TRANSITIONAL FUNDING PARTNERS LP
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Minnetonka, MN 55305
(952-847-2450)

April 20, 2017

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 10.25% for the first quarter of 2017. The Net Asset Value of the Fund was approximately $20.7 million as of April 1, 2017. Performance this quarter was enhanced by a one-time gain from liquidation of a distressed loan we purchased in March 2016. As always, this is good news and bad news. The good news is the strong returns generated by this negotiated payoff. The bad news is we now have more cash to reinvest in an environment that is short of attractive investments.

Enclosed please find your Limited Partner Statement for the first quarter of 2017 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

According to Jamie Dimon in his annual shareholder letter, a combination of excess regulation, stringent capital requirements, and a poorly functioning mortgage industry are all reducing lending to worthy borrowers. Further, if this additional lending were happening, it could increase economic growth by one percent or more per year. He goes on to observe the following:

> "I would like to focus on how liquidity policies may have impacted the effectiveness of monetary policy and lending. The chart on page 25 *(see below)* shows bank loans vs. bank deposits from 2006 to 2016. During the last several decades, deposits and loans were mostly balanced. You can see that stopped being true after the start of the great Recession. Today, loans are approximately $2 trillion less than deposits.
>
> Many factors may influence this scenario, but there are two arguments at the bookends about why this happened:
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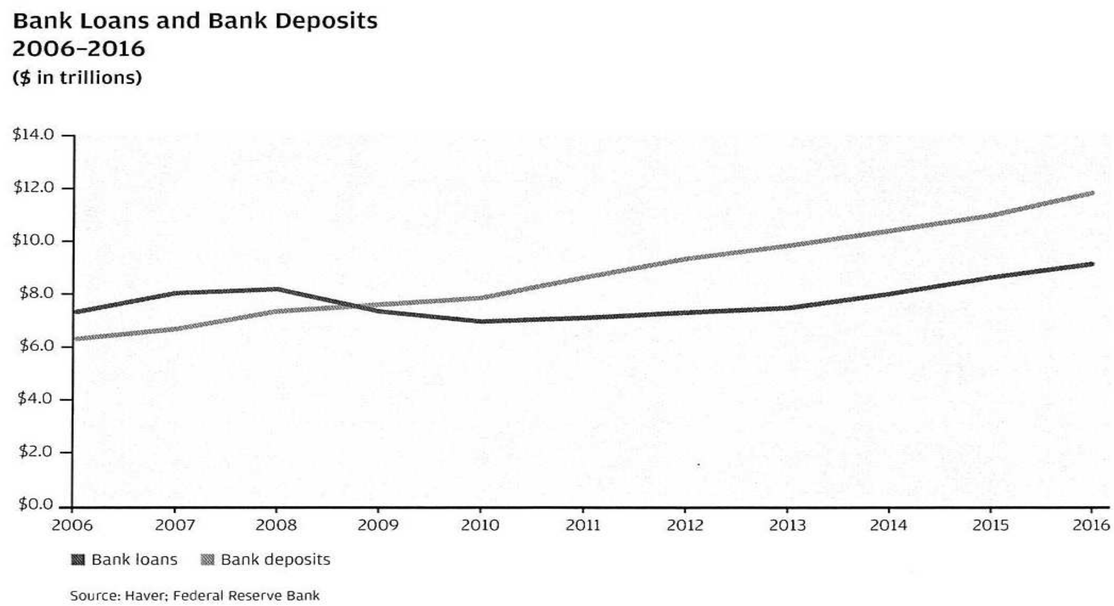
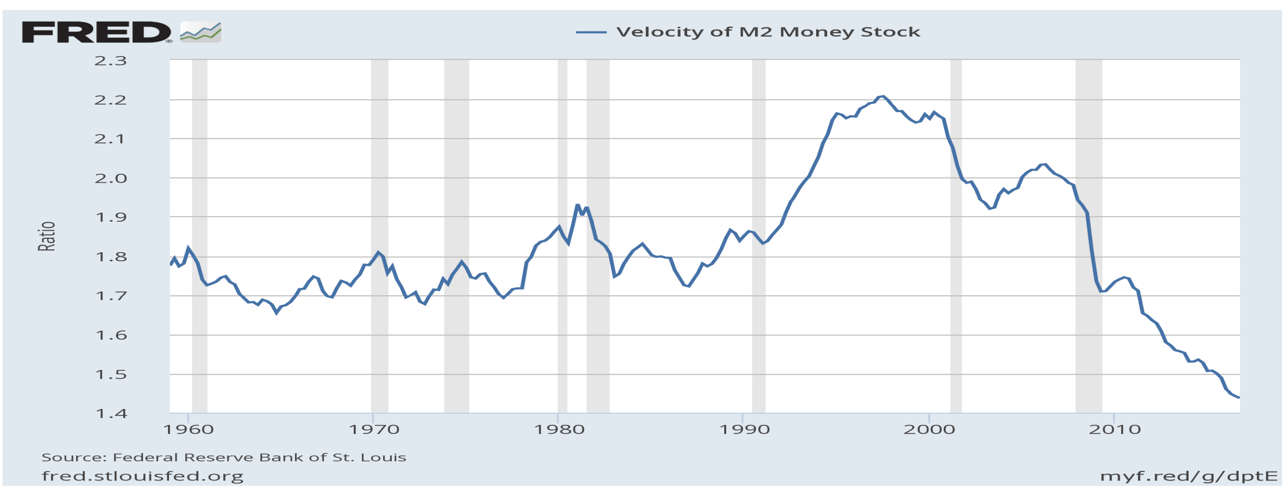
> - There was simply not enough loan demand due to a slow-growing economy
> - The new liquidity rules require banks to hold approximately $2 trillion at the Federal Reserve, whether or not there is loan demand."



The obvious question is, which is it? As he rightly points out, the two are at opposite extremes and clearly have very different implications for policy and economic activity going forward. If the issue is not enough loan demand because of a slow economy, even though money has cost almost nothing for nearly a decade, this implies there may be other structural factors at play – excess debt overhang, poor demographics, skill deficits, etc. – which may not be solvable with conventional monetary policy and may have very little to do with the capital or regulatory burdens on banks. It implies permanently slower growth and the possibility of very cheap money for a long time without meaningful effects on goods and services inflation, though asset inflation would likely emerge and produce a real threat to financial stability.

Conversely, if slow loan growth is purely a result of regulatory missteps, as Dimon would like to suggest because it benefits the bottom line of his bank, that should get fixed by President Trump and/or the Fed in the first six months of the new administration and the economy should be off to the races (as markets seem to be anticipating). It would be nice if it were that simple!

Our inclination is that the former is more likely the case and that sustaining growth in loans, money supply, and thus the economy may be a struggle over the next decade or two. This may be further complicated by distortions in asset markets resulting from excessively easy policy which could serve to add volatility to an already flatter trend line. While the Fed's bloated balance sheet certainly makes historical comparisons suspect, velocity of money does seem to confirm this longer term trend.



As always, our task is to try and boil these larger trends down to how they impact the Fund and its potential opportunity set. Our feeling is that in recent years, almost anyone with a pulse, and an idea that made even a modicum of sense, could get a loan, i.e. money has been extremely easy. What makes the current position of the economy so precarious is that even with essentially free money and bloated Central Bank balance sheets, the only thing keeping financial conditions "easy" is extremely elevated equity – and we'd also say commercial real estate – prices (see Bloomberg's Financial Conditions Index below).

Source: Bloomberg

This is very likely unsustainable and makes our job difficult: Money is very easy, so nearly anyone can get a loan at an attractive price. To make matters worse, the assets supporting these loans are almost certainly inflated substantially and in the next negative credit cycle are likely to drop significantly in value. Finding situations where you get fully compensated for risk while also maintaining acceptable LTVs and realistic asset valuations is becoming increasingly difficult. This certainly means slow growth for the Fund until the environment changes.

Portfolio Composition

We made one loan in Q1 and negotiated a very favorable payoff of the Willistom Apartments loan that had been in forbearance. This payoff generated the bulk of the Fund's outsized returns for the quarter. As implied above, we are seeing more existing borrowers struggling with liquidity and/or prospective borrowers with increasingly 'hairy' collateral for proposed loans. Nonetheless, we continue to try and separate the wheat from the chaff in order to keep the Fund's capital deployed. The following are the loans in portfolio at quarter end:

I) First lien on four condominium units in NW Washington, DC. The redevelopment of the property is completed and the final certificate of occupancy or equivalent from DCRA is imminent. At that point, our borrower can execute contracts to sell the units and we will be paid from proceeds at closing. While there is a seven month interest guarantee on this loan, it is likely most or all of it will be prepaid before then. The loan was originated by TFP in February 2017.
Loan Balance: $2,000,000
Annual mortgage rate: 14%
Maturity: 02/03/2017

Payment: Monthly after initial six month period
Prepayment penalty: Seven months of interest minimum
Funds in escrow: $165,700
Status: Performing
Default rate: 20%

II) First lien on three parcels of land, one in Hudson, WI and two in Grand Forks, ND. The parcel in Hudson is being developed into a Holiday Inn Express with an (existing) convention facility next door. The two lots in Grand Forks are highly desirable locations suitable for medical building development. The loan was originated by TFP in November 2016.

Loan Balance: $1,550,000
Annual mortgage rate: 12% of gross loan balance + 4 points upfront
Maturity: 11/15/2017
Payment: Monthly
Prepayment penalty: NA – Full 12 months interest due at payoff
Funds in escrow: $26,000
Status: Performing
Default rate: 20%

III) First lien on a 67 unit apartment building and six residential row houses in Baltimore, MD. Second lien on a five unit multi-family building and a commercial office building also in Baltimore, MD. TFP also holds a UCC-1 on all LLC personal property, the pledge of the member interest and a pledge of cash held in a 1031 Exchange account. The loan was originated by TFP in June 2016.

Loan Balance: $2,088,000
Annual mortgage rate: 14% of gross loan balance
Maturity: 7/1/2017
Payment: Monthly after initial ten month period
Prepayment penalty: 10 months of interest minimum
Funds in escrow: $43,000
Status: Performing
Default rate: 19%

IV) First lien on a 5.61 acre residential property containing a 2,935 sq. ft. home plus guest house 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 the remaining $750,000 now fully disbursed)
Annual mortgage rate: 14%
Maturity: 12/18/16 extended to 6/30/17
Payment: Quarterly
Prepayment penalty: NA
Funds in escrow: NA
Status: Performing
Default rate: 20%

V) 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 (now ended)
Prepayment penalty: NA
Funds in escrow: $25,000
Status: Default - Forbearance
Default rate: 20%

VI) US Government contract factoring – Discount factoring of US government contracts. Returns have averaged over 20% annually. Current exposure: $350,000 monthly/running.

Real Estate Owned: NA

Individual Credit Review

I) The borrower's previous loan matured a few months before she could get the condo units sold. This was arguably a case of being in the right place at the right time for the Fund. The previous lender needed his money back to close another purchase, so this borrower needed funds relatively quickly. We have no concerns about the collateral. This will likely just be a timing question, i.e. when do we get paid, which is largely in the hands of the planning and zoning staff at Washington DC DCRA.

II) We are waiting for the developer to secure his construction financing, which will be used to pay us off and then break ground on the hotel project. The weather is now conducive to construction, so we anticipate this should happen in the spring-summer period.

III) Development of the main property supporting this loan is ongoing with the occupancy rate now more than sufficient to cover debt service. The borrower is working on a refinance into longer-term construction and then permanent financing to repay us. This is anticipated in the next month. We will see how that evolves.

IV) The borrower is finishing development of the home. A six month extension was granted for additional compensation to the Fund. The borrower is having some liquidity issues at present, though we anticipate the debt will be serviced through June 30. We may agree to extend again if the loan remains current, though a refinance or sale is also likely. Alternatively, we estimate there is a slightly higher chance of a foreclosure proceeding.

V) The loan is now in default and accruing at the 20% default rate. We are very comfortable with the collateral, which is one of the best locations in Washington DC. We have agreed to forebear until next month, at which time the property either needs to be under contract or we will move to foreclose.

VI) This activity is becoming increasingly disappointing. The returns are fine, but it is not big enough to move the needle. The silver lining is that it is a fairly low maintenance activity for us, so we continue to engage with our partner here with the hope that volume will grow. On a side note, it has been interesting to observe the degree to which some federal agencies have almost completely shut down over the transition period. They now seem to be mostly up-and-running again, but it was surprising to see that the payment functions are seemingly not all done by career civil servants.

Supply Pipeline and Outlook

Unfortunately, very little in our pipeline converted into a loan in Q1. I won't look for ways to restate my commentary in the opening section of this letter, but will simply say we are seeing lots of chaff and not much wheat! We will remain relatively cautious, so we are positioned to be much more aggressive when the next negative credit cycle hits.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. 2016 was a solid year for the Fund and 2017 is off to a very strong start. We are pleased to have been able to harvest one of the 'kickers,' i.e. one-time capital gains, we have asserted was possible periodically. We'll now need to find a good home for that capital promptly so it is not a drag on performance. 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 or 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.

*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.