TwinRock Partners

An Investment Management Firm

QUARTERLY NEWSLETTER | Q4 16

IN THIS ISSUE:

Letter from CEO

Current Opportunities

TRP Market Overviews

180 Newport Center Dr. Suite 230 | Newport Beach, CA | 92660 | 949-640-0600 | www.twinrockpartners.com

Dear Friends of TwinRock,

Since our last letter to you, the U.S. “landscape” has changed significantly with a new party in government, rejuvenated financial markets and a rise in interest rates. While President Trump’s election has caused a rally in the stock markets for his pro-business and de-regulated government plans - the Donni-locks era can only last for so long. What is Donni-locks, but the combination of the recent Trump euphoria and a Goldilocks economy, which is an economy that is not so hot that it causes inflation, and not so cold that it causes a recession. There are no exact markers of a Goldilocks economy, but it is characterized by a low unemployment rate, increasing asset prices (stocks, real estate, etc.), low interest rates, brisk but steady GDP growth and low inflation (source Investopedia).

After the first 100 days in office are over and the euphoria wears-off that is when we can truly evaluate if and how long the president’s plans will take effect. Our view is not to fight the current momentum, but to ride the financial market wave and remain cautious if not completely removed from the U.S. real estate market. It proved to be wise to stop investing in real estate during the Fourth Quarter, as many projects imploded due to the quick and vast rise in mortgage rates.

During the quarter, the last remaining major single-family for rent investor began exiting the business as private-equity firm Blackstone Group’s single-family operator, Invitation Homes, filed for an IPO. Two other single-family for rent companies merged this week, Silver Bay Trust and Tricon Capital Group, to form greater operating efficiencies. Last month, the Wall Street Journal reported that commercial real estate deal volume decreased by $58.3 billion, or 11%, 2016, the first annual decrease since 2009, per Real Capital Analytics. Investors that were net-sellers included Blackstone, real-estate giant Brookfield Asset Management, United Parcel Service Inc.’s pension trust and Harvard Management Co., which manages Harvard University’s endowment. Brookfield sold more than $3 billion of property in 2016, double the prior year.

Caution among investors in the $11 trillion U.S. commercial-property sector is being driven by many reasons -- “lofty prices, the length of the market cycle so far and the recent rise in interest rates, which makes bonds look more attractive compared to commercial property. Also, developers are adding new supply of certain property types at the fastest rate since the recovery began” per the WSJ. “We think now is an opportune time to reduce some of our exposure to that asset,” said Brian Kingston, Brookfield senior managing partner. “We can recycle the capital into higher returning investment opportunities.”

We couldn’t agree more with the statement from the Canadian firm above and as we continue to focus on our investment fund in pursuing Canadian real estate opportunities. Following my trip last week to Alberta, Canada, the timing is ripe to invest!

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

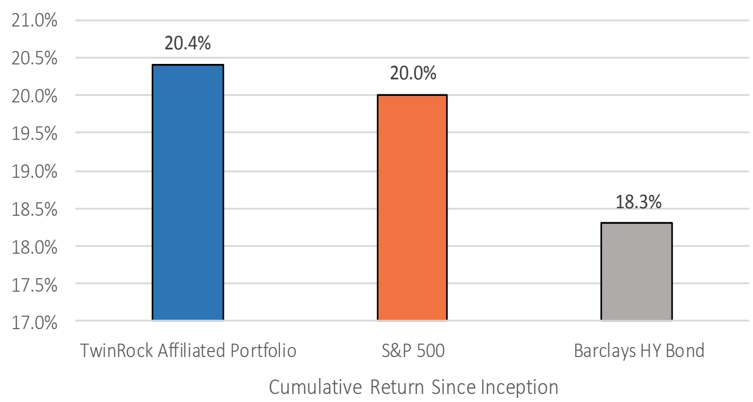
Chief Executive and Investment Officer

TwinRock Value Opportunity Fund

Portfolio Performance

TwinRock Affiliated Portfolio	
Net Asset Value (NAV)	
September 2016*	1.22
October 2016	1.22
November 2016	1.21
December 2016	1.20
January 2017	1.20

Cumulative Performance



Quarterly Update and Market Outlook

The capital markets remain dominated by political and headline risk. The underlying environment remains constructive for risk in our view, notwithstanding substantially elevated valuations in both credit and equity. The fund started 2017 underweight risk in anticipation of opportunities when the existing momentum breaks. The post-election consensus provides opportunities either from a disintegration of the consensus or a continuation of the current trend against prevailing skepticism. US government bond yields remain a principle driver of market direction (both credit and equity). Equity valuations have increased against a decline in government bond prices. This can only go so far, in our view. Volatility—as measured by equity and credit derivatives—is significantly low. High yield bond prices are not cheap against most measures. Equity valuations are also at cyclical highs. Macro-economic data is suggestive of ongoing (if not robust) economic expansion, healthy household balance sheets and low unemployment. The Fed remains accommodative.

WHAT DIFFERENTIATES US?

a. Our startup fee structure is designed to build your trust. We will have no participation of the profits until 2018.

b. We target absolute returns (10-12%) rather than relative performance; i.e. we are not competing with other fund managers or a benchmark. This enhances our investment discipline, allows us to focus on a handful of investments (rather than the entire market) and improves the risk/return profile to you.

c. Our smaller size is an advantage; it allows for more efficient management and quicker investment decision making while also widening the pool of potential investments available to us - i.e. smaller situations which would not be relevant to the large (multi-$billion) hedge and bond funds.

FUND DESCRIPTION

The TwinRock Value Opportunity Fund is a credit investment fund focused on the debt obligations of corporate borrowers. The fund invests in bonds and loans of corporate issuers in the high grade and non-investment grade rating categories. The fund seeks to deliver steady income and in appropriate market conditions capital appreciation by holding securities with substantial yields which are remote from default. The fund employs leverage to enhance return and may invest in equities and derivatives at the fund manager's discretion. Th e fund does not compete with a benchmark; the fund seeks absolute returns which exceed long-term equity averages, with substantially lower risk and volatility that is associated with higher quality bonds.

Download Prospectus

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

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 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.

Download Prospectus

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

Oklahoma City, Oklahoma

Overview

Oklahoma City Apartment

12 Mo. Deliveries in Units	12 Mo. Net Absorption	Vacancy Rate	12 Mo. Rent Growth
1,637	-421	11.2%	-0.8%

As of end 2016 Q4

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 that remained in the 1,000–1,500-unit range. Unfortunately, supply started to increase just as the OKC economy started to feel the effects of low oil prices, and vacancies rose throughout 2015 and 2016 due to an increase in deliveries and weaker than expected demand. About 4,000 units delivered in the last two years combined. Rent growth has slowed to a crawl, with a negative year-over-year rate—a stark contrast to the roughly 3% annual increases during the fracking boom earlier in the decade. Despite economic concerns, investment has remained robust, although selling prices have stagnated over the last few quarters.

KEY INDICATORS

As of end 2016 Q4

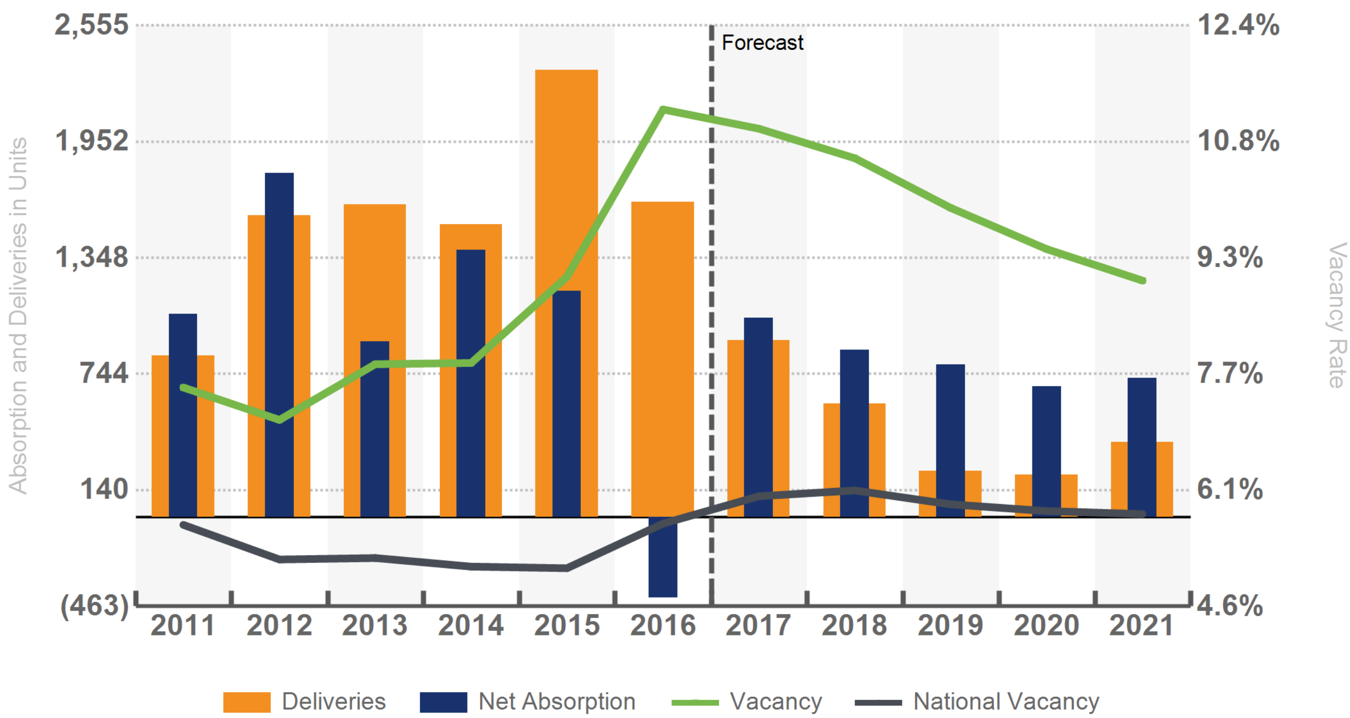
Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	2.2%	8.3%	10.2%	11.2%	2016 Q4	6.9%	2013 Q1
Net Absorption	(421)	808	724	2,090	2013 Q3	(421)	2016 Q4
Net Deliveries	1,637	1,026	528	2,667	2015 Q3	6	2008 Q4
Rent Growth	-0.8%	1.9%	0.3%	5.9%	2001 Q2	-2.9%	2010 Q1
Effective Rent Growth	-0.9%	1.6%	0.5%	5.8%	2001 Q2	-2.8%	2010 Q1
Sales ($ millions)	$354	$153	N/A	$463	2016 Q1	$1	2005 Q4

FUNDAMENTALS

Updated Feb 07, 2017

Vacancies continue to rise, increasing by about 200 basis points in 2016, following a 100-point jump in 2015. Supply has peaked in the last couple years, but construction isn't the only factor behind the vacancy increase. Absorption was negative in 2016, after averaging above positive 1,200 units per year through the previous years of this cycle. Vacancies now exceed the historical average by about 300 basis points. Furthermore, supply does not appear to be slowing down: More than 1,200 units are scheduled to deliver in 2017, which could place further strain on fundamentals in the near term.

NET ABSORPTION, DELIVERIES AND VACANCY RATE As of end 2016 Q4

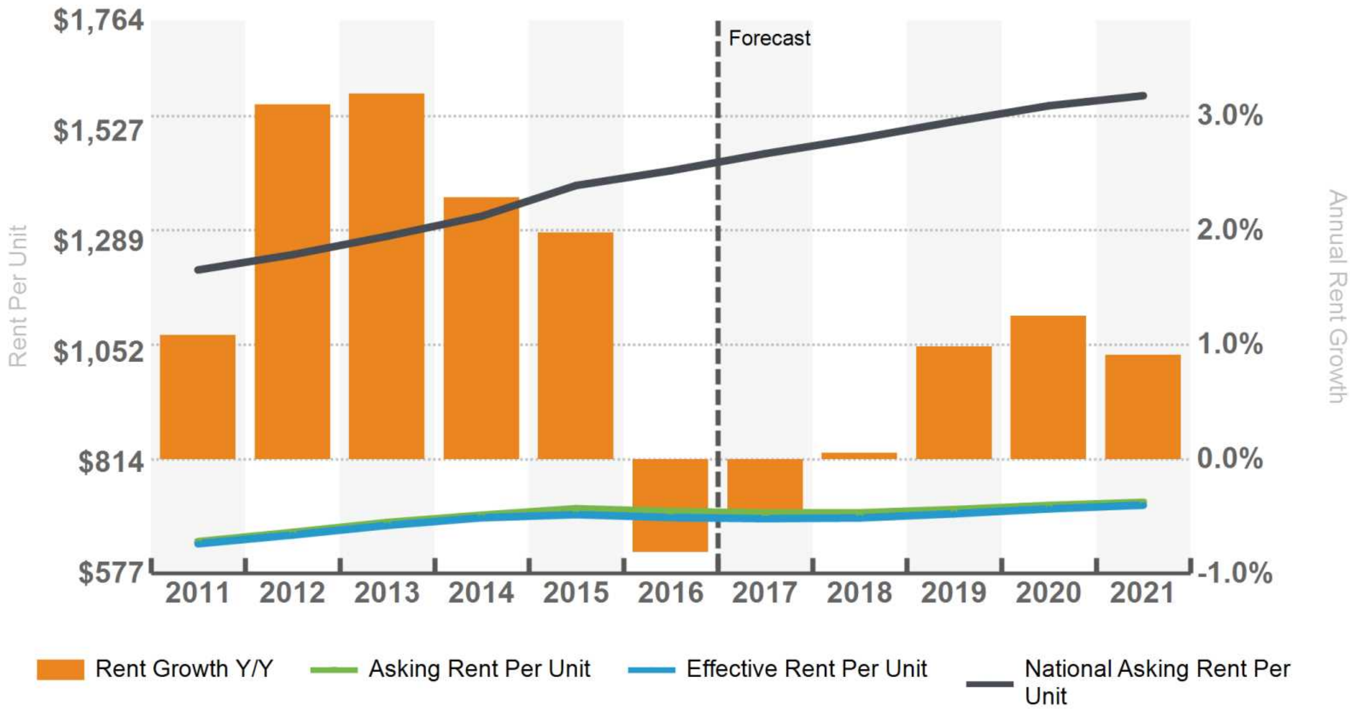


RENTS

Updated Jan 17, 2017

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

ASKING RENT LEVELS AND ANNUAL GROWTH As of end 2016 Q4

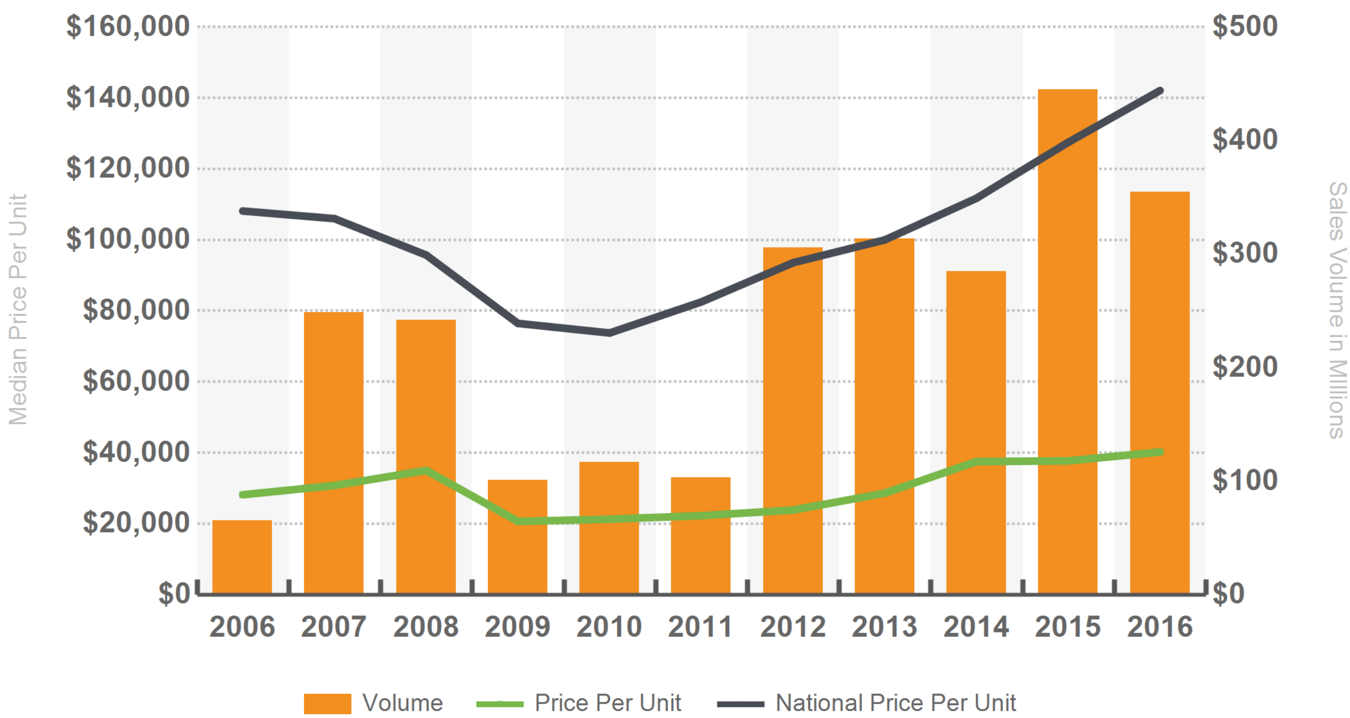


SALES

Updated Feb 07, 2017

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 investors after higher yields have started looking in markets like Oklahoma City. California-based Steadfast Apartment REIT paid $36.3 million ($120,000/unit) for 4 Star 300-unit Shores at K-Rock, in the Northwest Oklahoma City Submarket in September 2015. This property delivered in June 2013, and was approximately 95% occupied when the deal closed. Similarly, the 4 Star 276-unit North Penn apartments sold in May 2016 for $28.3 million ($102,000/unit), at a 6.6% cap rate to Florida-based Waypoint Residential. The property previously traded for $21.45 million, at a 7% cap rate, in 2012.

SALES VOLUME AND MEDIAN PRICE Updated: 2/7/2017



Tulsa, Oklahoma

Overview

Tulsa Apartment

12 Mo. Deliveries in Units	12 Mo. Net Absorption	Vacancy Rate	12 Mo. Rent Growth
445	-734	10.0%	-1.4%

As of end 2016 Q4

Market Analyst: Adin Perera - aperera@costar.com

Energy-related concerns have loomed over this metro for the last two years, and Tulsa's minimal job growth in the past few years can be directly attributed to low oil prices. This translated to weak apartment demand in 2016, which was the first year with negative absorption and negative rent growth this cycle. Vacancies have risen since 2014, reaching a cyclical high of 10% in 16Q4. As is the case with other energy-heavy metros like Houston and Oklahoma City, the fundamentals of this market are not likely to strengthen until oil prices rebound.

KEY INDICATORS

As of end 2016 Q4

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	2.0%	8.6%	9.3%	10.6%	2004 Q3	6.3%	2015 Q2
Net Absorption	(734)	525	367	1,517	2013 Q3	(734)	2016 Q4
Net Deliveries	445	727	330	2,631	2000 Q2	5	2006 Q1
Rent Growth	-1.4%	1.2%	1.3%	3.8%	2008 Q3	-1.7%	2016 Q3
Effective Rent Growth	-1.9%	1.2%	1.4%	3.8%	2008 Q3	-2.3%	2016 Q3
Sales ($ millions)	$143	$103	N/A	$421	2015 Q3	$5	2006 Q2

Overview

FUNDAMENTALS

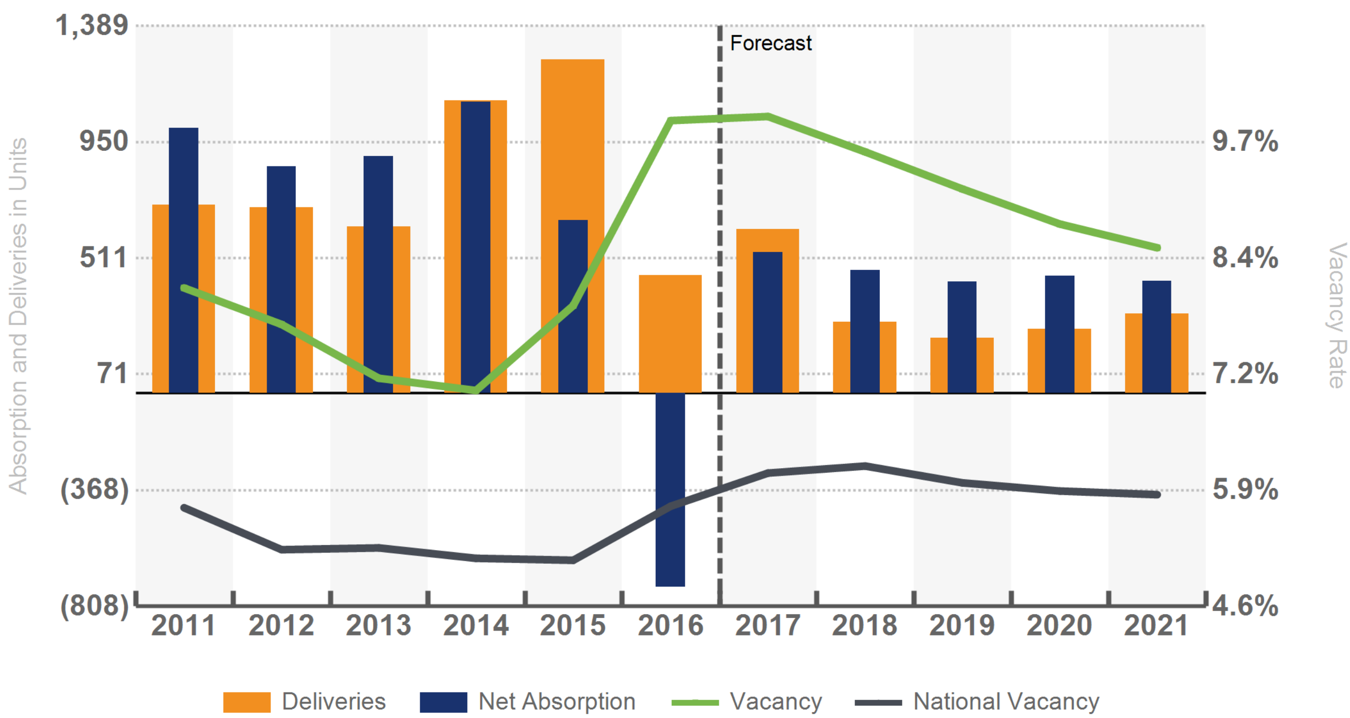
Updated Jan 19, 2017

Tulsa's job market was strong from 2011–14, averaging annual job growth of 2%. Payrolls have declined recently, though, primarily due to job losses in sectors related to the oil and gas industry. Tulsa, once known as "The Oil Capital of the World," has attempted to diversify its employment base into several other sectors but is still heavily reliant on the energy industry, which employs more than 55,000 workers in the metro. In the wake of the sharp decline in oil prices in 2014, large companies such as Samson Resources, WPX Energy, and Laredo Petroleum have ceased activity at many of their wells in the region. The poor performance of the energy industry has also spilled into other sectors, as manufacturing and financial activities saw year-over-year employment drop by 7% and 1%, respectively, as of November 2016.

The aerospace manufacturing sector, another one of Tulsa's major industries, has also taken a hit in recent years. The Tulsa area has nearly 20,000 aerospace workers, led by giant manufacturers and overhaul facilities at Spirit AeroSystems, NORDAM, and American Airlines. Aerospace manufacturing is tied to the volume of aviation sales, which have struggled as of late. As a result, large employers in this sector have struggled to add jobs.

Per 2016 BLS Data, in the 12 months between November 2015 and 2016 the metro lost more than 5,000 jobs and the unemployment rate increased by 70 basis points. In 2016, Tulsa's apartment market posted its first year of negative absorption since the recession. A lack of move-ins coupled with continued construction pushed vacancies to 10% in 16Q4.

NET ABSORPTION, DELIVERIES AND VACANCY RATE As of end 2016 Q4



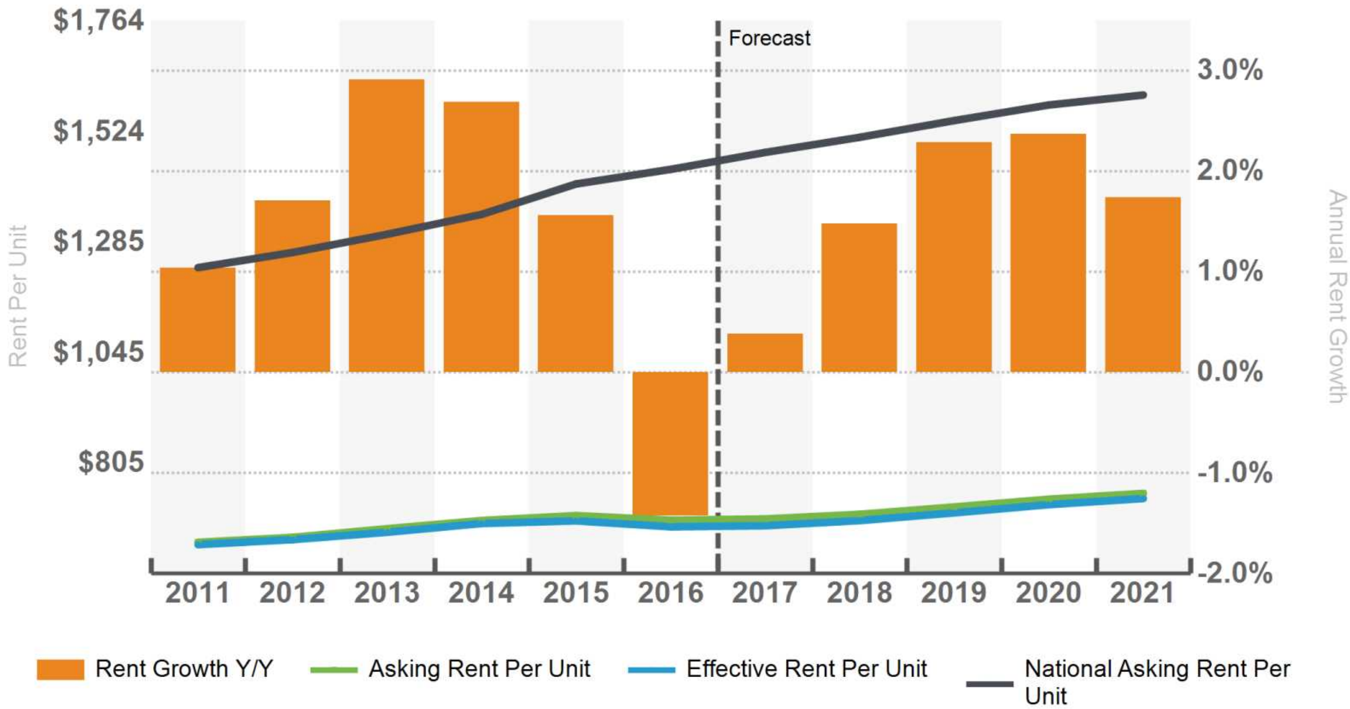
RENTS

Updated Jan 19, 2017

The rise in vacancies has put a damper on rent growth. After averaging about 2.5% growth per year from 2012–14, rent growth dropped by more than 100 basis points in 2015 and was negative in 16Q3. The South Tulsa/Broken Arrow Submarket has been hit particularly hard over the past 12 months. Properties with 4 & 5 Star ratings experienced the worst year-over-year rent growth, while 3 Star gains were on par with the metro average.

Assets rated 4 & 5 Star in Tulsa average asking rents of about $860/month, about 35% higher than rents in 3 Star complexes, where asking rents are roughly $650/month. However, vacancies in 4 & 5 Star properties are more than 300 basis points higher than the rate for 3 Star assets. Among newer deliveries, the 4 Star 161-unit Edge–East Village boasts the highest asking rents, of roughly $1.70/SF.

ASKING RENT LEVELS AND ANNUAL GROWTH As of end 2016 Q4



Overview

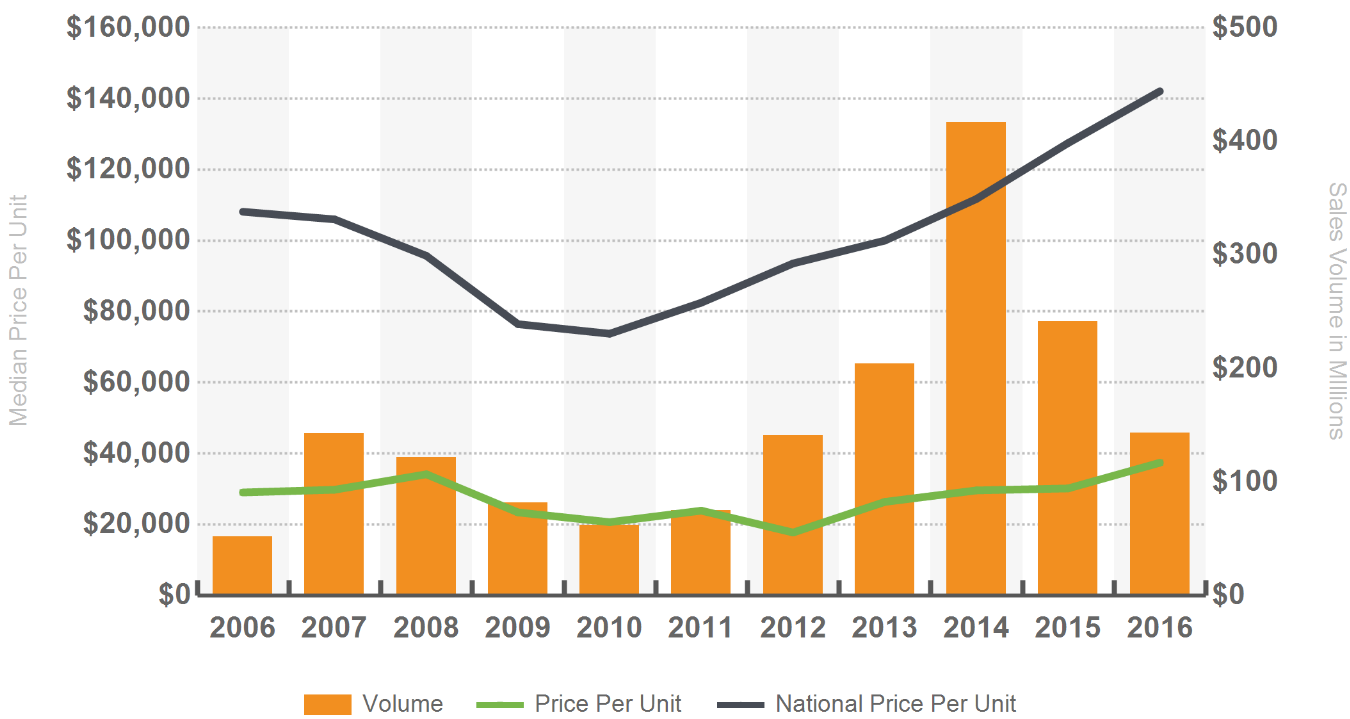
SALES

Updated Jan 19, 2017

Transaction activity has slowed down in recent quarters. After nearly 20% of the metro's inventory changed hands in 2014, turnover has dropped every year and only about 7% of the inventory has sold year-to-date. Typical sales here involve 1 & 2 Star or 3 Star properties that go for $30,000–$50,000/unit. Cap rates for these properties are typically 8%–12%, significantly higher than in nearby metros like Oklahoma City and Fayetteville, let alone core coastal metros.

The South Tulsa/Broken Arrow Submarket was responsible for the largest share of the metro's turnover in the past couple of years, and also had the largest sale. The 4 Star 285-unit Atria Luxury Apartments sold in September 2015 for $34.3 million (about $120,000/unit). The property was acquired by Illinois-based JVM Realty Corporation and was fully occupied when it sold.

SALES VOLUME AND MEDIAN PRICE Updated: 1/29/2017



Fayetteville, Arkansas

Overview

Fayetteville AR Apartment

12 Mo. Deliveries in Units	12 Mo. Net Absorption	Vacancy Rate	12 Mo. Rent Growth
413	338	2.7%	5.0%

As of end 2016 Q4

Market Analyst: Daniel Kunimoto - dkunimoto@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 cyclical lows. Recent deliveries continue to lease well, and year-over-year rent growth has remained strong at about 5%. Sales activity has been largely focused around Downtown Fayetteville and Central Benton County.

KEY INDICATORS

As of end 2016 Q4

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	0.3%	5.1%	4.3%	9.9%	2008 Q2	2.1%	2016 Q3
Net Absorption	338	791	290	1,544	2004 Q4	0	2014 Q1
Net Deliveries	413	757	448	1,958	2004 Q3	0	2015 Q1
Rent Growth	5.0%	1.4%	2.4%	7.0%	2007 Q1	-3.4%	2009 Q4
Effective Rent Growth	5.0%	1.4%	2.1%	6.7%	2007 Q1	-3.3%	2009 Q4
Sales ($ millions)	$145	$46	N/A	$226	2015 Q4	$0	2007 Q1

FUNDAMENTALS

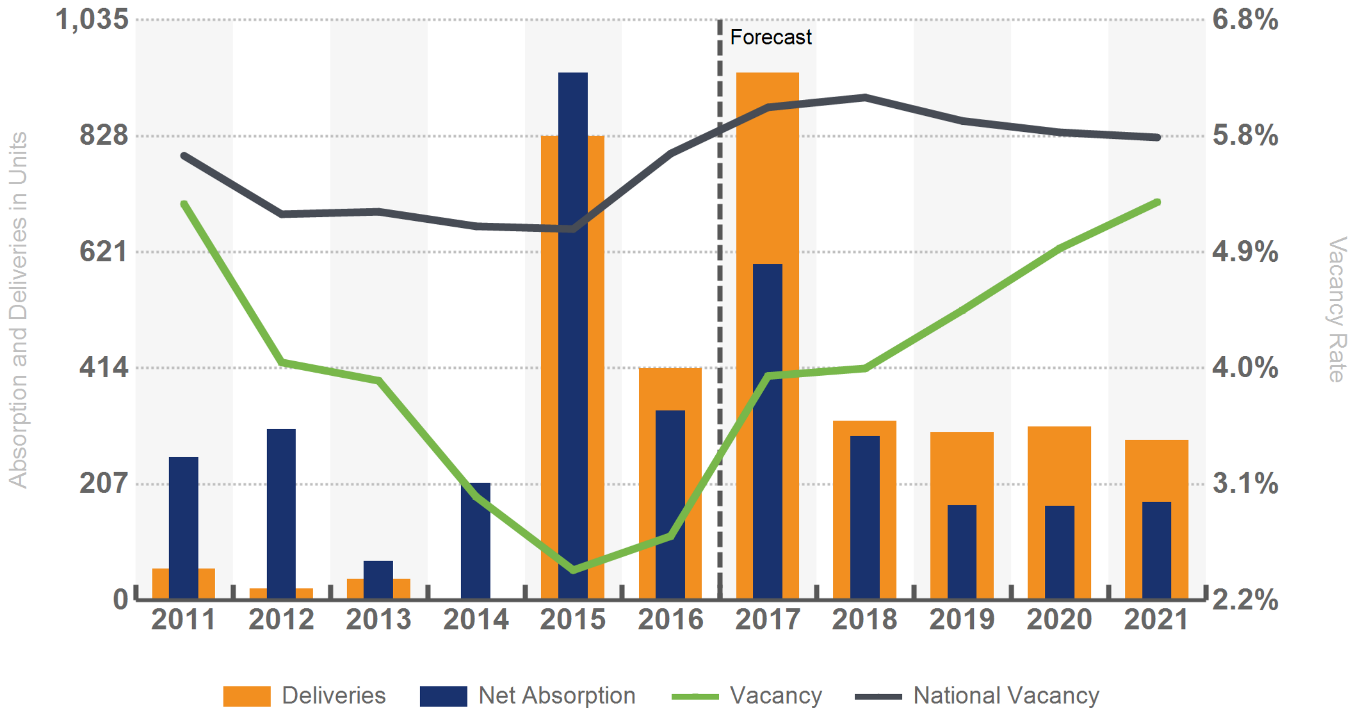
Updated Jan 25, 2017

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 3%.

Household incomes have kept pace with the rising rental rates, allowing renters plenty of room to afford apartment rents that average about $665/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 cyclical lows for this market, sitting near 2.5% in 16Q4. 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 Q4



Overview

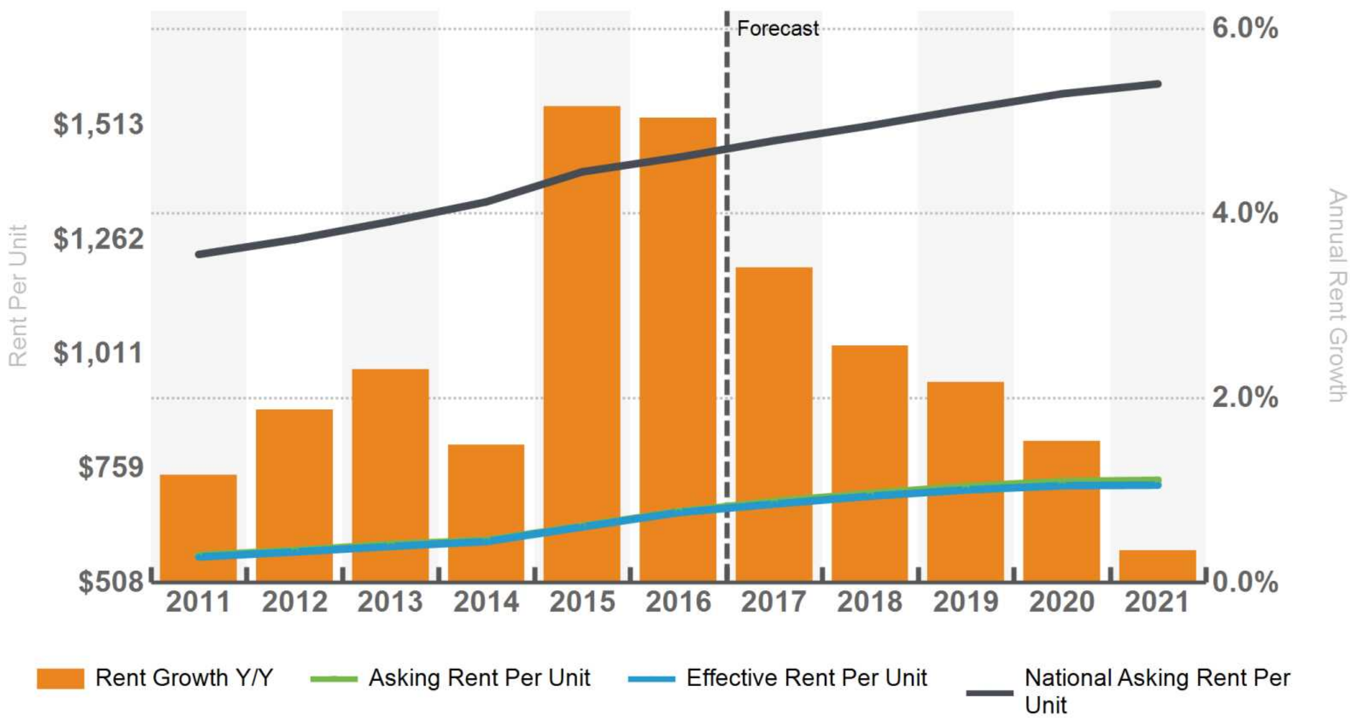
RENTS

Updated Jan 25, 2017

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 cyclical 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 5% over the four quarters ending in 16Q4.

The Central Benton County Submarket, which has seen the most deliveries in the metro over the last 12 months, boasts the highest rents by a significant margin, at about $760/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 Q4



SALES

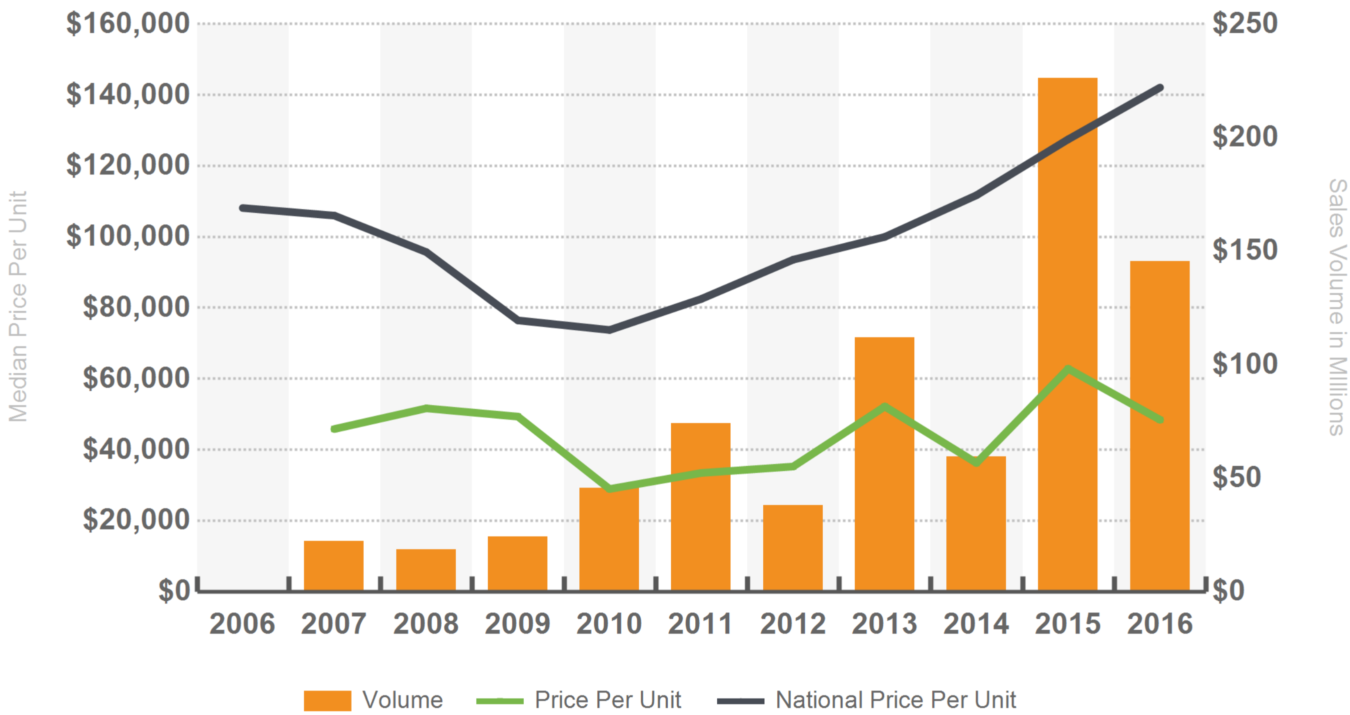
Updated Jan 25, 2017

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. One example of this is the sale of the Summerhill Apartments in. This 2 Star 50-unit asset in Soloam Springs traded between private investors for $1.9 million ($38,000/unit) in October of 2016.

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: 1/29/2017



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

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%**

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%***

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.