TwinRock Partners

An Investment Management Firm

QUARTERLY NEWSLETTER | Q3 16

IN THIS ISSUE:

November 2, 2016

This letter was written by our CEO prior to his overseas trip with the Chairman on November 4, 2016.

Dear Friends of TwinRock,

As we are approaching the end of 2016, our company is focused on operating efficiencies, harvesting those investments that can be had and ceasing all acquisitions for the remainder of the year, particularly until we see the effects of the 2016 post presidential election. We are entering approximately eight years of an economic recovery, which is past average historical expansion cycles, though not surprising considering how deep the Great Recession was. However, while public companies continue to report positive earnings growth, the national unemployment rate is under 5.0% and the supply of new housing is below historical standards. The equity markets, a leading economic indicator, aren't matching with these positive events.

It is possible post-election that the markets start on an upward trend again, but if so, for how long? One maybe two more years, or perhaps we follow in Japan's footsteps. Therefore, we must be selective of the real estate we choose going forward, if at all. At TwinRock, we accept if we must start breaking down our tents and waiting for the next cycle or moving onto other opportunities, such as our Canadian Funds. Here is what we have observed in the markets this quarter:

- Stocks are down after beating earnings estimates and equity markets overall have been flat for two years
- Public homebuilder stocks have fallen significantly, yet Case Schiller reports positive home price appreciation excluding luxury home sales that have been contracting throughout 2016
- Residential rental rate growth is decelerating or going negative
- Interest rates are almost certainly expected to rise over the next year albeit slightly
- Rising premiums from Obamacare, and how much they rise, are going to affect the workforce housing

With all of that said, how much of the economic data has been skewed for the incumbent since we are in an election year? There are many reasons to be cautious, remain on the sideline, but be ready to act swiftly when opportunities arise.

Therefore, we strategically started TwinRock Value Opportunity Fund (our credit and hedge fund) this year, which has yielded a 22% return since February drastically outperforming the riskier S&P 500 during this time. If you invested in DIA or SPY ETFs the past two years, you have barely eked out a profit. Secondly, we have determined to open Rock Fund VII to target distressed Canadian real estate and currency. I leave you with this final question – would you rather invest near the end of an economic expansion or before one starts?

We look forward to sharing our thoughts again in our next quarterly report. In the meantime, should you have any questions, we look forward to hearing from you .

Very truly yours,

Alexander Philips

Chief Executive and Investment Officer

Rock Fund VII - Distressed Canadian Opportunity

Opportunity Overview

Our new fund aims to give our investors access to the Canadian real estate market. Our fund will focus on an opportunistic strategy, with managed liquidity and leverage, allowing our investors into a market with strong investment potential trading at expected distressed prices in certain segments.

Canada, despite a weakening energy sector, is a G8 economy, offers attractive long-term investment fundamentals, including its wealth of natural resources, historically stable banking and financial sector and an attractive demographic profile.

Our investment strategy is to take advantage of the weak Canadian dollar and expected distressed pricing in areas such as Calgary and Edmonton– hit hard by the recent and steep downturn in energy prices. With the company's proactive management, aggressive marketing and leasing, we can maintain and improve the performance of the properties purchased and a market recovery.

Why a Canadian Market Correction Is Underway

In recent years, Canadian real estate prices have continued breaking all time highs across Canada, soaring away from fundamentals.

Canada's overpriced real estate ultimately has their origins in Vancouver, Toronto, and Calgary — fueled by Chinese investment, soaring finance markets, and oil prices, respectively.

High vacancies, low demand, new construction, new foreign sales transfer tax, and ongoing oil price weakness may create a large correction in Canada.

Download Prospectus

For a complete background and offering information, please visit the TwinRock Portal.

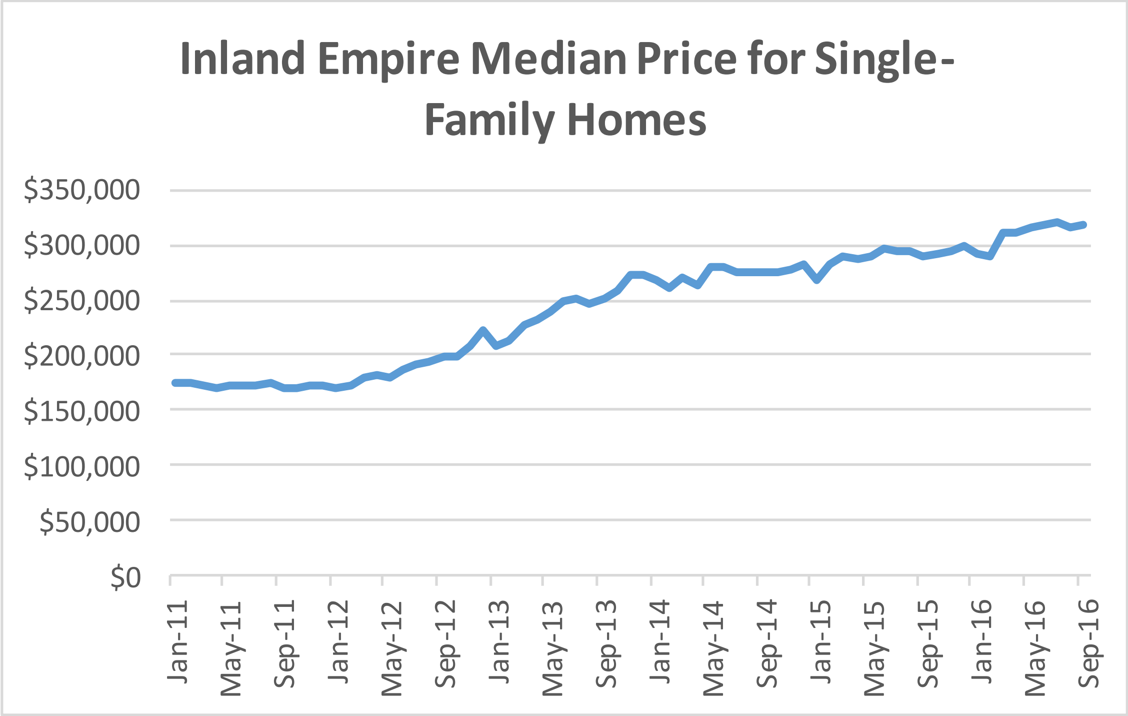
Inland Empire Market Update - Single Family Homes

The Inland Empire growth continues however the quarter over quarter growth has begun to flatten. We continue to see the local economic revitalization that began in 2012 continue through 2016. The trade, transportation, and utilities sectors continue to be the largest contributor's to the creation of employment, as employers hired roughly 8,700 workers resulting in a 2.6% increase in employment year over year.

Additionally, multiple projects, including Renaissance Rialto, Meridian Business Park, Goodman Commerce Center, the widening of the I-215. from Menifee to Perris, and the expansion of Pechanga Resort & Casino, are supporting thousands of jobs in the construction industry which grew 2.4% since September of 2015 and has added over 2,100 new hires.

Another positive note is that as the economy continues to rebound the Inland Empire, real estate market continues to climb. Sales of single-family homes rose 8.1% compared to September of 2015.

The median sales price of single-family homes in Riverside and San Bernardino Counties increased in the quarter to $319,350; representing an increase of 10.2% year-over-year, up from $289,690 as of September, 2015. The overall year-over-year price increases in the Fund's general housing market indicate healthy but slowing price appreciation for the Fund's underlying assets. The quarter over quarter increase was 0.1%.



Source: CAR and Bureau of Labor Statistics

Las Vegas Update - Single Family Homes

GLVAR reported earlier this month that the local housing supply remained tight as Southern Nevada home prices and sales dipped slightly from previous months, but still remain ahead of last year's levels.

According to GLVAR, the median price of existing single-family homes sold during October through its Multiple Listing Service (MLS) was $233,250. That was down slightly from September, but still up 5.1 percent from $222,000 one year ago.

Meanwhile, the median price of local condominiums and townhomes sold in October was $117,550. That was up 18.7 percent from $99,000 one year ago.

"Local home prices continue to appreciate at a slower rate year over year," Beaudry said. "Overall, these GLVAR statistics show what a stable housing market we have. They also reflect some seasonal factors. The housing market tends to slow down in the fall as kids go back to school and the weather cools off, so it's no surprise to see local home sales and prices cool off a bit in October."

According to GLVAR, the total number of existing local homes, condominiums and townhomes sold in October was 3,225. That was down slightly from September, but up 5.5 percent from 3,057 one year ago. Compared to the same month one year ago, 6.7 percent more homes, and 6.1 percent more condos and townhomes sold in October. Homes have also been selling faster this year. Compared to one year ago, the number of days single-family homes stayed on the market before selling during October decreased 20.7 percent, from 58 days on the market in October 2015 to 46 days in October 2016.

Source: GLVAR

Oklahoma City, Oklahoma

Overview

Oklahoma City Apartment

12 Mo. Deliveries in Units	12 Mo. Net Absorption (000)	Vacancy Rate	12 Mo. Rent Growth
1,638	**186**	**10.4%**	**-0.3%**

As of end 2016 Q3

Market Analyst: Adin Perera - aperera@costar.com

The Oklahoma City apartment market is barely treading water. Similar to its Southern cousin Houston, Oklahoma City rode the fracking boom to a swift economic recovery coming out of the recession. The early years of the recovery were marked by declining vacancies due to strong absorption and yearly supply holding steady in the 1,000–1,500-unit range. Unfortunately, supply started to ramp up just as the OKC economy started to feel the effects of low oil prices, and vacancies rose throughout 2015 due to an increase in deliveries and weaker than expected demand. About 1,400 units delivered in the first three quarters of 2016, and that figure could rise to 2,000 by the end of the year, putting even more upward pressure on vacancies. Rent growth has slowed to a crawl with a negative year-over-year rate—a stark contrast to the roughly 4% annual increases during the fracking boom earlier this decade. Despite economic concerns, investment has remained robust, although selling prices have stagnated over the last few quarters.

KEY INDICATORS

As of end 2016 Q3

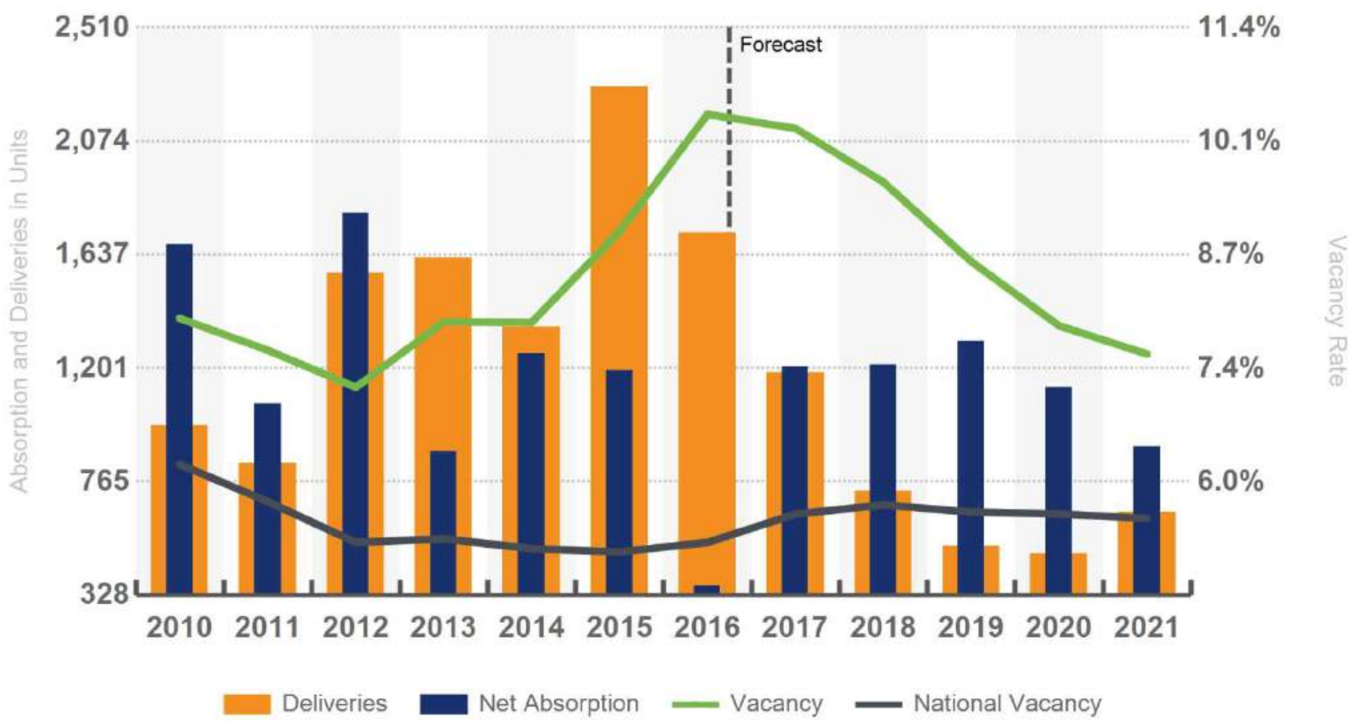
Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	1.5%	8.3%	9.0%	10.4%	2016 Q2	6.9%	2013 Q1
Net Absorption	186	843	1,120	2,092	2013 Q3	(276)	2007 Q4
Net Deliveries	1,638	1,025	823	2,667	2015 Q3	6	2008 Q4
Rent Growth	-0.3%	2.0%	0.9%	5.9%	2001 Q2	-2.9%	2010 Q1
Effective Rent Growth	-0.7%	1.6%	1.2%	5.8%	2001 Q2	-2.8%	2010 Q1
Sales ($ millions)	$421	$150	N/A	$458	2016 Q1	$1	2005 Q4

FUNDAMENTALS

Updated Oct 19, 2016

Vacancies are continuing to rise. Due in part to over 1,000 units delivering, vacancies in Oklahoma City increased in the first half of 2016. And it's not just supply that is putting upward pressure on vacancies; absorption was slightly negative in 16Q1 and through the first three quarters of the year is on pace for its lowest figure for any postrecession year by a wide margin. Vacancies now exceed the historical average of 8.3% by about 200 basis points. Furthermore, supply does not appear to be slowing down, and more than 1,100 units are in the pipeline scheduled for 2017 deliveries, which could place further strain on fundamentals in the near to midterm.

NET ABSORPTION, DELIVERIES AND VACANCY RATE — As of end 2016 Q3



RENTS

Updated Oct 19, 2016

Rent growth has slowed to a crawl. Year-over-year growth was strong early in this cycle, averaging between 2-3% from 2012–15. However, rent growth has slowed significantly in 2016, and year-over-year growth was negative from 15Q3-16Q3. This trend has been most pronounced in stabilized 4 & 5 Star properties, where rents have fallen every quarter since peaking in 15Q3. This could be a sign that record supply levels and a lack of demand due to a stalling economy are starting to take their toll on existing luxury properties.

ASKING RENT LEVELS AND ANNUAL GROWTH As of end 2016 Q3

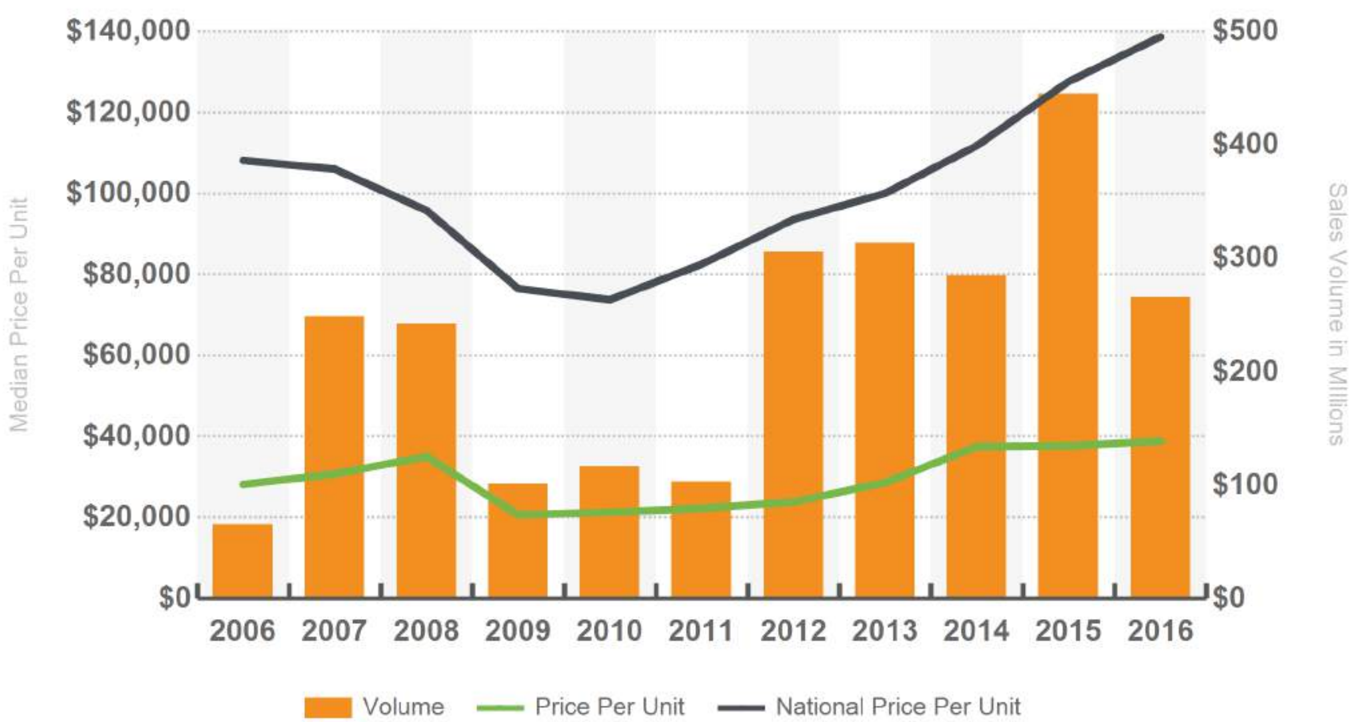
SALES

Updated Oct 19, 2016

Locals aren't the only participants anymore, and cap rates are compressing. Historically, local and regional investors have dominated the investment scene in OKC. But core apartment properties in primary and secondary markets have gotten increasingly expensive, and those in search of higher yields have started looking toward markets like Oklahoma City. California-based Steadfast Apartment REIT paid $36.3 million, or $120,000/unit, for 4 Star 300-unit Shores at K-Rock in the Northwest Oklahoma City Submarket in September 2015. This property was delivered in June 2013, and at the time of closing was approximately 95% occupied. Similarly, the 4 Star 276-unit Residence at North Penn sold in May for $28.3 million, or $102,000/unit, at a 6.6% cap rate to Florida-based Waypoint Residential. That property previously traded for $21.45 million in 2012 at a 7% cap rate.

Out-of-state investors are getting into the value-add game as well. One recent value-add trade of note was the sale of the 2 Star 304-unit Rockwell Plaza Apartments for $11.8 million, or $39,000/unit, in January 2016. The property was 84% occupied at the time of sale and came with deferred maintenance. The buyer, California-based Altus Equity Group, was reportedly attracted because there was room to upgrade the interiors of all of the units to help push rents roughly 20%. As of September 2016, Rockwell Plaza was undergoing major renovations and was at 72% occupancy.

SALES VOLUME AND MEDIAN PRICE Updated: 11/3/2016



Tulsa, Oklahoma

Overview

Tulsa Apartment

12 Mo. Deliveries in Units	12 Mo. Net Absorption (000)	Vacancy Rate	12 Mo. Rent Growth
575	-430	9.1%	-1.7%

As of end 2016 Q3

Market Analyst: David Rogers - drogers@costar.com

Energy-related concerns are ever present, and Tulsa's minimal job growth in 2015 can be directly attributed to low oil prices. Job growth in the first half of 2016 was similarly weak and has started impacting apartment demand. Another worry is rent growth, or the lack thereof. As in other energy-heavy metros like Houston and Oklahoma City, year-over-year rent growth in Tulsa was negative as of 16Q3.

KEY INDICATORS

As of end 2016 Q3

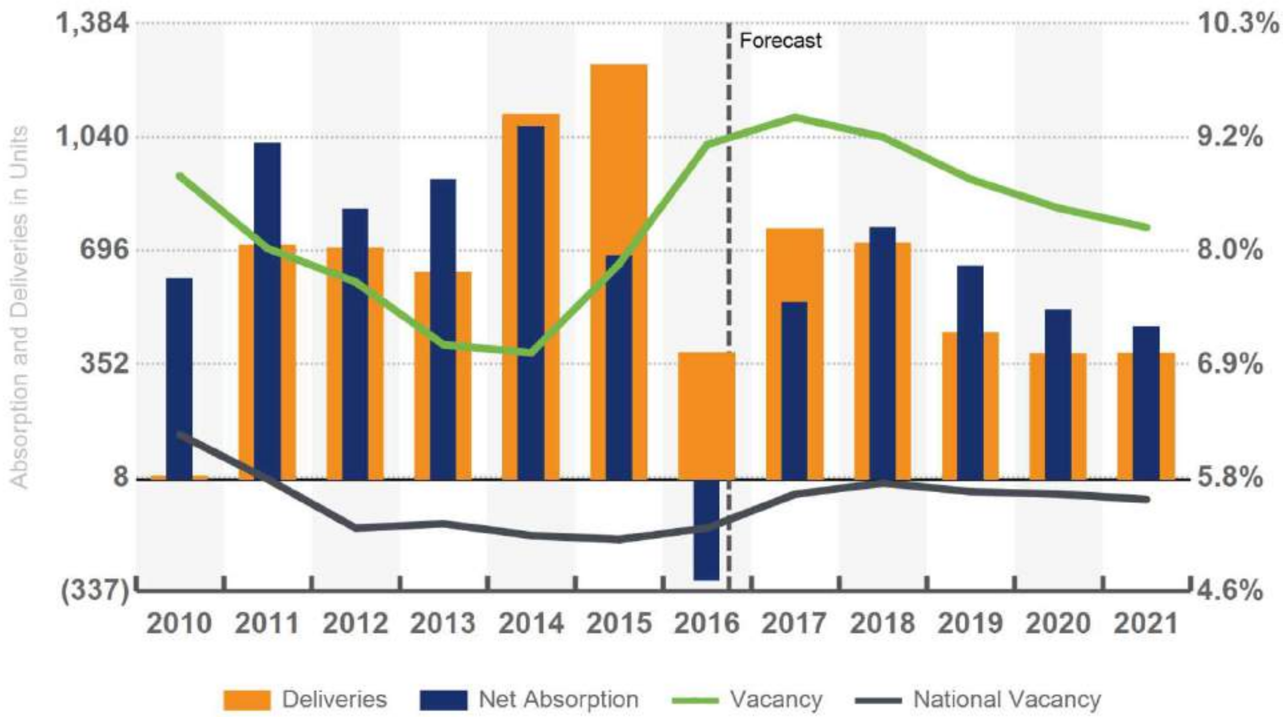
Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	1.7%	8.6%	8.9%	10.5%	2004 Q1	6.3%	2015 Q2
Net Absorption	(430)	548	507	1,517	2013 Q3	(430)	2016 Q3
Net Deliveries	575	728	529	2,832	2000 Q1	5	2006 Q1
Rent Growth	-1.7%	1.3%	1.1%	3.7%	2008 Q3	-1.7%	2016 Q3
Effective Rent Growth	-2.3%	1.2%	1.1%	3.7%	2008 Q3	-2.3%	2016 Q3
Sales ($ millions)	$154	$100	N/A	$417	2014 Q4	$5	2006 Q2

FUNDAMENTALS

Updated Oct 20, 2016

Fundamentals were treading water, but weak demand has caused vacancies to increase over the past 12 months. Supply and demand gains will likely both be concentrated in downtown submarkets and to the southeast, where local officials are encouraging developers to expand the amenity base and attract more residents. If demand surprises to the upside, it will benefit the Downtown and Midtown/Utica Square submarkets the most. Both areas are popular with the prime renting cohort (25% and 23% of the areas' residents are 20–34 years old, respectively) and offer good access to employment centers. In the near term, vacancies should remain elevated compared with the sub-6% numbers seen in late 2014 and throughout 2015, especially if job growth continues to be poor.

NET ABSORPTION, DELIVERIES AND VACANCY RATE As of end 2016 Q3



RENTS

Updated Oct 20, 2016

The rise in vacancies have put a damper on rent growth. The metro enjoyed consecutive years of rent growth of around 2.5% from 2011–14, and growth was at its highest in the new cycle in 2015, ending the year above 5%. However, since then rents have remained flat. Not only that, but rent growth has been negative in 2016. It's tough to consider this anything but a warning sign that unless the local economy starts to show signs of life, slow to negative rent growth here could remain the norm, at least in the near term.

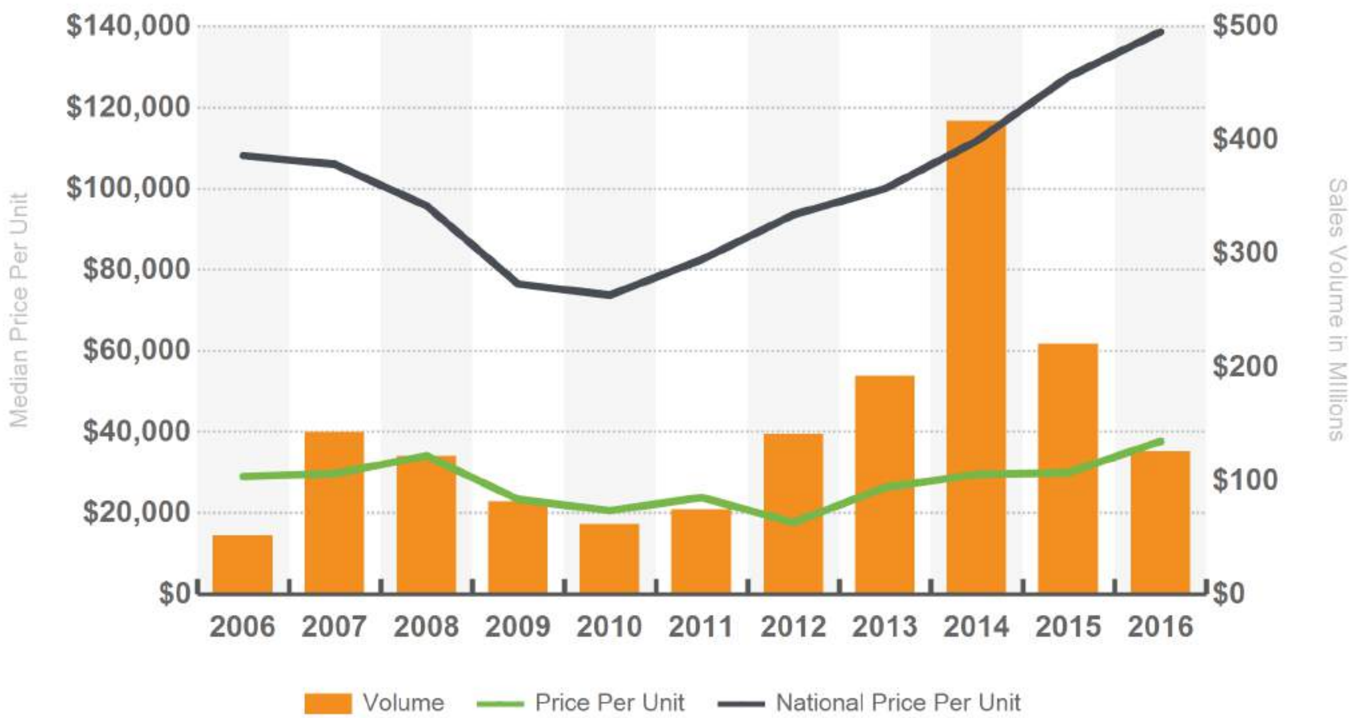
ASKING RENT LEVELS AND ANNUAL GROWTH As of end 2016 Q3

SALES

Updated Oct 20, 2016

Transaction activity has slowed down. Typical sales here involve older 1 & 2 or 3 Star properties that go for $30,000–$50,000/unit. A typical trade was the sale of the 3 Star 272-unit Lewiston Apartments (built in 1972), which went for $11 million, or $41,000/unit, at a 7.2% cap rate when it sold in December 2015. On the higher end of the market, the 593-unit Vista Shadow Mountain Apartments sold for $34 million ($58,000/unit) to New Jersey–based CITYR Group in July 2015. On a per-unit basis, the 4 Star 285-unit Atria Luxury Apartments, a February 2015 delivery, fetched the highest price of the past year at $120,000/unit when it sold in September 2015. As of May 2016, Atria was still only 85% occupied.

SALES VOLUME AND MEDIAN PRICE Updated: 11/3/2016



Fayetteville, Arkansas

Overview

Fayetteville AR Apartment

12 Mo. Deliveries in Units	12 Mo. Net Absorption (000)	Vacancy Rate	12 Mo. Rent Growth
357	**392**	**2.3%**	**6.3%**

As of end 2016 Q3

Market Analyst: David Rogers - drogers@costar.com

Apartments located near major job centers and the University of Arkansas have performed well in this metro. The population has continued to grow here due to the jobs being added by Fortune 500 companies such as Tyson Foods and Walmart. Demand has outpaced supply since 2010, helping vacancies compress to cycle lows. Recent deliveries continue to lease well, and year-over-year rent growth has remained strong at over 6%. Sales activity has been largely focused around Downtown Fayetteville and Central Benton County.

KEY INDICATORS

As of end 2016 Q3

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	-0.2%	5.1%	4.1%	9.9%	2008 Q2	2.3%	2016 Q3
Net Absorption	392	794	330	1,540	2004 Q4	0	2014 Q1
Net Deliveries	357	759	470	1,942	2004 Q3	0	2015 Q1
Rent Growth	6.3%	1.3%	2.6%	7.0%	2007 Q1	-3.4%	2009 Q4
Effective Rent Growth	6.2%	1.3%	2.3%	6.7%	2007 Q1	-3.3%	2009 Q4
Sales ($ millions)	$181	$45	N/A	$226	2015 Q4	$0	2007 Q1

FUNDAMENTALS

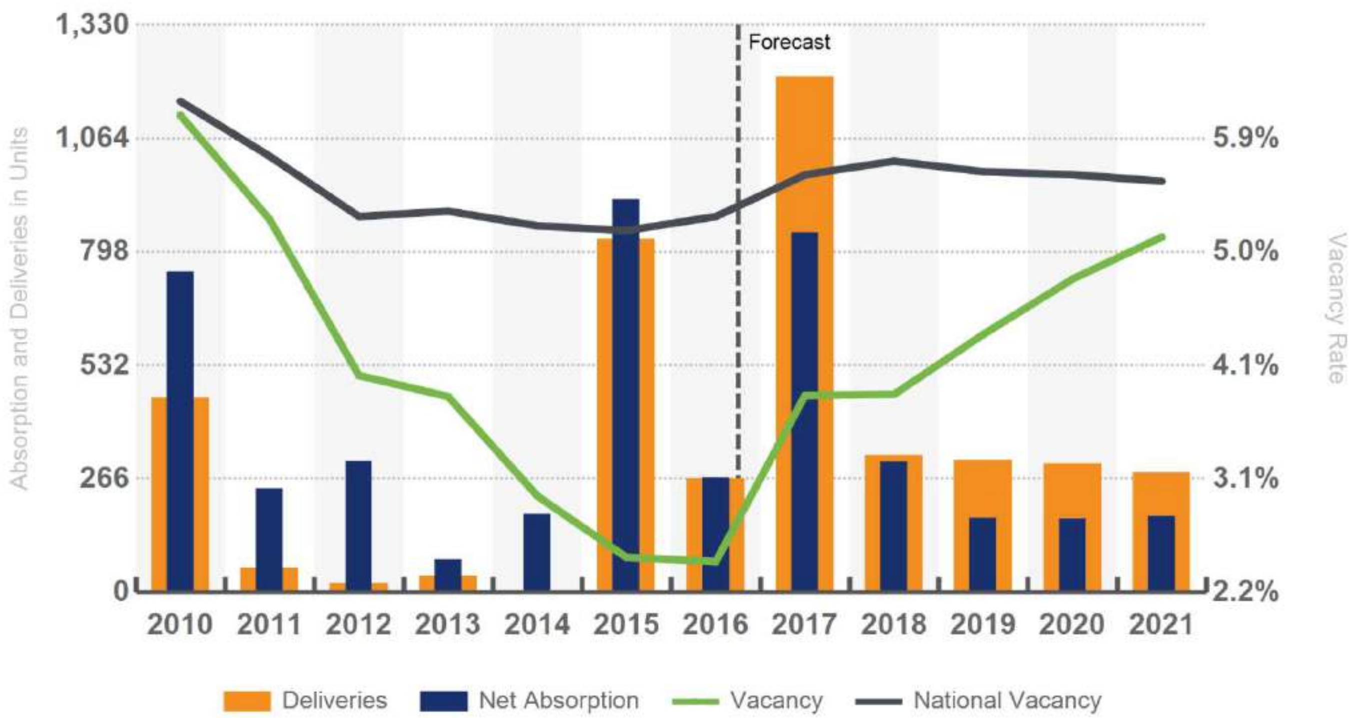
Updated Oct 21, 2016

Fayetteville's apartment market has benefited from a strong local economy and a growing labor force. Walmart employs over 18,000 workers at its Bentonville headquarters, while Tyson Foods houses over 4,000 at its Springdale location. Overall, the metro has added over 10,000 jobs each of the past two years, and lowered its unemployment rate to about 2.75%.

Household incomes have kept pace with the rising rental rates, allowing renters plenty of room to afford apartment rents that average about $650/month. *U.S. News & World Report* has ranked Fayetteville the most affordable place to live in the nation. The median household income of about $50,000 provides a comfortable lifestyle in the area, despite being roughly 10% lower than the national average. Fayetteville residents spend less than 24% of their income on housing according to the *U.S. News* report.

Vacancies have reached cycle lows for this market, sitting near 2% in 16Q3. Deliveries have leased up well, such as the 4 Star 486-unit Trails at Bentonville, which delivered in 15Q3, and the 4 Star 200-unit Promenade at Pinnacle Hills, which came to market in 15Q4. Both properties reached full occupancy within 12 months of delivering.

NET ABSORPTION, DELIVERIES AND VACANCY RATE As of end 2016 Q3



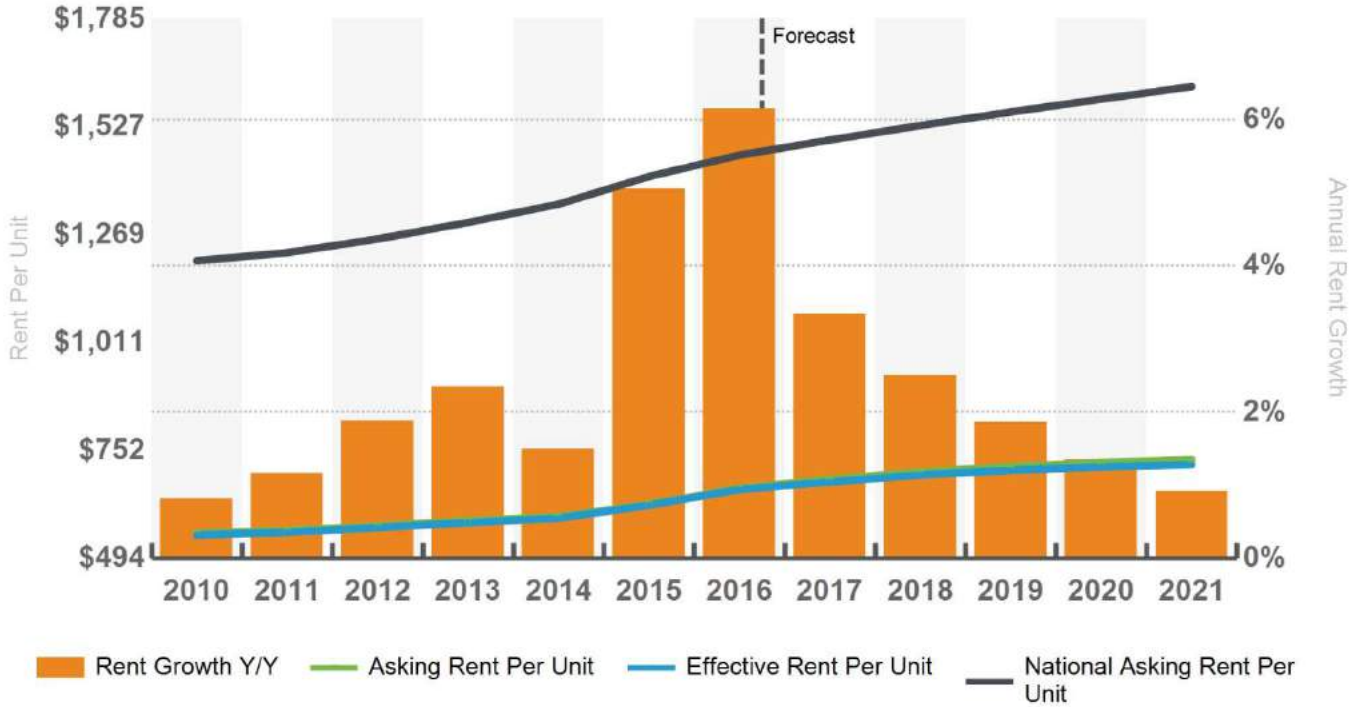
RENTS

Updated Oct 21, 2016

The metro enjoyed four consecutive years of around 4% rent growth from 2011–14, with a considerable increase to 6% in 2015. Even with the 2015 boom in deliveries, rent growth remains at cycle highs. Unlike landlords in nearby Fort Smith, which has seen year-over-year rent growth come to a halt in 2016, those in Fayetteville continued to raise rents by over 6% over the four quarters ending in 16Q3. The two largest submarkets, Downtown Fayetteville and Central Benton County, saw year-over-year rent growth of 4.7% and 3.2%, respectively.

The Central Benton County Submarket, which has seen the most deliveries in the metro over the last 12 months, also boasts the highest rents by a significant margin, at about $750/month. The nearly 700 units delivered in Central Benton County since have particularly high asking rents, averaging over $900. The submarket with the next highest rents in the metro is Downtown Fayetteville, which averages $610.

ASKING RENT LEVELS AND ANNUAL GROWTH As of end 2016 Q3



SALES

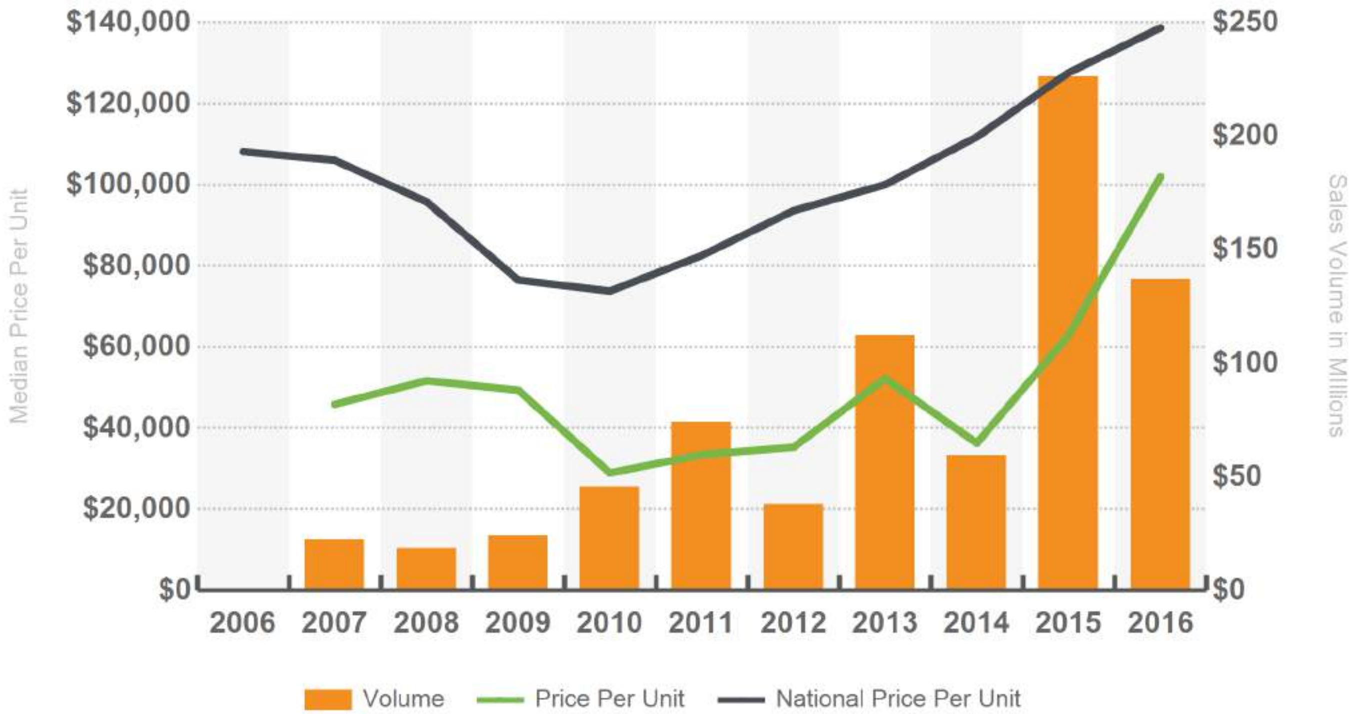
Updated Oct 21, 2016

Sales activity has been concentrated around the Downtown Fayetteville and Central Benton County submarkets. Typical sales here involve 1 & 2 Star and 3 Star buildings ranging from $30,000–$50,000/unit. An example of this is the sale of the 3 Star 114-unit Park Lake Apartments in September 2015 for $4.5 million, or about $40,000/unit. At the time of the sale asking rents were about $560/month, increasing to $620 as of 16Q3.

Although the number of transactions has declined in the past 12 months, sales volume has remained relatively high due to several large student-housing transactions. The sale of the University House in downtown Fayetteville fetched the highest overall price and price per unit. Less than a mile from the University of Arkansas, this property sold in May 2016 for $42 million, or $184,000/unit. This sale and the $37 million student-housing sale of the Varsity House Apartments in 16Q1 were the two largest transactions of the past two years.

SALES VOLUME AND MEDIAN PRICE

Updated: 10/29/2016



Columbia, Missouri

University of Missouri

Columbia, MO

Fall 2016

AXIOMETRICS INC.
Smart Data. Smart People. Smart Decisions.®

University Report Summary

U.S. News National Ranking*: 103 / 199

* US News & World Report 2016

Key Takeaways

1. Mizzou's enrollment remained flat in 2015, though freshman retention hit record levels at 68.7%. Enrollment is expected to decline in 2016, then remain positive from 2017 to 2021.
2. Occupancy at university-owned housing dipped significantly in 2015 and will remain around 94.3% until 2018.
3. Privately-owned student housing properties saw a slow in performance in 2015. Occupancy and rent growth are expected to rebound slightly during the outlook period. Additionally, a freeze on the issuance of multifamily construction permits will delay a few projects anticipated to deliver in the next few years.

University Ranking

Revenue Growth	
University-Owned Properties	128/175
Privately-Owned Properties	174/175
New Supply	
University-Owned Beds	146/175
Privately-Owned Beds	73/175
Demand	
Enrollment Growth	122/175
Change in Enrollment	122/175
College Age Pop. Growth (State)	106/175
Affordability / Tuition	
In-State Tuit vs Med State HH Inc	86/175
Out-of-State Tuit vs Med US HH Inc	64/175
Ranking	144
Overall Index	75
Living Requirement:	Freshman

Key University Trends

As of Fall	**2016F**	**2017F**
Total Enrollment	35,129	↑
Enrollment Growth	-0.9%	↑
Tuition		
In-State	$8,333	↑
Out-of-State	$24,628	↑
Tuition vs. Household Income		
In-State vs. Med State	14.9%	↑
Out-of-State vs. Med U.S.	44.2%	↓
New Supply		
University-Owned Beds	293	
Privately-Owned Beds	200	
Col. Age Pop. Growth (State)	1.0%	↑
New Beds as % of Tot. Enroll.		
University-Owned Beds	0.8%	
Privately-Owned Beds	0.6%	
PT Students % of Tot. Enroll.	12.6%	↑

Rent/Occupancy Trends

	2016F		**2016F-2020F**
University-Owned Housing			
4.1%	93.7%	4.9%	95.3%
Privately-Owned Housing			
2.1%	92.2%	3.1%	93.1%

Supply Risk

	2016F
University-Owned Housing	Low Below AVG
Privately-Owned Housing	Low Below AVG

Based upon each category's percent share of its housing supply
to total enrollment to 175 university average

University Website

Strategic/Master Plan

Privately-Owned Housing Market

Aggregated results for purpose-built and competitive student housing properties

As of Fall	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**	**5 Yr. Avg.**
Rent / Occupancy						
Rent/Bed	$525	$534	$551	$577	$598	**$557**
YOY Change	*2.1%*	*1.7%*	*3.3%*	*4.7%*	*3.6%*	***3.1%***
Occupancy Rate	92.2%	91.8%	93.0%	94.4%	94.0%	**93.1%**
YOY Change	*1.2%*	*-0.4%*	*1.2%*	*1.4%*	*-0.4%*	***0.6%***

University-Owned Housing Market

As of Fall	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**	**5 Yr. Avg.**
Rent / Occupancy						
Double Occ. Rent	$7,137	$7,473	$7,846	$8,317	$8,716	**$7,898**
YOY Change	*4.1%*	*4.7%*	*5.0%*	*6.0%*	*4.8%*	***4.9%***
Occupancy Rate	93.7%	94.8%	95.6%	96.5%	96.0%	***95.3%***
YOY Change	*-0.3%*	*1.1%*	*0.8%*	*0.9%*	*-0.5%*	***0.4%***
Demand/Supply						
Enrollment	35,129	35,199	35,551	36,120	36,517	**35,703**
Enrollment Growth	-0.9%	0.2%	1.0%	1.6%	1.1%	**0.6%**
Total Beds	7,236	7,512	7,334	7,258	7,367	**7,341**
Beds Growth	293	276	(178)	(76)	109	**85**
YOY Change	4.2%	3.8%	-2.4%	-1.0%	1.5%	**1.2%**
Occupied Beds	6,782	7,123	7,013	7,004	7,072	**6,999**
Beds as % of Enroll.	20.6%	21.3%	20.6%	20.1%	20.2%	**20.6%**

Source: Data for charts, metrics and housing summary is from university websites, government websites, and university personnel. Med. HH income data from Bureau of Labor Statistics. Calculations performed by Axiometrics Inc.