TREZ CAPITAL
TG INCOME TRUST III

QUARTERLY REPORT

September 30, 2019

FUND OVERVIEW (unaudited)

Total Fund Assets	$82,924,362
Investments in Mortgages	$59,730,268
Cash (and Equivalents)	$22,395,478
Other Assets	$798,616

No. of Mortgage Investments	37
Average Mortgage Size	$1,472,071
Weighted Average Loan-to-Value (LTV)[1]	67.8%
Total Units Outstanding (Series A, C, D)	7,279,948
Net Asset Value per Unit	$10.00

MARKET REVIEW AND OUTLOOK

U.S. Economy

In Q3, there were new signs that a slowing global economy and trade tensions were beginning to weigh negatively on the U.S. manufacturing and agricultural sectors. Financial markets, which have been quite sensitive to news of slower economic growth, were volatile in August and September.

Despite global economic headwinds, the U.S. labour market remained relatively strong. In September, employers added 136,000 jobs, while previous figures for July and August were revised upward. Although job growth has slowed from the trend a year ago, the labour market became increasingly tight and was partially responsible for the slowing pace of hiring. In September, the jobless rate fell to a mere 3.5% – a 50-year low.

Job gains have helped to buffer the U.S. economy against manufacturing weakness and fears that an economic slowdown will deepen. With a growing job base, consumer confidence and spending have generally been bright spots, and are likely to be a source of positive momentum for the remainder of the year. U.S. Q3 GDP growth has been tracking at 1.8%, down from the 2.0% growth rate in Q2 and 3.1% in Q1. This appears to be consistent with the view of moderate growth, rather than a sharp turn towards recession.

In addition, the Fed lowered its benchmark federal funds rate by a quarter point in July and September, in an effort to cushion the U.S. economy against slowing global economic growth and trade fears. Additional rate cuts are possible in coming months, which should support several sectors, including the housing market.

U.S. Real Estate Market

Through the first half of the year, national commercial real estate fundamentals were relatively balanced, with demand either matching or exceeding supply across most sectors. This has allowed market rents to continue to increase at favourable rates. For instance, national office and industrial rents, according to CBRE-EA, have both increased by 4.0% for the year ended in Q2. Such rent growth conditions are quite encouraging, as new supply growth remains relatively subdued at this stage of the real estate cycle.

After a disappointing spring season, the nation’s housing market showed improvement during the summer months. Existing home sales climbed in July and August, reaching a pace that was 2.6% higher than a year earlier. New housing starts also jumped in August to their highest rate thus far in the nation’s 10-year economic expansion, reaching a level that was 6.6% higher than a year ago. The improved sales and construction are attributed to several factors – with improving affordability one of the most important. In particular, the 30-year fixed mortgage rate averaged 3.64% at the end of September, close to 100 basis points (“bps”) lower than the rate at the end of 2018, according to Freddie Mac. In addition, the strong labour market is allowing younger home buyers to enter the market in higher numbers, especially in the affordable-priced segment.

Commercial real estate valuations should continue to increase over the near term, reflecting the combination of moderate economic growth, relatively balanced real estate fundamentals, rising rents and low interest rates. Despite lagging transaction activity — year-to-date overall commercial sales activity through August was down close to 11.0% compared to the same period a year ago — commercial property prices continued to increase. According to Real Capital Analytics’ Commercial Property Price Index (CPPI), prices have escalated by 6.7% over the past year.

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 increased to $72.8 million and total assets increased 14.0% to $82.9 million during the third quarter.
- During the quarter 3 new loans were funded totalling $8.5 million and 2 loans were paid out totaling $7.1 million. In addition, there were net decreases on existing mortgages of $7.1 million.
- The weighted average LTV and term to maturity were 67.8% and 14.5 months respectively.
- All mortgages are current and performing.

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	Units are retractable at the option of the Unitholders at a retraction price equal to 95% of the subscription price subject to certain restrictions.

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%

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

DISTRIBUTION HISTORY

Series	Maturity	Q3 2019	Q2 2019	Q1 2019	Q4 2018
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	$0.181
Series C-7	9/20/2021	$0.181	$0.180	$0.178	$0.181
Series C-8	10/31/2021	$0.181	$0.180	$0.178	$0.181
Series C-9	12/8/2021	$0.181	$0.180	$0.178	$0.181
Series D-1	3/19/2022	$0.189	$0.187	$0.185	$0.189
Series D-2	5/27/2022	$0.189	$0.187	$0.185	$0.189
Series D-3	9/21/2022	$0.189	$0.187	$0.185	$0.023
Series D-4	11/8/2022	$0.189	$0.187	$0.107	
Series D-5	12/13/2022	$0.189	$0.187	$0.039	
Series E-1	6/13/2023	$0.035			

FUND PERFORMANCE

	Q3 2019	2019 YTD	2018	2017	2016
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%	-	-
Series E [3]	1.8%	5.3%	-	-	-
Fixed Income					
GOC 3-yr Benchmark Bond Yield	0.4%	1.1%	2.1%	1.2%	0.6%
Cash					
Inflation (US CPI)	0.2%	2.2%	2.0%	2.1%	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 YTD 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

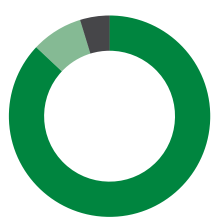
City	Province/State	Balance	LTV	Type	Interest Rate	Rank	% Nav
Fort McMurray	Alberta	$5,252,561	82%	Residential	7.3%	First	6.9%
Celina	Texas	$4,540,164	72%	Residential	10.0%	First	5.9%
Plano	Texas	$4,500,576	69%	Storage	10.0%	Second	5.9%
Fate	Texas	$3,743,032	78%	Residential	12.0%	First	4.9%
Portland	Oregon	$3,479,835	59%	Residential	10.7%	First	4.6%
San Antonio	Texas	$3,442,965	48%	Residential	10.0%	First	4.5%
Calgary	Alberta	$3,026,753	52%	Residential	10.5%	First	4.0%
Boynton Beach	Florida	$2,648,305	57%	Residential	10.2%	First	3.5%
San Marcos	Texas	$2,231,411	72%	Residential	11.0%	First	2.9%
Plano	Texas	$1,890,467	64%	Residential	12.0%	First	2.5%
Plano	Texas	$1,766,783	85%	Residential	13.3%	First	2.3%
San Antonio	Texas	$1,655,191	64%	Residential	6.5%	First	2.2%
Edmonton	Alberta	$1,500,000	79%	Commercial	10.5%	Second	2.0%
Celina	Texas	$1,401,809	71%	Residential	10.0%	First	1.8%
Fate	Texas	$1,121,691	31%	Residential	10.2%	First	1.5%
Tolleson	Arizona	$1,088,909	66%	Commercial	12.9%	First	1.4%
Peoria	Arizona	$1,056,658	70%	Residential	9.3%	First	1.4%
Welland	Ontario	$1,007,644	59%	Residential	9.0%	First	1.3%
Houston	Texas	$955,377	88%	Residential	10.2%	First	1.2%
Dallas	Texas	$782,030	74%	Residential	11.4%	First	1.0%
Tampa	Florida	$762,834	74%	Residential	10.4%	First	1.0%
Plano	Texas	$754,948	64%	Residential	12.0%	First	1.0%
Irving	Texas	$730,659	70%	Residential	11.5%	First	1.0%
Plano	Texas	$719,841	64%	Residential	12.0%	First	0.9%
Shenandoah	Texas	$683,047	64%	Residential	12.0%	First	0.9%

PORTFOLIO DIVERSIFICATION

SECURITY RANK

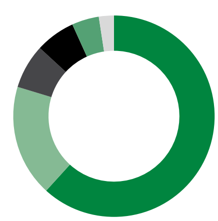
- First Mortgages (88.0%)
- Second Mortgages (12.0%)

ASSET CLASS



- Residential (87.0%)
- Storage (8.3%)
- Other (4.7%)

GEOGRAPHIC REGION



- Texas (61.7%)
- Alberta (18.0%)
- Florida (7.1%)
- Oregon (6.4%)
- Arizona (4.4%)
- Canada - Other (2.4%)

FOR FUTHER INFORMATION, PLEASE CONTACT

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