TREZ CAPITAL
TG INCOME TRUST III

QUARTERLY REPORT
September 30, 2020

FUND OVERVIEW

Total Fund Assets	$81,363,741
Investments in Mortgages	$66,731,558
Cash (and Equivalents)	$4,350,282
Other Assets[1]	$10,281,901

[1] Includes investments held at fair value and an investment in an associate

No. of Mortgage Investments	37
Average Mortgage Size	$1,612,887
Weighted Average Loan-to-Value (LTV)[2]	69.6%
Total Units Outstanding (Series A, C, D, E)	6,751,444
Net Asset Value per Unit	$10.00

MARKET REVIEW AND OUTLOOK

Current Business Updates

On September 9, 2020, the Trust announced that the Manager after due consideration and consultation with its advisors, determined that it is in the best interests of the Trust and its unitholders to terminate and dissolve the Trust.

Effective immediately, the Trust halted all investment activity and the Manager will focus on ensuring the investments of the Trust are converted into cash as soon as practicable. Given the illiquid nature of the Trust's mortgage portfolio, this process is anticipated to take up to 36 months based on the last investment maturity in the portfolio. The Manager will make all reasonable efforts to accelerate this timeline, if possible.

During the dissolution period, each series of units, including "matured units", will continue to be paid the fixed return associated with the respective series of units based on the units outstanding at the time in accordance with the regular quarterly distribution schedule. However, as the Trust will no longer be operating as an active investment trust, all capital distributions that are made from time to time during the dissolution period will be completed pro rata based on all outstanding units, including "matured units", of the Trust, irrespective of their series, to ensure one series of unitholders is not treated preferentially over another. The Manager believes this is essential to ensure the fair and equitable treatment of all unitholders.

U.S. Economy and Real Estate Market

After promising signs for a recovery over the summer, which followed significant lockdown measures in March and April, U.S. economic momentum slowed over the third quarter. In September, employment increased by 661,000, the slowest increase in five months, as the unemployment rate reached 7.9%. Reports of rising COVID-19 infections in several midwestern states tempered optimism that retail and restaurant establishments, which were significantly affected in the spring, would continue to add jobs. In addition, several factors weighed negatively on the prospects for a near-term recovery in consumer spending, a large component of the U.S. economy: the expiration of supplemental unemployment benefits, which coincided with a rise in the percentage of permanently unemployed; uncertainty over the U.S. presidential election; and the inability of Congress and the U.S. administration to pass a comprehensive fiscal relief package. Nonetheless, there were some promising signs that the recovery would continue, albeit at a slightly slower than anticipated pace. The U.S. Federal Reserve Board announced plans, following its September policy meeting, to abandon its 2.0% inflation threshold for pre-emptive federal funds rate increases, raising the prospect that interest rates would remain low for an extended period.

The pandemic has created a clear demarcation in performance and investor preferences by property type, with industrial and apartments leading, and retail and hospitality lagging far behind.
Loan distress began to accumulate in the retail and hospitality sectors, where CMBS delinquencies were 14.6% and 21.8%, respectively, in August. On a quarter-over-quarter basis, preliminary third-quarter statistics from CBRE-EA indicated that the overall office vacancy rate rose 100 basis points ("bps") to 14%; the neighborhood and community centre retail availability rate rose 34 bps to 9.37%; the industrial availability rate was unchanged at 7.6%; and the apartment vacancy rate fell 20 bps to 4.4%.

Investment activity remained largely stalled, as acquisition bid/ask spreads on stabilized property were wide and distressed sales limited. According to Real Capital Analytics, overall investment volume was down 35% year to date, as of August, while commercial property prices remained close to their March levels. Debt availability remained good for apartments and stabilized deals, and loan pricing continued to tighten in the latter part of the third quarter. However, the market environment remained somewhat challenging for underwriting tenant credit and transitional deals.

FUND COMMENTARY

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

Quarter 3 Key Points:

- TG Income Trust III Series A, C, D and E units provided Fixed Returns of 7.1%, 7.2%, 7.5% and 7.1%, respectively, annualized during the quarter.
- Unitholder equity decreased $7.0 million and total assets decreased 10.0% to $81.4 million during the third quarter.
- During the quarter no new loans were funded and one loan was paid out totaling $0.6 million. In addition, there were net decreases on existing mortgages of $7.0 million.
- The weighted average LTV and term to maturity were 69.6% and 12.7 months respectively.
- As at September 30, 2020, the Trust had no loans in default.
- During the Third quarter the general provision on performing loans remained unchanged at $0.4 million.

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)
Series Term	45 months
RRSP/RRIF/TFSA Eligible	Yes
Retraction Rights	On April 8th, the Trust announced that the Manager suspended retractions and redemptions of units of the Trust effective March 30, 2020 due to the economic disruption caused by COVID-19

FUND RETURNS

Series	Term	Return
Series A Units	**45 months**	7.1%
Series C Units	**45 months**	7.2%
Series D Units	**45 months**	7.5%
Series E Units	**45 months**	7.1%

[2] LTV is based on initial underwriting or renewal, and is subject to variation during the term of the mortgages.

DISTRIBUTION HISTORY

Series	Maturity	Q3 2020[3]	Q2 2020	Q1 2020	Q4 2019
Series A-1	5/29/2020	$0.195	$0.177	$0.177	$0.179
Series A-2	6/19/2020	$0.195	$0.177	$0.177	$0.179
Series C-1	9/21/2020	$0.198	$0.179	$0.179	$0.181
Series C-2	11/6/2020	$0.198	$0.179	$0.179	$0.181
Series C-3	12/13/2020	$0.198	$0.179	$0.179	$0.181
Series C-4	5/1/2021	$0.198	$0.179	$0.179	$0.181
Series C-5	5/30/2021	$0.198	$0.179	$0.179	$0.181
Series C-6	7/20/2021	$0.198	$0.179	$0.179	$0.181
Series C-7	9/20/2021	$0.198	$0.179	$0.179	$0.181
Series C-8	10/31/2021	$0.198	$0.179	$0.179	$0.181
Series C-9	12/8/2021	$0.198	$0.179	$0.179	$0.181
Series D-1	3/19/2022	$0.206	$0.186	$0.186	$0.189
Series D-2	5/27/2022	$0.206	$0.186	$0.186	$0.189
Series D-3	9/21/2022	$0.206	$0.186	$0.186	$0.189
Series D-4	11/8/2022	$0.206	$0.186	$0.186	$0.189
Series D-5	12/13/2022	$0.206	$0.186	$0.186	$0.189
Series E-1	6/13/2023	$0.195	$0.177	$0.177	$0.179
Series E-2	8/28/2023	$0.195	$0.177	$0.177	$0.066

[3] Q3 2020 distribution includes income earned on units cancelled during the quarter in association with the dissolution of the Trust

FUND PERFORMANCE

	Q3 2020	2020 YTD	2019	2018	2017
TG Income Trust III					
Series A [1]	1.8%	5.3%	7.1%	7.1%	7.1%
Series C [1]	1.8%	5.4%	7.2%	7.2%	7.2%
Series D [2]	1.9%	5.6%	7.5%	7.5%	-
Series E [3]	1.8%	5.3%	7.1%	-	-
Fixed Income					
GOC 3-yr Benchmark Bond Yield	0.1%	0.4%	1.5%	2.1%	1.2%
Cash					
Inflation (US CPI)	1.0%	1.3%	2.3%	2.0%	2.1%

[1] The 2016 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 return for Series D are annualized as the initial closing date of the series occurred part way through 2018.
[3] The 2019 return for Series E are annualized as the initial closing date of the series occurred part way through 2019.

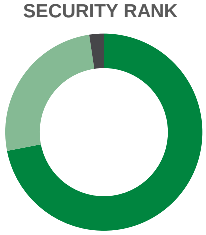
The GOC 3-year benchmark bond yield is provided as an example of the risk free return during the period. The yield is the average monthly yield, pro-rated for the period.
Data Sources: Bank of Canada, Trez Capital Fund Management Limited Partnership.

TOP 25 HOLDINGS

City	Province/State	Balance	LTV	Type	Interest Rate	Rank	% Nav
Desoto	Texas	$5,803,165	70%	Residential	6.0%	Second	8.6%
Fort McMurray	Alberta	$5,250,614	100%	Residential	6.8%	First	7.8%
Vancouver	British Columbia	$4,053,898	54%	Commercial	9.2%	First	6.0%
Calgary	Alberta	$4,009,590	52%	Residential	10.5%	First	5.9%
Burnaby	British Columbia	$4,000,000	53%	Residential	9.0%	Second	5.9%
Plano	Texas	$3,735,418	64%	Residential	12.0%	First	5.5%
Houston	Texas	$3,361,153	75%	Residential	12.5%	First	5.0%
Calgary	Alberta	$3,000,000	62%	Residential	10.0%	Second	4.4%
San Marcos	Texas	$2,204,932	72%	Residential	11.0%	First	3.3%
Fate	Texas	$2,179,977	80%	Residential	10.5%	First	3.2%
Celina	Texas	$1,983,830	72%	Residential	10.0%	First	2.9%
Edmonton	Alberta	$1,500,000	79%	Commercial	10.0%	Second	2.2%
Grand Prairie	Texas	$1,415,003	73%	Residential	11.0%	Blanket	2.1%
Miami	Florida	$1,367,271	45%	Residential	8.8%	First	2.0%
Merritt Island	Florida	$1,299,307	77%	Residential	10.0%	First	1.9%
Vancouver	British Columbia	$1,285,743	77%	Residential	9.7%	First	1.9%
Brazoria	Texas	$1,119,470	83%	Residential	13.8%	First	1.7%
Welland	Ontario	$1,102,258	59%	Residential	9.0%	First	1.6%
Celina	Texas	$1,096,349	71%	Residential	10.0%	First	1.6%
Houston	Texas	$957,649	88%	Residential	10.0%	First	1.4%
Plano	Texas	$856,186	64%	Residential	12.0%	First	1.3%
Plano	Texas	$816,371	64%	Residential	12.0%	First	1.2%
Cartersville	Georgia	$793,968	80%	Residential	11.7%	First	1.2%
Plano	Texas	$764,186	64%	Residential	12.0%	First	1.1%
Tolleson	Arizona	$759,463	66%	Other	17.7%	First	1.1%

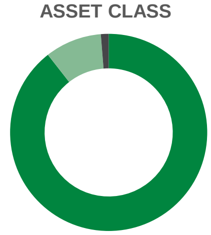
PORTFOLIO DIVERSIFICATION

SECURITY RANK



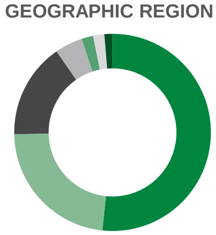
- First Mortgages (71.9%)
- Second Mortgages (25.7%)
- Blanket (2.4%)

ASSET CLASS



- Residential (89.4%)
- Industrial (9.3%)
- Other (1.3%)

GEOGRAPHIC REGION



- Texas (51.6%)
- Alberta (23.1%)
- British Columbia (15.7%)
- Florida (4.6%)
- Arizona (1.9%)
- Ontario (1.8%)
- Georgia (1.3%)

FOR FUTHER INFORMATION, PLEASE CONTACT

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