

Market Review and Outlook

U.S. Economy: Both consumer and business confidence remain at high levels, driven by momentum from a strong U.S. economy. The U.S. economy experienced solid growth, as measured by 3.4% annualized growth in third-quarter GDP. The unemployment rate in the United States stayed at all-time lows through the quarter (3.7% in October and November), reflecting a U.S. economy operating at full capacity utilization.

The Fed kept its policy interest rate unchanged in November, but increased the target range to 2.25% to 2.50% in December based on the overall strength of the economy. As U.S. markets are subject to geopolitical risks and tighter conditions due to ongoing issues such as the U.S.-China trade dispute and Brexit, economic conditions are tighter and a pause by the Fed would not be unexpected. The renegotiation of the NAFTA, now the USMCA, provided some relief for investors.

Overall, we believe the U.S. economy is strong enough to sustain measured rate hikes given that underlying economic underpinnings remain robust. However, a pause and reassessment by the Fed will be supportive of the real estate sector.

Supply of capital remains at all-time highs and the fundamentals for the U.S. real estate market continue to be strong. While positive, this has and will continue to put downward pressure on loan spreads and rates. Our challenge will be to balance growth with reversing rates, which may prove to be difficult.

US Real Estate Market: As a result of early indications pointing to a slowing U.S. economy in the quarter, the Fed has signaled that it will be patient about future interest rate moves. The prospect of stabilized interest rates may help real estate affordability and growth across many U.S. markets. This growth potential is particularly important for single-family lot developments in the U.S., which are destined for home builders and, ultimately, home purchasers in strategic markets for Trez.

The effectiveness of Trez' market strategy is reflected in its expansion outside of Texas into the Southern U.S., Florida and the Carolinas. These target regions are home to 'right-to-work states,' which tend to maintain low sales and corporate tax environments. As a result, these markets have been projected to generate higher relative job growth and immigration levels over many years.

Trez continues to focus primarily on major metropolitan centres and the affordable housing segment, with projects targeted at first-time or move-up home buyers. Higher relative immigration within urban centres has led to strong demographic demand, greater stability and less impact due to market cyclicality.

2018 saw strong transaction levels and we anticipate seeing good investment volumes in 2019. In particular, the affordable housing segment has experienced relative stability in both volumes and values as the cost of home ownership remains restrictive. Overall, this is supportive of Trez' diversified portfolio and enhances our ability to deliver secure, risk-adjusted yield for our investors.

Fund Commentary

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

Quarter 4 Key Points:

- TG Income Trust III Series A, C and D units provided Fixed Returns of 7.10%, 7.20% and 7.50%, respectively, annualized during the quarter.
- Unitholder equity increased 6.1% to \$57.9 million and total assets increased 9.7% to \$64.3 million during the fourth quarter.
- During the quarter 6 new loans were funded totalling \$5.1 million and 1 loan was paid out totaling \$5.0 million. In addition, there were net movements on existing mortgages of \$7.3 million.
- The weighted average LTV and term to maturity were 71.3% and 15.2 months respectively.
- All mortgages are current and performing.

Fund Overview

Unaudited, as at December 31, 2018

Total Fund Assets	\$ 64,251,806
Mortgage Loan Portfolio (Including Syndication and Accrued Interest)	\$ 62,197,661
Cash (and Equivalents)	\$ 1,632,877
Other Assets	\$ 421,268
No. of Mortgage Investments	32
Average Mortgage Size	\$ 1,883,379
Average Loan-to-Value (LTV) ¹	71.3%
Total Units Outstanding	5,794,320
Net Assets per Unit	\$ 10.00

Fund Returns

Series	Term	Return
Series A Units	45 months	7.10%
Series C Units	45 months	7.20%
Series D Units	45 months	7.50%

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
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)
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.

Distribution History

Series	Maturity	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Series A-1	5/29/2020	\$ 0.179	\$ 0.179	\$ 0.177	\$ 0.175
Series A-2	6/19/2020	\$ 0.179	\$ 0.179	\$ 0.177	\$ 0.175
Series C-1	9/21/2020	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-2	11/6/2020	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-3	12/13/2020	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-4	5/1/2021	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-5	5/30/2021	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-6	7/20/2021	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-7	9/20/2021	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.178
Series C-8	10/31/2021	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.118
Series C-9	12/8/2021	\$ 0.181	\$ 0.181	\$ 0.180	\$ 0.047
Series D-1	3/19/2022	\$ 0.189	\$ 0.189	\$ 0.025	
Series D-2	5/27/2022	\$ 0.189	\$ 0.072		
Series D-3	9/21/2022	\$ 0.023			

Fund Performance

	Q4 2018	2018 YTD	2017	2016	2015	2014
TG Income Trust III						
Series A ¹	1.8%	7.1%	7.1%	7.1%	-	-
Series C ¹	1.8%	7.2%	7.2%	7.2%	-	-
Series D ²	1.9%	7.5%	-	-	-	-
Fixed Income						
GOC 3-yr Benchmark Bond Yield	0.5%	2.1%	1.2%	0.6%	-	-
Cash						
Inflation (US CPI)	-0.2%	2.0%	2.1%	2.1%	-	-

¹ The 2016 YTD 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 YTD return for Series D are annualized as the initial closing date of the series occurred part way through 2018.

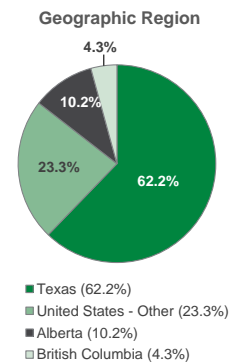
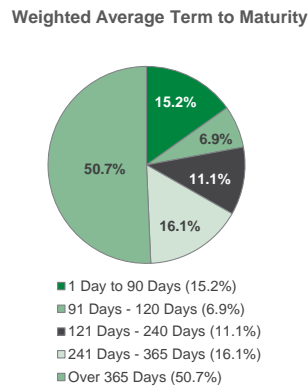
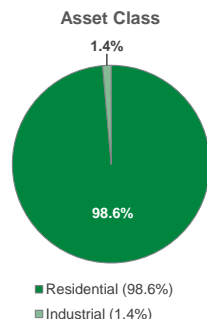
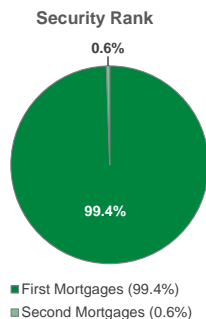
The GOC 3-year benchmark bond yield is provided as an example of the risk free return during the period. The yield is the average monthly yield, pro-rated for the period.

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	\$5,337,081	81%	Residential	7.3%	First	8.8%
Kaufman County	Texas	\$4,517,419	75%	Residential	12.0%	First	7.4%
San Marcos	Texas	\$4,180,178	72%	Residential	11.0%	First	6.9%
Belleveu	Washington	\$4,091,653	65%	Residential	10.7%	First	6.7%
Dallas/Forth Worth	Texas	\$3,893,813	85%	Residential	12.6%	First	6.4%
Rockwall	Texas	\$3,547,925	78%	Residential	12.5%	First	5.8%
Little Elm	Texas	\$3,153,057	67%	Residential	10.5%	First	5.2%
Portland	Oregon	\$2,863,830	53%	Residential	9.5%	First	4.7%
Boynton Beach	Florida	\$2,727,769	57%	Residential	10.4%	First	4.5%
Houston	Texas	\$2,527,805	77%	Residential	7.4%	First	4.2%
Celina	Texas	\$2,357,384	80%	Residential	10.0%	First	3.9%
Houston	Texas	\$2,280,603	76%	Residential	12.0%	First	3.7%
Langley	BC	\$2,273,194	69%	Residential	17.3%	First	3.7%
Maricopa County	Arizona	\$1,730,359	70%	Residential	9.3%	First	2.8%
Denton County	Texas	\$1,705,652	74%	Residential	15.7%	First	2.8%
Plano	Texas	\$1,413,798	64%	Residential	12.0%	First	2.3%
Mantee County	Florida	\$1,363,884	64%	Residential	12.0%	First	2.2%
Celina	Texas	\$1,361,420	72%	Residential	10.0%	First	2.2%
Tampa	Florida	\$1,255,128	74%	Residential	10.5%	First	2.1%
Rockwall	Texas	\$1,039,049	31%	Residential	11.7%	First	1.7%
Williamson	Texas	\$818,331	56%	Residential	12.0%	First	1.3%
Forth Worth	Texas	\$794,013	80%	Residential	11.4%	First	1.3%
Dallas	Texas	\$691,743	70%	Residential	10.3%	First	1.1%
Plano	Texas	\$675,481	64%	Residential	12.0%	First	1.1%
Plano	Texas	\$638,489	64%	Residential	12.0%	First	1.0%

PORTFOLIO DIVERSIFICATION



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