	First	1.4%
Calgary	Alberta	$8,113,830	74%	Office	8.9%	Second	1.1%
Stony Plain	Alberta	$8,100,577	86%	Residential	8.5%	First	1.1%
Calgary	Alberta	$8,033,804	81%	Office	9.0%	Second	1.1%
Dallas	Texas	$7,877,868	48%	Residential	10.0%	First	1.1%
Langley	BC	$7,602,667	69%	Residential	7.5%	First	1.0%
West Vancouver	BC	$7,191,667	46%	Retail	7.6%	First	1.0%
Portland	Oregon	$6,903,710	53%	Residential	9.5%	First	0.9%

MORTGAGE PORTFOLIO DIVERSIFICATION

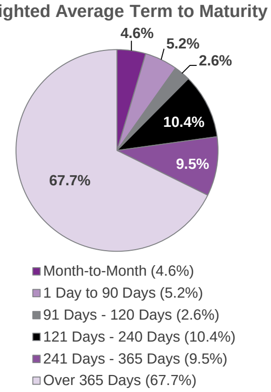
Security Rank



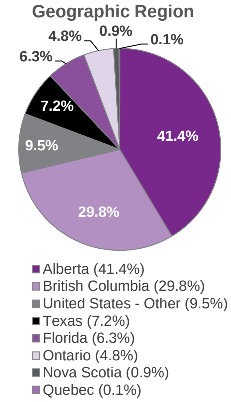
Asset Class



Weighted Average Term to Maturity



Geographic Region



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