

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

Trez Capital Yield Trust US (Canadian \$) ("TCYTUS (C\$)") was created for the purpose of preserving capital, while delivering an attractive rate of income in Canadian dollars by investing in a portfolio of mortgages, and mortgage participations secured primarily by residential lot development projects in the State of Texas. Up to 20% of net assets may be allocated to equity positions, and up to 10% to mezzanine loans.

Quarter 3 Key Points:

- TCYT US (C\$) paid a Q3 distribution of 2.0% and 1.75% for F Series and A Series units, respectively.
- During the quarter ended September 30, 2018, the mortgage portfolio increased by 19.1% from US\$219.9 million to US\$261.8 million.
- Thirteen new mortgages totaling US\$47.2 million were funded and seven mortgages were paid out totaling US\$27.8 million during the quarter. There were net advances on existing mortgages of US\$38.1 million and there were net transfers out to related entities of US\$34.3 million. In addition, there were nine mortgages of \$18.7 million which were previously shown as Limited Partnership Investments, resulting in a net increase to the mortgage portfolio of US\$41.9 million.
- Units issued increased by 10.6% to 40.9 million units.
- Weighted average LTV ratio increased from 68.0% to 71.3% with a weighted average term to maturity of 20.8 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 US\$0.9 million.
- All mortgage assets were performing at September 30, 2018 with the exception of one mortgage with a value of \$2,298,927. The manager believes the value of 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.

Quarterly Report

September 30, 2018

Fund Overview (CAD)

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

Total Fund Assets	\$ 418,526,506
Mortgage Loan Portfolio	\$ 338,010,076
Cash (and Equivalents)	\$ 49,034,209
Limited Partnership Investments	\$ 12,620,106
Other Receivables	\$ 18,862,115
No. of Mortgage Investments	74
Average Mortgage Size	\$ 4,567,704
Average Loan-to-Value (LTV) ¹	71.3%
Total Units Outstanding	40,882,229
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	January 2017
New Investments	Open
Minimum Investment	500 units (CAD \$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.

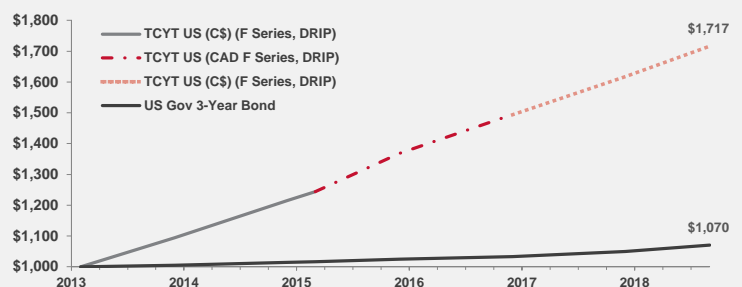
Distribution History (\$ per Unit)

	2018		2017		2016 ³	
	A Series	F Series	A Series	F Series	A Series	F Series
Quarter 1	\$0.175	\$0.200	\$0.175	\$0.200	\$0.175	\$0.200
Quarter 2	\$0.175	\$0.200	\$0.175	\$0.200	\$0.175	\$0.200
Quarter 3	\$0.175	\$0.200	\$0.175	\$0.200	\$0.175	\$0.200
Quarter 4	-	-	\$0.175	\$0.200	\$0.175	\$0.200
Quarterly Distribution	\$0.525	\$0.600	\$0.700	\$0.800	\$0.700	\$0.800
Top-up ²	-	-	-	-	\$0.090	\$0.092
Total Distribution	\$0.525	\$0.600	\$0.700	\$0.800	\$0.790	\$0.892

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.

³ Due to the fund being established in January of 2017 distributions prior to 2017 are reported as the returns on Trez Capital Yield Trust US CAD units.

Comparative Investment Growth (DRIP) F Series⁴, Since Inception



⁴ Reflects the total return on Series F units, assuming that distributions are reinvested. Investment growth on Canadian dollar units is calculated in Canadian dollars.

Fund Performance (DRIP)

	2018 Q3	2018 YTD ⁶	2017	2016	2015
Trez Capital Yield Trust US (Canadian \$) (F Series)	2.0%	6.1%	8.2%	9.2%	12.7% ⁵
Trez Capital Yield Trust US (Canadian \$) (A Series)	1.8%	5.3%	7.2%	8.1%	11.9% ⁵
Fixed Income					
US Gov 3-yr Benchmark Bond Yield	0.7%	1.9%	1.6%	0.9%	1.0%
Cash					
Inflation (US CPI)	0.2%	2.4%	2.1%	2.1%	0.7%

⁵ Canadian dollar units were introduced with the Offering Memorandum dated April 30, 2015. Returns are reported as annualized returns based on distributions paid on the initial unit of each series issued.

⁶ Based on distributions paid year-to-date.

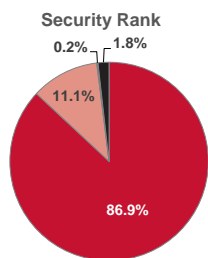
The US Government 3-year Treasury rate is provided as an example of the risk free return during the period. The yield is the average monthly yield, pro-rated for the period.

Data Sources: US Department of the Treasury, Trez Capital Fund Management Limited Partnership.

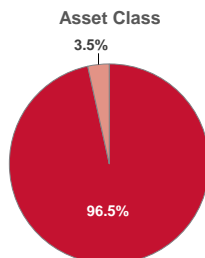
TOP 25 HOLDINGS (USD)

CITY	STATE	BALANCE	LTV	TYPE	INTEREST RATE	RANK	% NAV
Houston	Texas	\$24,233,466	82%	Residential	10.0%	First	7.7%
Dallas/Ft. Worth	Texas	\$15,378,030	70%	Residential	12.0%	First	4.9%
Dallas/Ft. Worth	Texas	\$13,142,799	85%	Residential	12.4%	First	4.2%
Houston	Texas	\$11,911,111	76%	Residential	12.0%	First	3.8%
Houston	Texas	\$11,741,548	77%	Residential	12.0%	First	3.7%
San Antonio	Texas	\$10,703,243	72%	Residential	12.0%	First	3.4%
Raleigh	North Carolina	\$8,317,526	72%	Residential	12.0%	First	2.6%
Sarasota	Florida	\$8,079,039	64%	Residential	12.0%	First	2.6%
Dallas/Ft. Worth	Texas	\$7,929,016	72%	Residential	10.0%	First	2.5%
Dallas/Ft. Worth	Texas	\$6,569,301	71%	Residential	13.0%	Second	2.1%
Dallas/Ft. Worth	Texas	\$6,466,909	92%	Residential	10.4%	First	2.1%
Dallas/Ft. Worth	Texas	\$6,195,943	67%	Residential	10.3%	First	2.0%
Dallas/Ft. Worth	Texas	\$5,733,726	75%	Residential	12.0%	First	1.8%
Orlando	Florida	\$5,394,459	66%	Retail	12.2%	First	1.7%
Miami	Florida	\$4,850,000	62%	Residential	11.3%	First	1.5%
Dallas/Ft. Worth	Texas	\$4,772,049	69%	Residential	13.0%	Second	1.5%
Dallas/Ft. Worth	Texas	\$4,713,465	59%	Residential	12.5%	Equity	1.5%
Houston	Texas	\$4,255,198	73%	Residential	11.0%	First	1.4%
Dallas/Ft. Worth	Texas	\$4,209,629	60%	Residential	12.0%	First	1.3%
Dallas/Ft. Worth	Texas	\$4,207,031	74%	Residential	12.4%	First	1.3%
Charlotte	North Carolina	\$4,000,000	51%	Residential	12.3%	First	1.3%
Dallas/Ft. Worth	Texas	\$3,915,879	48%	Residential	10.0%	First	1.2%
Miami	Florida	\$3,856,100	46%	Residential	9.4%	First	1.2%
Dallas/Ft. Worth	Texas	\$3,534,652	63%	Residential	12.0%	Second	1.1%
Orlando	Florida	\$3,492,784	69%	Residential	10.0%	First	1.1%

MORTGAGE PORTFOLIO DIVERSIFICATION

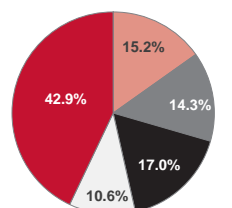


- First Mortgages (86.9%)
- Second Mortgages (11.1%)
- Third Mortgages (0.2%)
- Preferred Equity Loan (1.8%)



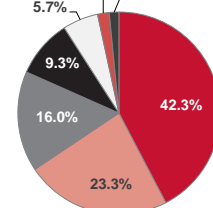
- Residential (96.5%)
- Retail (3.5%)

Weighted Average Term to Maturity



- Zero to 6 Months (15.2%)
- 6 Months - 12 Months (14.3%)
- 12 Months - 18 Months (17.0%)
- 18 Months - 24 Months (10.6%)
- 24 Months and over (42.9%)

Geographic Region



- Dallas/Ft. Worth (42.3%)
- Houston (23.3%)
- Florida (16.0%)
- United States - Other (9.3%)
- San Antonio (5.7%)
- Denver (1.9%)
- Austin (1.5%)

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