



Quarterly Report

Q3 2023

Third Quarter 2023 Investment & Firm Update

A Letter from Trez Capital's Chief Financial Officer

During the third quarter of 2023, the rapid increase in interest rates showed signs of peaking, offering investors a more predictable economic landscape than experienced over the last 24 months. The prevailing market sentiment suggests that the interest rate hike cycle is approaching its end. However, investors remain concerned about persistently high inflation, the threat of further interest rate hikes, and the lag effect of higher interest rates on the economy. Many investors are asking how to position their portfolio to optimize returns in this new environment.

Traditional investment portfolio constructs, often characterized by 60% equity and 40% fixed-income allocations, have long been considered diversified and balanced. However, investor concerns have emerged regarding the reliability of the diversification advantages of holding a portfolio comprised solely of stocks and bonds. In 2022, we saw equity and bond markets simultaneously drop by 18% and 15%, respectively, as negative correlations between stocks and bonds decoupled and turned positive, raising the question of what happened? There have been many recent studies on this topic covering data from 1900-2022 that broadly conclude that during times of higher inflation (3% and above), the correlation between stocks and bonds is predominantly positive. The data supports the narrative that in times of low and steady inflation, central banks counteract economic downturns and stimulate growth by reducing interest rates, resulting in rising bond prices, which can diversify against reduced stock values from the lack of economic growth. On the other hand, when inflation is high and unpredictable, central banks respond by increasing interest rates, causing both stocks and bonds to decrease in value. Considering the average annual inflation rate between the years 2000-2022 was less than 2% compared to an average of about 4% from 1945-2000, prudent investors should reevaluate the level of diversification in their investment portfolio under both high and low inflationary conditions. Herein lies the potential advantages of incorporating alternative assets with a lower correlation to the traditional portfolio asset mix.

As we continue to experience market volatility and higher inflation, floating-rate private debt investments, particularly in private commercial residential real estate, can help optimize risk-adjusted returns within

a balanced portfolio. With priority claims to real assets, these investments act as a layer of security, increasing the likelihood of capital recovery if a borrower defaults.

In the current economic environment, non-bank lenders such as Trez Capital are capitalizing on opportunities in the private debt market due to limited access to capital from traditional banks. Through direct negotiations with borrowers, private lenders can obtain more favourable loan terms and stronger security features, including covenants and guarantees. Concerns about the rapid increase in mortgage rates and the recent cooling of the housing market are tempered by the fact that the demand for homes in high-growth markets remains resilient. Due to the shortage of homes, there has been a shift in demand for new homes, leading to robust sales for builders. This trend is particularly evident in our lot development lending business, where we have experienced higher-than-expected lot acquisitions and accelerated loan repayments.

Trez Capital continues to deploy capital in select residential real estate opportunities that provide attractive returns in key regions of North America, primarily underpinned by solid fundamentals such as continued population growth, economic stability, and a structural shortage of housing. We rely on our boots-on-the-ground approach and extensive investment knowledge, experience, and relationships to offer valuable insights and deliver consistent returns to our investors, regardless of market conditions. As the market evolves, Trez Capital remains committed and well-positioned to identify the most promising investment opportunities in growing markets.

Trez Capital offers a range of investment funds with proven track records bolstered by a robust risk management framework, which can assist investors in achieving portfolio diversification.

While we cannot predict the future, we are dedicated to assisting you in diversifying your investments to mitigate risks and optimize returns. We remain enthusiastic and appreciate the opportunity to support our clients in this endeavour.

John Maragliano
Chief Financial Officer & Chief Operating Officer

Quarterly News

Conservative Yet Optimistic Outlook

Trez Capital has made proactive changes to its lending practices as a result of rising inflation and interest rates, maintaining portfolio strength. In the face of increased market volatility and the resulting market slowdown, we remain highly disciplined in the management of liquidity under the leadership of our Chief Financial Officer and Chief Operating Officer, John Maragliano. While capital flows fluctuate, we continue to see strong and steady repayments from borrowers, evidencing the strength of our underwriting. Despite regional banks pulling back from the market, Trez Capital continues to receive exceptional support from financing partners, reflecting confidence in our financing and investment strategies.

We have boots-on-the-ground in the right markets – the growth markets. Our investment strategy remains centred on the residential asset class, driven by persistent housing shortages and migration trends in North America, especially in the U.S. Sunbelt.

Looking ahead, in the near term, we continue to see significant financing and investment opportunities, especially as many traditional lenders withdraw due to uncertainty and or portfolio challenges caused by over-exposure to other non-residential commercial asset classes. In the longer term, we believe regulatory pressures will continue to provide an opening for non-bank lenders.

Alternative investments in commercial real estate remain an essential component of diversified portfolios, offering stability and risk-adjusted yields with lower volatility.

At Trez Capital, we are recognized as an expert partner in real estate, emphasized by our ability to select the right sponsors, projects, and markets, regardless of market uncertainties, ensuring strong and reliable returns for our investors.

Continuing to Build a Winning Team


Trez Capital draws on a diversity of skills, specializations and backgrounds to consolidate our standing in the market. We are very proud of everyone on our high-performing team. Significant personnel changes during the third quarter of 2023 include:


Joel Oakden promoted to Vice President, Chief Accounting Officer

Trez Capital stands strong with ~160 employees located across seven offices throughout North America.

Trez Capital by the Numbers


**OVER
\$5.3B***
**TREZ CORPORATE
GROUP ASSETS
UNDER MANAGEMENT**

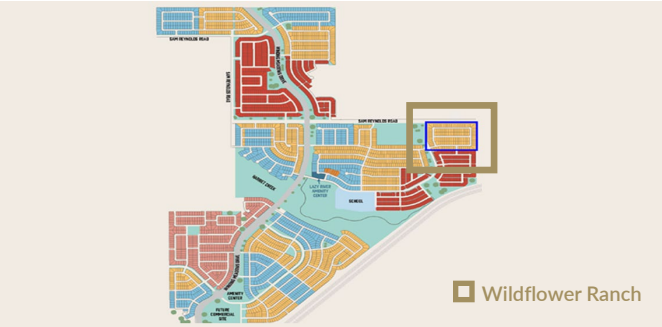

**ORIGINATED
1,700 +
LOANS**


**OVER
\$17.5B
IN LOANS FUNDED
SINCE INCEPTION**

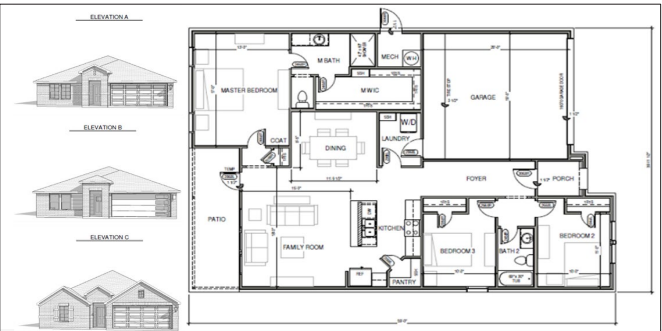
*Trez Corporate Group AUM includes assets held by all Trez related entities as well as \$3.0B Manager AUM (Trez Capital Fund Management Limited Partnership). All data \$CAD estimated as at September 30, 2023.

Highlighted Equity Investments

New Build-to-Rent Lot Development



Site Plan



Sample Unit Floorplan



Sample Completed Product

Wildflower represents the first in a new programmatic investment strategy with Hines, Quadrant and William Ryan Homes. Trez Capital and Hines will develop 129 50' front footage lots in Denton, Fort Worth, Texas for William Ryan Homes to build completed homes.

Gross Development Cost ¹	\$9,355,647 USD
Asset Class	Residential
Location	Denton, DFW MSA, Texas

Wildflower represents a new build-to-rent lot development investment, during Q3 2023, for Trez Capital Private Real Estate Fund Trust (TPREF). Wildflower presents a distinctive opportunity to collaborate in partnership with Hines, Quadrant and William Ryan Homes in Denton, Texas, located just 25 miles north of Fort Worth. Together, we will transform 129 lots into a thoughtfully planned community, which will be offered in stages to the renowned homebuilder William Ryan Homes.

Within this master-planned community, residents can anticipate an assortment of three- and four-bedroom homes, each complete with its own garage, and convenient street parking options for residents and guests.

The site boasts robust submarket fundamentals, owing to its strategic positioning at the heart of Denton, Dallas-Fort Worth MSA. This growth is largely attributed to its proximity to the Alliance Airport and I-35W, as well as the inclusion of a school site within the master-planned community. The substantial demand from both renters and institutional investors, as revealed by the John Burns Real Estate Consulting site-specific study, underscores the area’s potential.

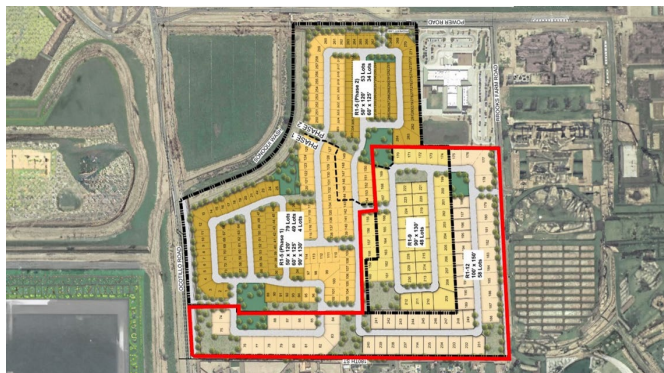
Notably, the projects individually platted lots provide the flexibility to adapt to changing circumstances and offer a layer of protection against potential downsides. Furthermore, the project’s readiness for construction upon acquisition eliminates the need for major offsite infrastructure work, as this was expertly handled by the master developer and already included in the land price.

Please contact your Trez Capital representative for our latest equity investment opportunities.

¹Total agreed upon costs related to the project, estimated at closing for the entire course of the business plan.

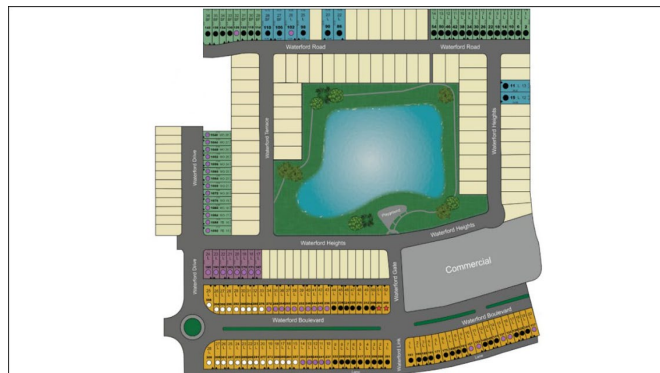
Highlighted Debt Financings

Q3 2023 At-A-Glance



Lot development loan to finance the development of single-family lots in Queen Creek, Arizona, for a national builder. The property is within easy access to retail amenities and employment centres.

Amount	\$31,460,921 USD
Asset Class	Residential
Location	Queens Creek, Phoenix MSA, Arizona



Construction loan for a mixed-use development in Chestermere, Alberta. This property will seamlessly blend residential and commercial spaces, featuring an on-site amenity centre alongside outdoor facilities that include an ice rink and sports court.

Amount	\$30,000,000 CAD
Asset Class	Mixed-Use
Location	Chestermere, Calgary CMA, Alberta



Construction loan for 348 multi-family units in Salt Lake City, Utah. Units will boast quartz countertops, stainless steel appliances, and expansive views. The property will feature desirable amenities, including a rooftop patio, golf simulator, fitness centre and outdoor pool.

Amount	\$50,000,000 USD
Asset Class	Residential
Location	Salt Lake City, Utah



Construction loan for a 224-unit, single-storey, multi-family development project featuring resort-style amenities, walking paths and grassy areas. Units will offer private outdoor patios and backyards, premium stainless steel appliances, and spacious walk-in closets.

Amount	\$51,201,550 USD
Asset Class	Residential
Location	Georgetown, Austin MSA, Texas

Economic Update

Third Quarter 2023

Canadian Economy and Real Estate Market

Canada's economy showed mixed growth signals in Q3. Higher interest rates appeared to slow momentum in retail and housing sectors, while events such as wildfires distorted activity. However, the nation's labour market remained resilient, as jobs increased by 64,000 in September, following a 40,000 increase in August. Unemployment has held steady at 5.5% over the last three months, a positive development for consumer spending.

Improving consumer price inflation has eased pressure on the Bank of Canada (BoC) to enact additional interest rate hikes. Growth in the national Consumer Price Index (CPI) eased to 3.8% year-over-year (YoY) in September from 4.0% in August. After raising its short-term policy rate by 25 basis points (bps) to 5.0% in July, the BoC kept rates steady in September. Such developments are promising, especially since longer-term bond rates moved higher during the quarter, with the yield on benchmark Government of Canada 10-year bonds closing Q3 at 4.03%, up 77 bps from Q2.

In the face of higher mortgage rates, the nation's housing market activity eased slightly from its spring rebound. National home sales declined 1.9% month-over-month (MoM) in September, contributing to a 0.3% price decline. However, both sales and prices remain above year-earlier averages, and new housing listings have been on the rise, allowing the inventory of homes available for sale to increase to a still-low 3.7 months in September.

Declines in national office demand slowed in Q3, as vacancy reached 18.2% in Q3, up only 10 bps from Q2. In the tight industrial sector, availability increased by 40 bps to reach 2.5% in Q3, as new deliveries outpaced strong demand. Meanwhile, a new federal sales tax rebate to developers of new rental construction was enacted, which could incentivize new developments to alleviate the nation's multi-family apartment shortage.

U.S. Economy and Real Estate Market

Despite headwinds from rising interest rates and uncertainty, continued strength in consumer spending and labour markets contributed to strong U.S. economic expansion in Q3. In September, retail sales advanced 0.7% MoM, while nonfarm payrolls expanded by 336,000, both ahead of expectations.

The U.S. Federal Reserve (Fed) has navigated mixed economic signals, looking for more evidence of slowing economic growth and inflation. In July, the Fed raised its short-term policy interest rate by 25 bps to a range of 5.25 to 5.5% but decided to keep rates steady following its September meeting. While strong growth may complicate the Fed's inflation-fighting efforts, easing wage and price inflation during the quarter were positives. Consumer prices have been somewhat volatile but have been heading in the right direction. In September, the U.S. consumer price index increased 3.7% YoY, down from more than 6.0% at the beginning of 2023.

Nonetheless, a sharp rise in longer-term interest rates during the quarter – the 10-year U.S. Treasury increased by 78 bps to close at 4.59% – pushed mortgage rates to new highs and slowed housing activity. With buyers facing lower housing affordability and growing numbers of potential sellers reluctant to list properties and forego favourable financing, home sales have declined. In September, existing home sales slipped 2.0% MoM and 15.4% YoY.

Vacancies have been increasing modestly across most commercial sectors – except for neighbourhood and community shopping centres, where availability declined 10 bps in Q3. With lower-quality offices facing weak leasing, the overall national office vacancy rate rose 20 bps to 18.4%. Apartment vacancies adjusted upward by 20 bps to 5.2% as demand returned to pre-pandemic trends and new supply was delivered to the market.

Sources: Oxford Economics, Statistics Canada, Bank of Canada, Canadian Real Estate Association, CBRE, U.S. Bureau of Labor Statistics, The Federal Reserve, CBRE-EA, National Association of Realtors.

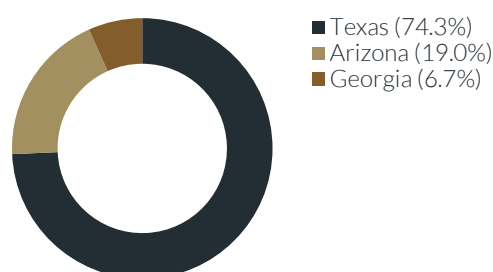
An opportunistic, long-term real estate equity strategy¹

Total Fund Assets ²	\$291,860,567 CAD
Average Investment Size	\$4,381,272 CAD
Number of Investments	31
Net Asset Value (NAV) ³	\$ 119.73 CAD

Asset Class



Geographic Region



Performance: Trez Capital Private Real Estate Fund Trust ("TPREF")⁴ continued to navigate market headwinds in Q3 2023, with the fund's active approach to value creation offsetting much of the effect of downward valuation adjustments. The Canadian Trust's F and I series' net asset value (NAV) per Unit has increased from \$117.73 to \$119.73 this year, an increase of \$2.00 per Unit.

Since its inception, the Canadian Trust has deployed approximately \$98.5 million into 31 multi-family, single-family rental, residential lot development, and self-storage investments in the United States Sunbelt region. While the real estate market at large has seen challenges in 2023, the Manager maintains the conviction that TPREF's portfolio composition – the right asset classes in the right markets – has positioned the fund to outperform.

In conjunction with third-party appraisal providers, the Manager continues to factor capitalization rate (cap rate) increases into the valuation of the fund's portfolio as pricing adjusts to the new interest rate regime.

Significant upside remains to be unlocked as the fund's holdings progress through their business plans, particularly within the residential lot development component of the portfolio. Lot development profits are forecast to provide a material source of NAV accretion in 2024 and beyond as these projects' extended predevelopment periods conclude and the construction phase and lot sales commence.

New Investments: After several quarters of no acquisition activity, the Manager is pleased to announce the closing of Wildflower, the first of a planned series of combined lot development/build-to-rent investments in partnership with Hines. Please refer to page three of this report for a profile on the Wildflower transaction.

*Refer to Fund Fact Sheet for full details. During the quarter ended September 30, 2023, the Canadian Trust complied with all investment objectives and restrictions set out in the Offering Memorandum dated April 30, 2023, and the U.S. LP complied with all investment objectives and restrictions set out in the Limited Partnership Agreement dated October 28, 2021.

¹TPREF is best suited for clients with a long-term horizon – typically five years or more – given the asset class and fund terms. Please consult the Offering Memorandum.

²Fund AUM represents gross capital under management (both preferred and common equity) and includes Trez Capital Private Real Estate Fund U.S. Investment Limited Partnership, TPREF's USA-based parallel fund.

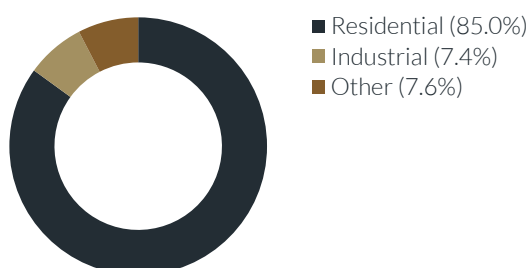
³NAV as at August 31, 2023, effective September 30, 2023. Based on F and I series. A series unit value differs in fee structure.

⁴TPREF is jointly comprised of its Canadian and U.S.-based investment vehicles, Trez Capital Real Estate Fund Trust ("Canadian Trust") and Trez Capital Private Real Estate Fund US Investments LP ("US LP").

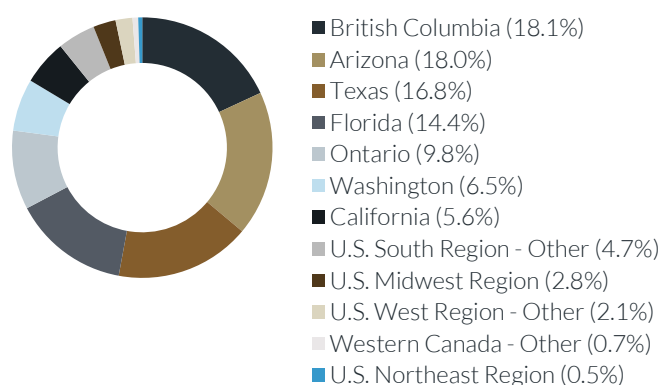
A conservative short-term commercial mortgage strategy

Total Fund Assets	\$354,181,824 CAD
Average Investment Size	\$4,118,830 CAD
Number of Investments	61
Average Loan-to-Value (LTV)	44.9%
Average Term-to-Maturity (Months)	11.0
Percent of First Mortgage	100%

Asset Class



Geographic Region



Performance: Both the Bank of Canada and the U.S. Federal Reserve raised their policy rates by an additional 25 basis points during the third quarter. This move is generally perceived as the concluding phase of the monetary tightening cycle amid signs of easing inflationary pressures – labour market tightness is improving, and despite a modest pickup in new orders and services activity in October, U.S. manufacturing experienced a consecutive five-month contraction in activity prior to that. With the continued rise in rates, the Manager implemented an increase to the monthly distribution rate in Trez Capital Prime Trust (“Trust”) for July 31, 2023, to 0.52% (annualized rate of 6.24%)¹. With the predominately floating-rate loan portfolio, the Trust stands to benefit from such rate hikes, as well as from the prospect of a more prolonged higher-rate environment.

Repayments: During the third quarter, the Trust experienced strong repayment activity in its portfolio, with borrowers using both refinancing and sales proceeds to repay loans. The most notable repayments included a loan to develop nearly 800 single-family lots in a new master-planned community in Dallas, Texas, a loan on a three-storey mixed-use residential/retail building in Venice, California, and a loan on a tract of land for development into a four-storey wood frame condominium building in Edmonton, Alberta.

New Investments: Given the strong repayment activity, the Manager continued to strategically pivot the Trust’s portfolio toward the residential segment within the most resilient markets. The Trust committed to financing several multi-family apartment construction projects, including a 224-unit project in Georgetown, Austin MSA, Texas, and a 193-unit project in Atlanta, Georgia. Furthermore, the Trust financed a 348-unit, five-storey multi-family project in Salt Lake City, Utah. All three states have shown robust year-over-year growth in the number of households as of August 2023, ranging from 1.5% in Atlanta to 4.8% in the Austin MSA, while rental occupancy rates remain consistently within the 94% to 97% range.

Workout Assets: The Trust has one foreclosed asset, and one defaulted loan, totalling 2.5% of unitholder capital at the end of the quarter.

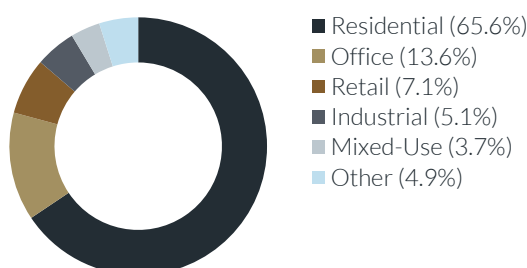
*Refer to Fund Fact Sheet for full details. During the quarter ended September 30, 2023, the Trust complied with all investment objectives and restrictions set out in the Offering Memorandum dated April 30, 2023.

¹Based on F Class Series.

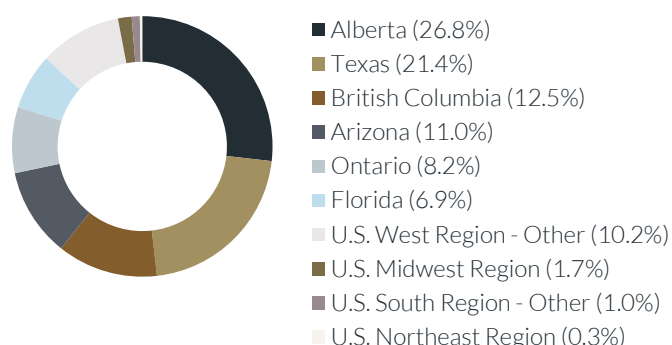
A diversified, balanced short-term commercial mortgage strategy

Total Fund Assets	\$1,208,679,683 CAD
Average Investment Size	\$7,304,658 CAD
Number of Investments	128
Average Loan-to-Value (LTV)	74.9%
Average Term-to-Maturity (Months)	10.2
Percent of First Mortgage	82.6%

Asset Class



Geographic Region



Performance: Performance in Trez Capital Yield Trust ("Trust") continued to trend upward with the implemented increase to the monthly distribution rate for July 31, 2023, to 0.64% (annualized rate of 7.68%)¹. The Bank of Canada and the U.S. Federal Reserve both increased their policy rates by an additional 25 basis points in the third quarter. This move is seen as the final stage in the ongoing process of tightening monetary policy, especially in light of indications that inflationary pressures are subsiding. The labour market is showing improvement, and although there has been a slight increase in new orders and services activity in October, the U.S. manufacturing sector had been experiencing a five-month contraction in activity prior to that. Given the predominantly floating-rate loan portfolio, the Trust is well-positioned to benefit from these rate hikes, as well as from the potential for interest rates to remain at higher levels for an extended period.

Repayments: The Trust continued to experience robust repayment activity, including on development loans for a 354-unit multi-family rental property in Sarasota, Florida, a 212-unit multi-family development in Dallas-Fort Worth, Texas, and a 37-unit single-family duplex community in Orlando, Florida. In Canada, the Trust was repaid on a bridge land loan in Surrey, British Columbia, as well as a residential land loan in Edmonton, Alberta. The borrowers utilized bank debt and private capital for refinancings, highlighting a sustained market for financings of high-quality real estate investments.

New Investments: The Manager is selectively concentrating on regions characterized by strong immigration and migration patterns, employment growth, and limited housing supply for capital allocation. Overall, the Trust's portfolio continued to increase its U.S. allocation to 52.5% (50.7% as of Q2 2023). Specifically, the Trust directed its investments towards new build-for-rent projects in the Sunbelt region, including a 224-unit development in Georgetown, Texas, and a 193-unit project in Atlanta, Georgia. Additionally, the Trust committed to finance a 110 single-family lot development project in the Phoenix MSA, Arizona. The third quarter saw a notable year-over-year increase in demand for residential lots in the U.S., with prices showing an average increase of 4.0% to 6.0%.

Workout Assets: The Trust has six defaulted loans, and four foreclosed assets, totalling 14.0% of unitholder capital at the end of the quarter.

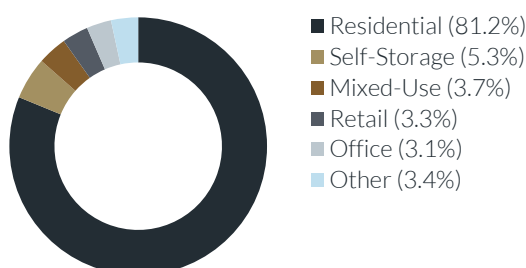
*Refer to Fund Fact Sheet for full details. During the quarter ended September 30, 2023, the Trust complied with all investment objectives and restrictions set out in the Offering Memorandum dated April 30, 2023.

¹Based on F Class Series.

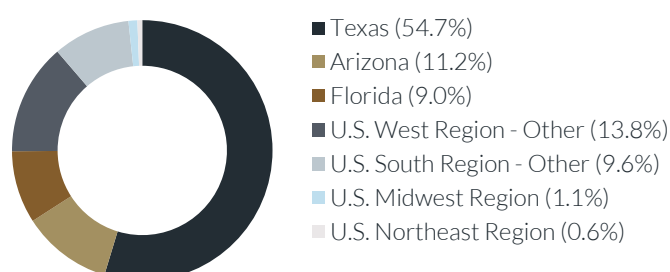
An opportunistic, short-term commercial financing strategy denominated in CAD focused on U.S. markets

Total Fund Assets	\$1,303,837,985 CAD
Average Investment Size	\$5,709,812 CAD
Number of Investments	165
Average Loan-to-Value (LTV)	67.8%
Average Term-to-Maturity (Months)	12.8
Percent of First Mortgage	79.3%

Asset Class



Geographic Region



Performance: Both the Bank of Canada and the U.S. Federal Reserve raised their policy rates by an additional 25 basis points in the third quarter. This action is widely seen as the final step in the monetary tightening cycle, reflecting signs of easing inflationary pressures. Improvements in labour market conditions are notable, and despite a modest uptick in new orders and services activity in October, the U.S. manufacturing sector had experienced a consecutive five-month contraction in activity leading up to that point. In response to the ongoing rate increases, the Manager of Trez Capital Yield Trust U.S. CAD ("Trust") implemented a boost in the monthly distribution rate for July 31, 2023, to 0.72% (annualized at 8.64%)¹. The Trust is well-positioned to benefit from these rate hikes and the possibility of an extended period of higher interest rates.

Repayments: Repayment activity within the Trust remained strong, with notable repayments comprising two multi-family construction loans to the same sponsor in Florida. In both instances, the borrower opted for bank financing to refinance the loans.

New Investments: The Trust continued to focus on the Sunbelt region, which accounts for 89.1% of its portfolio. Within the region, while Texas recorded a September unemployment rate of 4.1%, slightly above the national average of 3.8%, the weighted average unemployment rate across Sunbelt states remained lower at 3.5%. Furthermore, this region continues to outpace others in terms of household growth and job creation. In the year leading up to September, Texas experienced a robust 3.2% employment growth (+436K), with Nevada leading the way with a remarkable 3.4% increase (+51K), with Florida following closely with a 2.5% rise (+241K).

As nationwide homeownership premiums rise, rental housing demand remains strong. In Q3 2023, the Trust financed three build-for-rent projects: a 224-unit development in Georgetown, Austin MSA, Texas, a 193-unit project in Atlanta, Georgia, and a 348-unit community in Salt Lake City, Utah. Furthermore, the Trust selectively financed new lot development opportunities in growing submarkets, aligning with the rising demand for residential lots across the U.S., where prices have experienced an average year-over-year increase of 4.0% to 6.0%.

Workout Assets: The Trust has four² defaulted loans, and one foreclosed asset, which account for 7.3% of unitholder capital.

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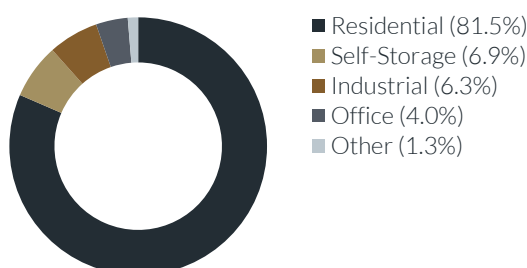
¹Based on F Class Series.

²One of the defaulted loans has been resolved in October 2023.

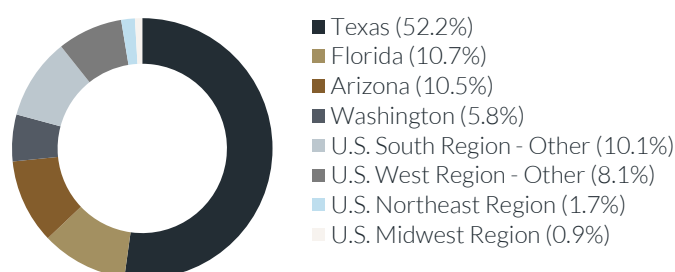
An opportunistic, short-term commercial financing strategy denominated in USD focused on U.S. markets

Total Fund Assets	\$158,121,239 USD
Average Investment Size	\$1,130,367 USD
Number of Investments	120
Average Loan-to-Value (LTV)	66.7%
Average Term-to-Maturity (Months)	13.8
Percent of First Mortgage	77.3%

Asset Class



Geographic Region



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New Investments: The Trust continued to focus on the Sunbelt region, which accounts for 89.1% of its portfolio. Within the region, while Texas recorded a September unemployment rate of 4.1%, slightly above the national average of 3.8%, the weighted average unemployment rate across Sunbelt states remained lower at 3.5%. Furthermore, this region continues to outpace others in terms of household growth and job creation. In the year leading up to September, Texas experienced a robust 3.2% employment growth (+436K), with Nevada leading the way with a remarkable 3.4% increase (+51K), with Florida following closely with a 2.5% rise (+241K).

As nationwide homeownership premiums rise, rental housing demand remains strong. In Q3 2023, the Trust financed three build-for-rent projects: a 224-unit development in Georgetown, Austin MSA, Texas, a 193-unit project in Atlanta, Georgia, and a 348-unit community in Salt Lake City, Utah. Furthermore, the Trust selectively financed new lot development opportunities in growing submarkets, aligning with the rising demand for residential lots across the U.S., where prices have experienced an average year-over-year increase of 4.0% to 6.0%.

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¹Based on F Class Series.

²One of the defaulted loans has been resolved in October 2023.



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