TRANSITIONAL FUNDING PARTNERS LP
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(952-847-2450)

January 27, 2016

Dear Investor:

Transitional Funding Partners L.P. (the "Fund"), managed by its general partner TF Managers LLC, recorded a net of fees gain, including accrued interest, of 0.51% for the fourth quarter of 2015. YTD the total return net of fees was 10.56%. The Net Asset Value of the Fund was approximately $14.4 million as of January 1, 2016. While returns YTD have been strong, the Fund is, at present, still holding substantial cash. The Fund spent most of the quarter with a lot of cash before finishing the year with a flurry of deals totaling about $6.5MM. This meant Oct-Nov were fairly lean in terms of returns with December slightly better. While there is still cash on the books, the loans we made at the end of the year will push monthly earnings back up to where we would like them to be for the first half of 2016. Hopefully, some distress in the economy will emerge and we will be able to get most of the remaining cash to work in Q1 2016.

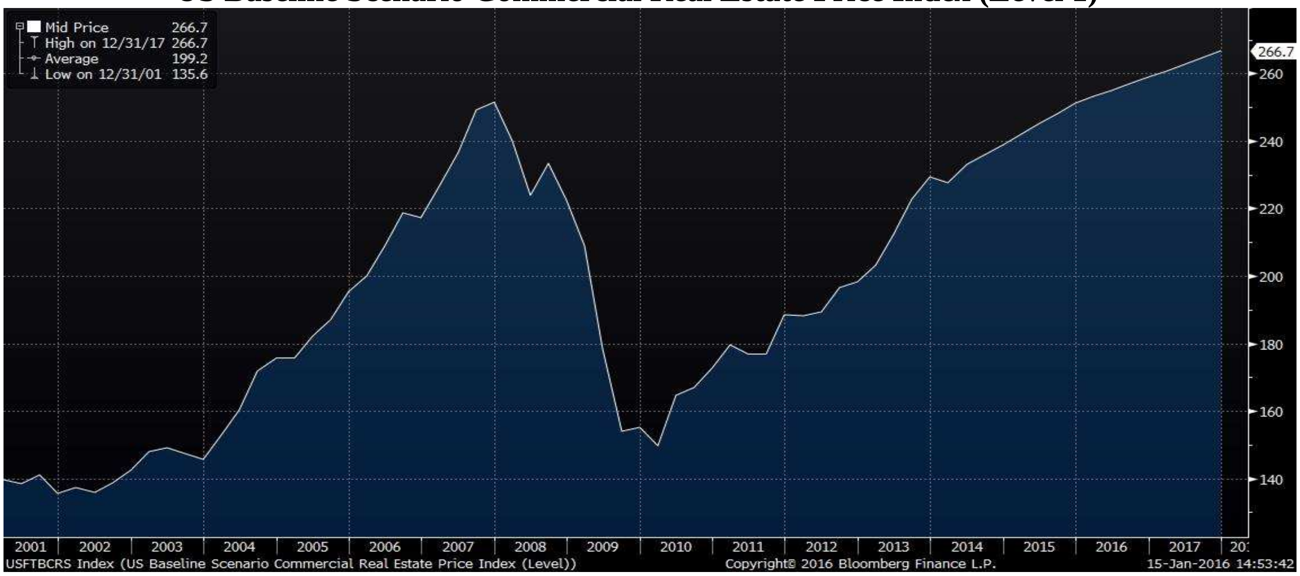
Enclosed please find your Limited Partner Statement for fourth quarter 2015 issued by Alternative Strategy Advisers LLC ("ASA") in its capacity as administrator of the Fund. Limited Partners who have so requested should have received an electronic version of the enclosed statement via email. Any investor who did not receive either his/her statement electronically should contact ASA immediately to correct this problem.

The Lending Environment

The lending environment is getting more interesting. The Fed finally did pull the trigger and 'tighten' by 25 basis points, though policy is clearly still extraordinarily accommodative in the US and globally. In fact, there is little more global monetary policy makers can do. Nonetheless, with the Chinese economy extremely overleveraged and heading for a harder landing, it is difficult to see where growth or inflation may come from. This means that without monetary meddling to prop them up any longer, assets may finally – after arguably two decades or more – have to fall to market clearing levels, which is a bit of a chilling prospect.

We have to have this prospect in the back of our minds every time we make a loan, and set the value and loan-to-value on the collateral. Namely, what if it goes down by 40%? Are we still OK owning it there? When all is said and done, that is the ultimate hurdle every loan has to clear in the current environment, and that is why we have been struggling more in recent months to close deals. We have been moving away from what borrowers *think* their collateral is worth and may, in fact, be able to convince others it is worth. Why 40%? If we look at the US Baseline Scenario Commercial Real Estate Price Index for the past fifteen years projected through 2017 (below), one could surmise that down 40-% is about the market clearing level absent artificial inflation from easy money in the subprime era and then as a result of various QE efforts.

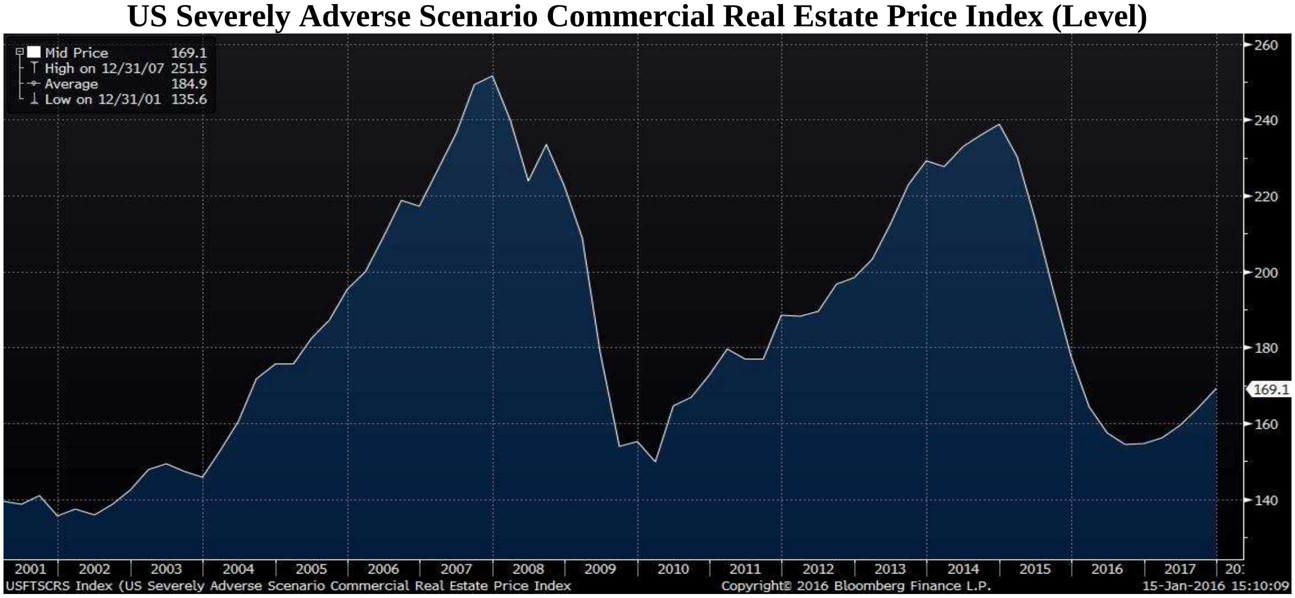
US Baseline Scenario Commercial Real Estate Price Index (Level 1)



Source: Bloomberg, Federal Reserve

Interestingly, if we then take a look at what the Fed believes is the 'Severely Adverse Scenario' model through 2017, it is surprisingly close to down 40%. We can surmise the Fed has concluded the real market clearing level for these assets (sometimes our collateral) is probably something like down 40% from recent lofty highs.

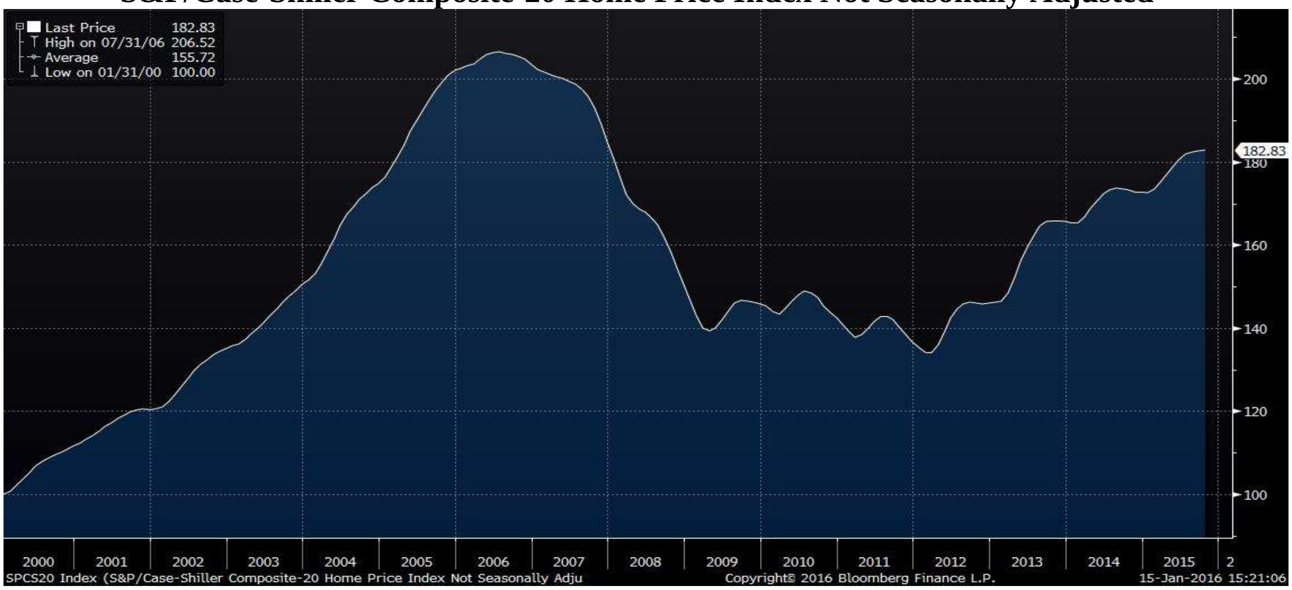
US Severely Adverse Scenario Commercial Real Estate Price Index (Level)



Source: Bloomberg, Federal Reserve

Fortunately, outside of government contracts which have timing/administrative risk, but no credit risk, all of our collateral currently is residential in nature, which, as you can see from the graph below has had less of a bounce up, so the 'severely adverse', i.e. non-manipulated market clearing, price for this collateral is perhaps only down 20-30% from current levels. At current LTVs, we would still be fine with everything we have in that scenario, though we would probably transition from a lender to a property manager fairly rapidly!

S&P/Case-Shiller Composite-20 Home Price Index Not Seasonally Adjusted



Source: Bloomberg, S&P/Case-Shiller

As we have commented in recent quarterly letters, it has been challenging to make loans that meet both our stringent quality standards as well as our return hurdles. Unlike most of the world, we would be fine with a decline of 20-30% in asset values and tighter monetary conditions over the next year or two, which, in combination with the mountain of commercial loans that need to be rolled over, should be an ideal environment for the Fund.

Portfolio Composition

After a difficult October and November, it was pleasing to get three loans closed in the last two weeks of December (and still have some time for making merry at Christmas). The following is a review of the portfolio as of year-end with new additions first.

I) First lien on a 5.61 acre residential property containing a 2,935 sq. ft. home being remodeled in Greenwich, CT. The loan was originated by TFP in December 2015.

Loan Balance: $1,800,000 (initially $1,050,000 at closing with $750,000 remaining to disburse)
Annual mortgage rate: 14%
Maturity: 12/18/16
Payment: Quarterly
Prepayment penalty: 9 months of interest minimum
Funds in escrow: NA
Status: Performing
Default rate: 20%

II) First lien on a 7,484 sq. ft. home in NW, Washington DC. The loan was originated by TFP in December 2015.

Loan Balance: $2,000,000
Annual mortgage rate: 14%
Maturity: 12/23/16
Payment: Monthly after initial six month period
Prepayment penalty: 10 months of interest minimum
Funds in escrow: $175,000 includes interest reserve
Status: Performing
Default rate: 20%

III) First lien on a 12.9 acre commercial property zoned for multi-family development in Vineyard, UT. The loan was originated by TFP in December 2015.

Loan Balance: $2,750,000 (initially $1,800,000 at closing with $950,000 remaining to disburse)
Mortgage rate: 15% flat ($412,500)
Maturity: 6/30/2016 with 3% monthly interest on any remaining balances until 12/31/16
Payment: Upon closing of townhome sales
Prepayment penalty: NA
Funds in escrow: $40,000
Status: Performing – All units presold
Default rate: 36%

IV) First lien on a 157 acre ranch with home in Peoa, UT. The loan was originated by TFP in December 2014.

Loan Balance: Up to $1,000,000 ($855,000 now disbursed)
Annual mortgage rate: 14%
Maturity: 6/22/2016
Guarantees: personal guarantee of Borrower and his wife
Payment: Monthly
Funds in escrow: $8,240
Status: Performing
Default rate: 24%

V) First lien on a .65 acre residential property containing an 8,095 sq. ft. home in Ponte Vedra, FL. The loan was originated by TFP in February 2015.

Loan Balance: $1,700,000
Annual mortgage rate: 15%
Maturity: 2/2/16
Payment: Monthly
Prepayment penalty: NA
Funds in escrow: $27,000
Status: Performing
Default rate: 20%

VI) US Government contract factoring – Discount factoring of US government contracts. Returns are 20% plus. Current exposure: $250,000 monthly/running.

Real Estate Owned: NA

Individual Credit Review

I) The borrower is a repeat borrower whom we know quite well. He is both honest and capable, though somewhat unconventional. The property is located in Greenwich, CT, i.e. there will always be demand for this property. We do not anticipate any issues with this loan. However, the second phase does take the form of construction draws, so we will need to manage the progress payments, lien releases, etc., which adds some risk and complexity. This loan will likely be out for at least the one year term, at which time, it will either be refinanced with a conventional mortgage or the property will be sold.

II) This loan is the classic 'transitional' loan, which came to us from a new source. The collateral is very high quality – great property and location – with no moving parts, i.e. completed in 2004 with no construction involved. The complexity is the borrower's situation. Specifically, there is not sufficient cash flow currently to support the loan, hence the six month interest reserve. The borrower expects significant cash flow to materialize by spring time from government contracts, which are in jeopardy if she has a loan default on her credit report. Hence, we are bridging her to the anticipated pick up in business. All are in agreement that if the cash flows are not materializing by May, a sale of the property will be the exit strategy.

III) We have financed this developer in the past and know him well. In fact, he and his partners have a thriving business developing investment properties in Utah County. While we have a senior lien on all property and plans, permits, etc., this is a development deal and thus financed at a significantly higher (equity-like) rate of return. Further, the loan has again been structured creatively to accommodate the developer's needs related to development and sale. We were also diligent in making sure i) there was ample skin in the game behind the Fund's loan and ii) we reserved the required bonding amount so there was nothing in the way of completion once our final funds went into the deal. Most importantly, ALL the units in the development are pre-sold with earnest money down. We feel quite good about this opportunity, though will look forward to the de-risking stage after the development is completed, the plat is recorded, and closings commence. We anticipate this starting in early March.

IV) This loan took the form of a payoff of existing liens, a small cash takeout, and the rest earmarked for property improvements to prepare it for a sale. The Fund also holds the water shares for the property as collateral. (This is quite important for property in Utah and other mountain states.) The property is located 15 minutes from Main Street Park City and is worth $3-4MM though fairly illiquid. The borrower has drawn approximately $55,000 of additional funds to improve the property and pay for plans and approvals. We expect either a sale or foreclosure in the next 6 months. Either is fine!

V) The borrower is an LLC. One of the members in the LLC had a pre-arranged right to buy the property at an attractive price as part of a rent-to-own lease. TFP funded the LLC's acquisition of the property for the commercial purpose of reselling the property. It is currently on the market for $2.5MM. Since a closing is not going to happen prior to the Feb 2 maturity date, the borrowers have exercised their option to pay an extension fee and extend this loan for an additional six months While we would be very happy to own the property at our loan value, we continue to think that is unlikely.

VI) Our target remains to increase this activity to over $1MM monthly on the books by year end 2016.

Supply Pipeline and Outlook

Finishing the year so strongly in terms of closings was important. While we still have substantial cash on hand, we can be a little more patient now that our monthly earnings run rate for the first half the year is at our hurdle rate. Honestly, we like having cash in the current, increasingly stressed environment. Q1 is historically a slow time of year once year end business gets wrapped up. Hopefully, we can find $5-10MM of solid opportunities in the first half to avoid a lean fall like 2015. Still, as we have emphasized in the past, we would rather do nothing than do something that loses our investors' capital.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. We hope you had a great holiday season and wish you a healthy and happy 2016. This year is setting up to offer a conducive environment in which to operate. It will be up to us to execute effectively. Of course, we will continue to take prudent risks with preservation of capital as the first priority. Please feel free to call any of us here at ASA if you or others you know have questions about the Fund or would like to discuss current opportunities and our investment management services.

Sincerely,
/s/ Rob Albright
Managing Member
TF Managers LLC

Privacy Policy Notice

Under rules of the Securities and Exchange Commission or other regulatory bodies, financial institutions like Alternative Strategy Advisers LLC (ASA) and its affiliated entities* are required to provide privacy policy notices to their clients. We believe that protecting the privacy of your nonpublic personal information is of the utmost importance, and we are committed to maintaining the privacy of your nonpublic personal information in our possession. As required by the rules, we are providing you with the following information.

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on managed account agreements or fund subscription documents and related forms (for example, name, address, Social Security number, birth date, assets, income, and investment experience); and

- Information about your transactions with us (for example, account activity and balances).

We do not disclose any nonpublic personal information about our customers or former customers to anyone other than in connection with the administration, processing and servicing of customer accounts or to our accountants, attorneys and auditors or as otherwise permitted or required by law.

We restrict access to nonpublic personal information about you to our personnel who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural controls in keeping with federal standards to safeguard your nonpublic personal information.

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*Affiliated entities include ASA Tax Advantaged Relative Value Fund L.P., ASA Tax Advantaged Advisors LLC, ASA Municipal Convergence Fund L.P., ASA Convergence Partners LLC, Enhanced Municipal Managers LLC, ASA Managed Account Managers LLC, Transitional Funding Partners LP, TF Managers LLC, and Occum Partners LLC.