TRANSITIONAL FUNDING PARTNERS LP
601 Carlson Parkway
Suite 1125
Minnetonka, MN 55305
(952-847-2450)

October 19, 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 1.64% for the third quarter of 2017. The Net Asset Value of the Fund was approximately $21.6 million as of October 1, 2017. The good news is that we are receiving full repayment on some of the portfolio loans which were a bit troubled. Obviously, that leads to the bad news that a majority of the Fund is in cash at time of writing.

Enclosed please find your Limited Partner Statement for the third 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

We first observe that the unwind of Quantitative Easing purportedly began at the beginning of October. While this will be a long process with potential multi-dimensional unintended consequences, one can speculate that, as the unwind occurs, bank reserves at the Fed will decline and some other buyer or source of liquidity will have to replace them. This should be restrictive and/or serve to drain liquidity from the system and thereby raise medium and longer term rates. The big unknown is whether the Fed manages to engineer this in the very linear, methodical way Chair Yellen laid out at the last FOMC meeting or if the market's response is far less orderly. It also appears at this point that another Fed Funds hike is on the table in December and that the Fed is remaining outwardly committed to two or three further tightenings in 2018. In short, the trend for the cost of money appears to now be definitively higher, albeit starting from near zero. It will take years at the current pace to reach anything approaching 'normal' financial conditions.

We also submit that there simply aren't as many good lending opportunities as there were even two or three years ago. More of the proposals that come across our desk are development deals and/or deals requiring stretched valuations or rosy scenarios for the numbers to work. There is nothing inherently wrong with development, but it is by nature more speculative and higher risk. Further, it is often the case that when the numbers 'work' for the developer, they are asymmetrically skewed against the lender, which is a scenario we are quite keen to avoid, though this is inevitably what happens at the end of a credit cycle.

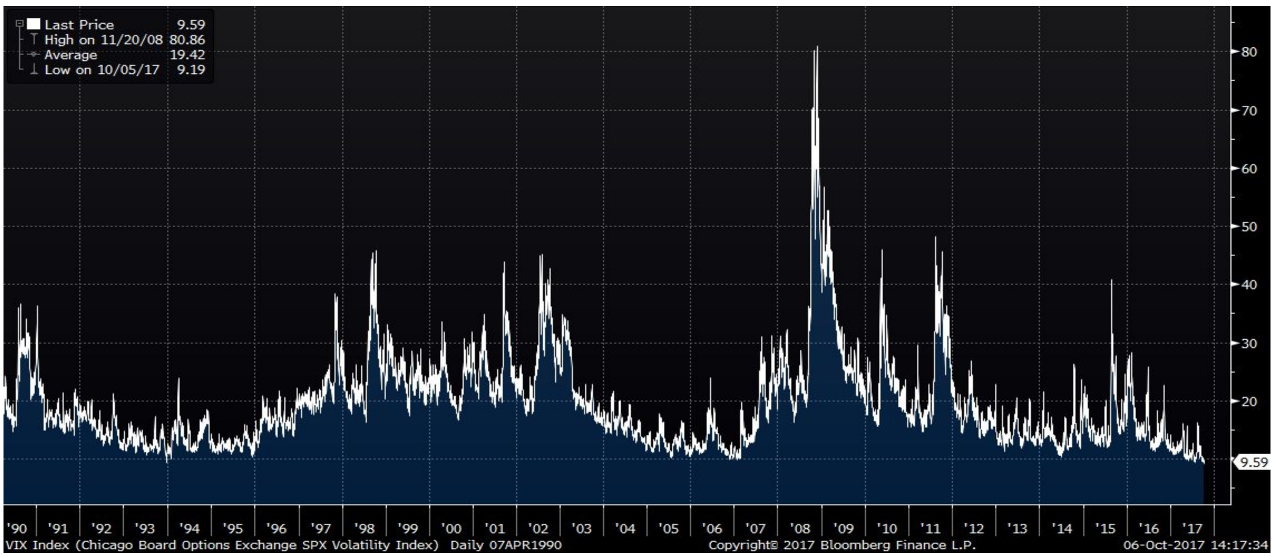
Finally, valuation has been a concern of ours for several months and it is only becoming less attractive with each passing day. The equity market is the most transparent example of this reality. We took a look at some defining metrics of historic rallies/bubbles of the past to put the current rally (2009-present) in perspective:

	% Return	Years	Market cap/GDP at peak	Post peak decline
1921-29	450%	8	89%	87%
1932-37	300%	5	71%	49%
1994-2000 (S&P)	240%	7	153%	48%
1994-2000 (NDX)	1,046%	7		83%
2009-17 (S&P)	265%	8	149%	?
2009-17 (NDX)	475%	8		?

Source: Bloomberg, FRED

It is always hard to call tops, but the epic rally of the last eight years is certainly of the same magnitude as great booms (and potential busts) of the past, which, at the very least, requires us to be extremely vigilant. The fact that the Volatility Index (VIX) is at historic lows only heightens our concern.

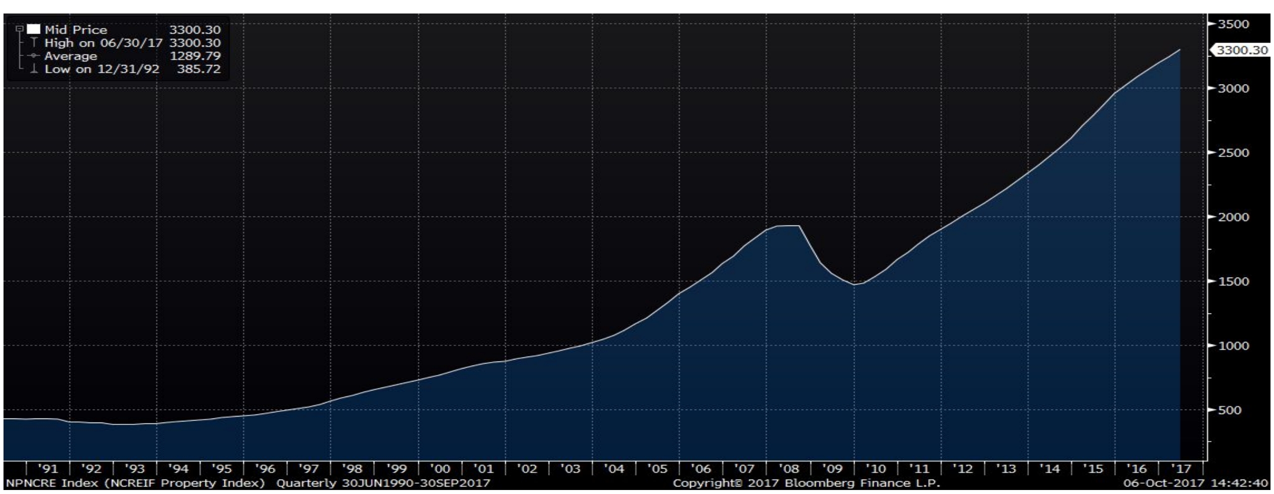
CBOE SPX Volatility Index



Source: Bloomberg

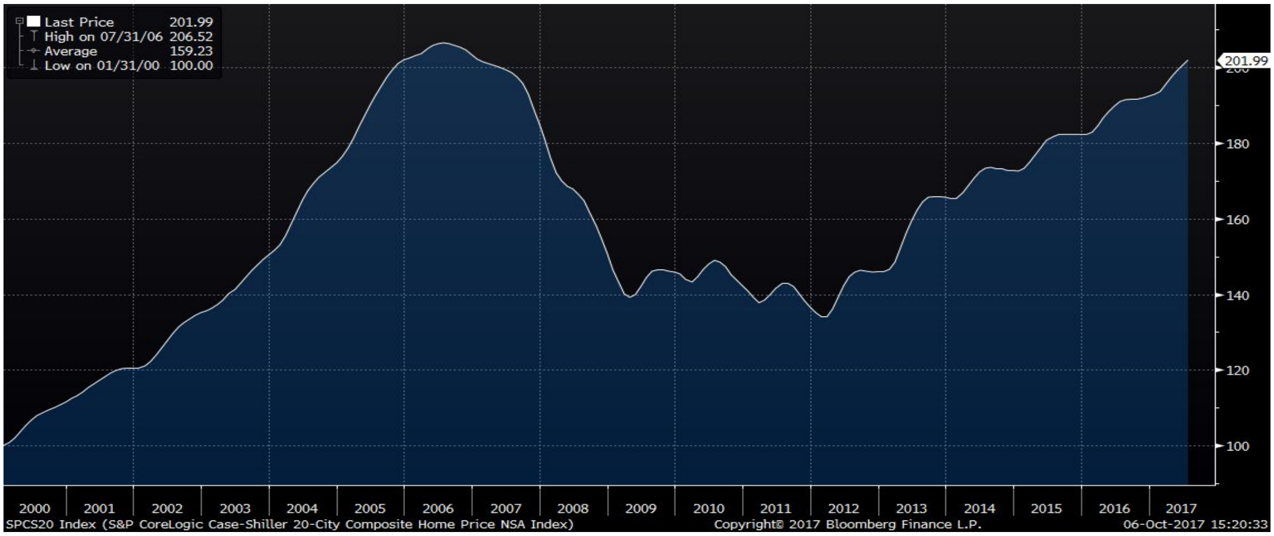
While these are more macro observations about the overall pricing of assets and risk, we clearly maintain specific focus on real estate valuations and what a reversion to something more normal would do to our collateral (commercial: NCREIF and residential: Case Shiller).

NCREIF Total Property Index



Source: Bloomberg

Case-Shiller 20-City Composite Home Price Index

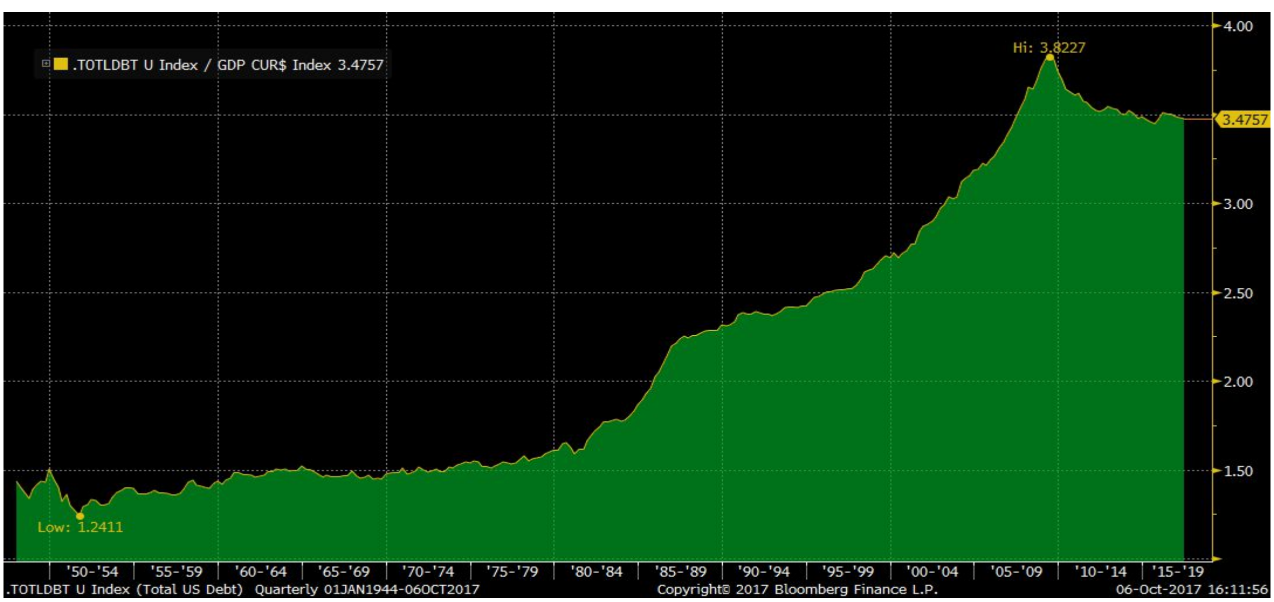


Source: Bloomberg

While it is quite difficult to predict exactly when this epic bull market might end, it is not at all hard to imagine at least commercial prices returning to the '07 peak when it happens. That is down about 42% (with residential appearing less stretched). Consequently, we struggle to lend over 50% of what is deemed 'market value' at this point in the cycle, which makes it challenging to close loans. Nonetheless, we will continue to try and find opportunities that meet our conservative underwriting standards while hoping valuations revert to something more rational to allow us to put capital to work in a more advantageous risk/reward environment.

The final "big picture' number we like to keep an eye on is debt to GDP. Leverage has clearly been the primary driver of "prosperity" over the past 30 years. It will be fascinating to see how the economy performs as the Fed steps back from managing both the level and price of debt, albeit very tentatively.

US Total Debt to GDP Ratio



Source: Bloomberg

Portfolio Composition

As mentioned previously, Q3 was a very uninspiring quarter for loan origination and acquisition. We received payoffs on two loans, which produced great returns for the Fund, and added none. We have some loans on our plate currently which have progressed to the stage of a commitment fee paid and diligence commenced. We expect to close at least a couple of those in Q4 and will also hope for a little year-end distress to acquire or originate two or three more. The following are the loans in portfolio at quarter end:

I) First lien on a residential property on Lake Minnetonka, MN. The loan was originated by TFP in June 2017.
   Loan Balance: $2,560,000
   Annual mortgage rate: 14% plus one point
   Maturity: 06/22/2018
   Payment: None. A twelve month interest reserve is in escrow
   Prepayment penalty: One year interest required
   Funds in escrow: $443,947
   Status: Performing
   Default rate: 24%
   Additional credit support: PG of third party

II) First lien on 101 +/- acres and water rights in Peoa, UT. The loan was originated by TFP in May 2017.
   Loan Balance: $950,000 ($650,000 disbursed, remainder as construction draw)
   Annual mortgage rate: 14% plus one point
   Maturity: 05/31/2018
   Payment: Monthly
   Prepayment penalty: One year interest required
   Funds in escrow: $306,112
   Status: Performing
   Default rate: 24%

III) First lien on a commercial parcel of land in Hudson, WI. The parcel is being developed into a Holiday Inn Express. The loan was originated by TFP in November 2016.
   Loan Balance: $1,000,000
   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: $26,354
   Status: Performing
   Default rate: 20%

IV) First lien on a 5.61 acre residential property containing a 2,935 sq. ft. home, nanny's quarters and a guest house being remodeled in Greenwich, CT. We have restructured this loan to provide some needed follow-on construction financing at an increased default rate. The loan was originated by TFP in December 2015 with additional financing provided in May-July 2017.
   Loan Balance: $2,100,000
   Annual mortgage rate: 14%
   Maturity: extended
   Payment: At maturity
   Prepayment penalty: NA
   Funds in escrow: NA
   Status: Restructured performing
   Default rate: 25% (current)

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

VI) Real Estate Owned: NA

Individual Credit Review

I) The current owner of the property needed to refinance loans which had come due and which were in default. He was able to negotiate an attractive payoff with the previous lenders but needed cash relatively quickly to get the deal done. In addition to the collateral, we also have an unconditional guarantee from a second party who has considerable net worth. The property is now listed for sale and it would be reasonable to think it will be sold in the next few months, though we are moving past prime selling season in Minnesota until into the New Year.

II) This is a repeat borrower who paid off a loan on portions of this same property in 2016. The loan paid off one remaining lien on the property and provided the borrower with some needed operating cash. His intent is to develop the land and repay the loan via the sale of new homes. He has started doing some basic development of roads/driveways, which will allow him to sell off individual parcels for future residential development. It seems unlikely at this stage that he will do more than this. Instead, he will likely sell the parcels to individuals and/or builders who will do the vertical construction. We are holding a portion of the loan in escrow to be drawn by the borrower for improvement of the property.

III) 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. It appears this has hit something of a snag so we are negotiating a possible extension or collateral exchange. We did receive a payoff of $550,000 and released the properties in Grand Forks, ND.

IV) The borrower has finished development of the home and guest house. It now simply comes down to selling it in a timely fashion. We are more than amply collateralized so not concerned with our exposure. The question will be when do we have to step in and require a sale to make sure our equity is protected.

V) This activity has been disappointing. The returns are fine, but it is not big enough to move the needle and is becoming more of a headache than it is worth. We are going to try and jump start volumes between now and year end and will reassess its continued viability then.

Supply Pipeline and Outlook

The ‘good’ news is there are some lending opportunities materializing and they are at attractive rates. The ‘bad’ news is they are primarily development deals rather than finished product. There are features of each deal that we think make them attractive, but our primary requirement is that LTVs remain low or, put another way, that the developers have substantial skin in the game behind TFP’s capital. We also require substantial presales before we are willing to fund. From a portfolio management perspective, we will try to keep development activity to no more than thirty percent of the fund to manage both risk and liquidity. Finally, we expect that some opportunities will materialize as we get closer to year end. This is not a certainty, but historically, we see the majority of our lending opportunities in the fourth quarter as people simply respond to the exigencies of year end.

Thank you for your support of Transitional Funding Partners L.P. and Alternative Strategy Advisers LLC. 2017 has been a good year thus far, though it does appear to us there are less attractive lending opportunities, more speculative requests, and fully-valued collateral to ‘support’ them. All of those can be indicative of a top in the credit cycle. We continue to try and keep capital working while being especially focused on how we will be repaid under even the most negative scenario. 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.