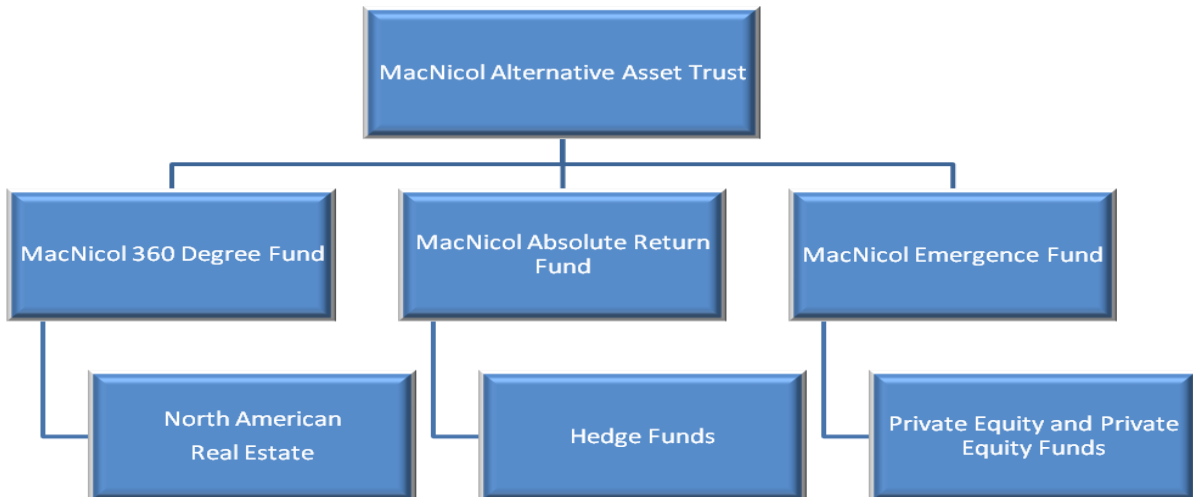




**Alternative Asset Trust Transparency Report: September 30, 2013**

The MacNicol Alternative Asset Trust is a multi-strategy, alternative investment platform designed to generate positive and uncorrelated returns against the public stock and bond markets. The Trust, through its underlying limited partnerships (see Chart 1 below), is invested in private real estate and mortgages, private equity, high yield bonds and multi-strategy hedge funds. Combined, the Alternative Trust is invested in more than 100 separate real estate projects, mortgages, hedge funds and private securities.

**Chart 1 – Investment Structure MacNicol Alternative Trust**



**Alternative Trust Performance Review:** The goals of the Alternative Trust are to generate positive “real” returns (after-taxes and inflation) each year, and to generate annualized nominal returns of 6%-8% over rolling five-year periods. We are pleased to report that as of September 30, 2013 the Trust has met both of its primary goals by generating positive returns that have exceeded inflation, and delivering an internal rate of return of 6.0% per annum from inception.

The Alternative Trust completed its first full year of operations in 2011 with a positive return of 3.6% and added a further 1.9% in 2012. Year-to-date 2013, the Trust is having its best year with a return of 9.5% as of September 30, and 11.7% over the last 12 months.

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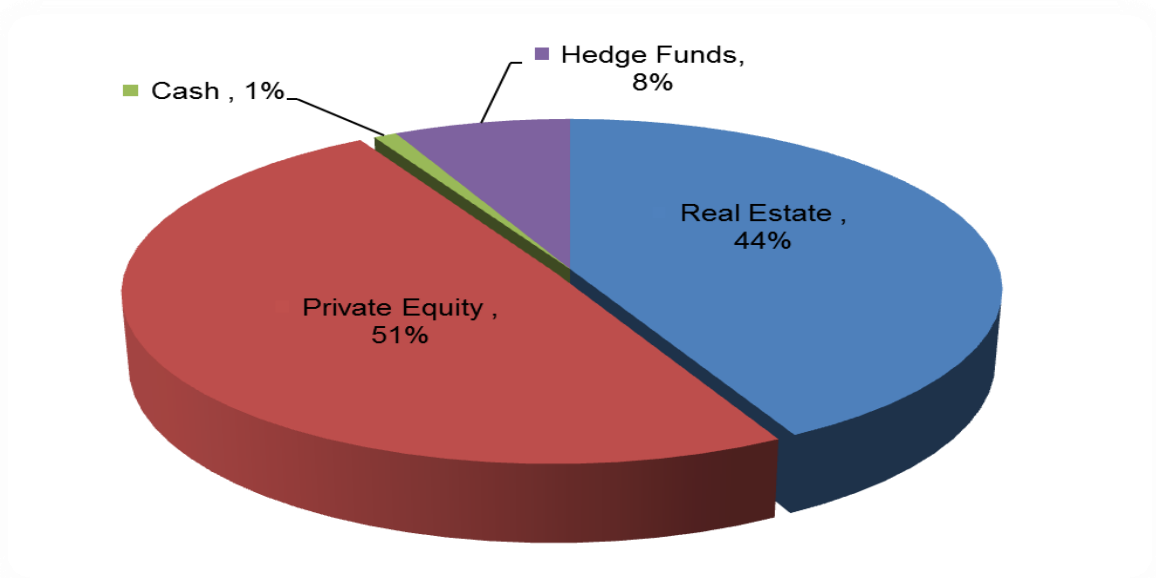


During the third quarter of 2013, the Trust realized its first two private equity exits with the sale of 41<sup>st</sup> Parameter (see Emergence Fund page 5 for more detail) and the successful public listing of Input Capital of Saskatchewan. These investments are the primary reason for the strong results year-to-date for the Alternative Trust. It is instructive to note that the sale of 41<sup>st</sup> Parameter represents only one of 15 private equity companies currently in the Emergence Fund. We expect more profitable exits to occur over the next 12-36 months, particularly from our investment in the Georgian Partners Private Equity Fund.

### Third Quarter Highlights:

During the third quarter of 2013 ending September 30<sup>th</sup> the Alternative Trust increased in value by 3.2%. Underlying the strong performance of the Trust were solid returns in private equity as well as positive returns from the Trust's hedge fund holdings. We believe we will see additional material gains in the Emergence Fund over the next several quarters as our private investments continue to grow their sales and earnings, enter into initial public offerings (IPOs) or are sold.

**Chart 2 – Alternative Asset Trust Asset Mix: September 30, 2013**



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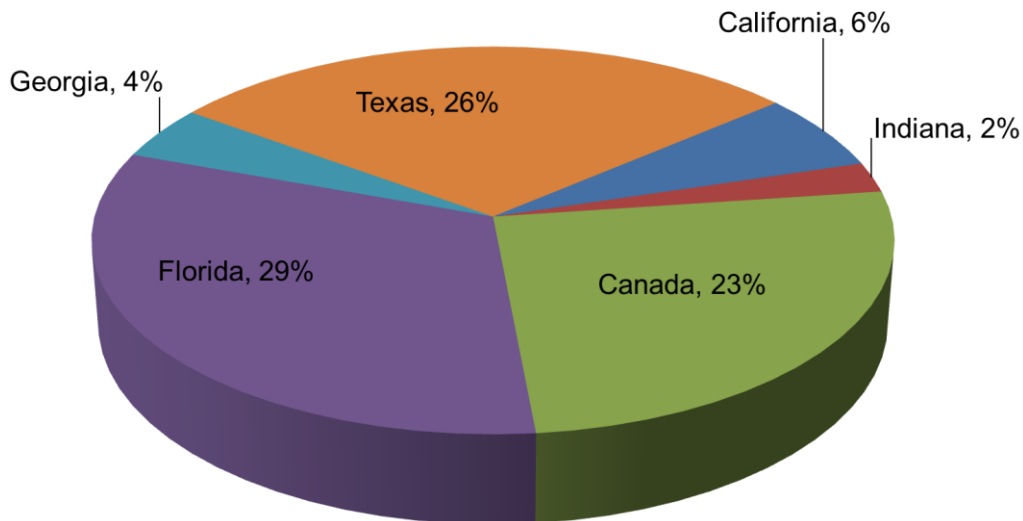




**North American Real Estate:** The second largest allocation within the Alternative Asset Trust is dedicated to North American private real estate through its investment in the 360 Degree Realty Income Fund. The “360 Fund” is a private real estate fund focussing on value-added projects in the United States and Canada. The 360 Fund invests in private real estate projects and mortgage funds through an expanding number of carefully selected platform partners. These partners are chosen for their high degree of local knowledge and experience in deal sourcing, finance, construction, and property management.

The 360 Degree Fund is invested alongside 13 platform partners in Canada and the United States, with two more partnerships pending for 2014. Through the existing 13 partners, the Fund has exposure to more than 100 separate real estate projects and six asset classes across Canada and the South Eastern regions of the United States. In 2012 the 360 Fund returned 10.95%, which was in line with our expectations. Year-to-date 2013, the Fund has gained 4.5%. During the third quarter of 2013, the 360 Fund invested in a fully-leased 578 unit Class A multifamily complex in Monterone Round Rock (Greater Austin) Texas. This complex was purchased at below replacement cost from a distressed seller, and it is a prime asset in one of the fastest growing regions of the U.S.

### Investments by Location



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Future investment opportunities in the 360 Fund's pipeline will be allocated to Class A multifamily projects in Texas and Georgia, office and industrial properties in Arizona, New York, Boston, San Francisco and Southern California (Rockwood IX Fund), and redevelopment projects in Southern Florida (13<sup>th</sup> Floor Value Fund II).

In addition to the Fund's investments in real estate projects and properties, the 360 Fund generates substantial interest income and capital gains from investments in U.S. commercial and residential mortgages and in private mortgage REITs. The pipeline for further investments in the U.S. commercial mortgage markets are very attractive with more than \$1.2 trillion dollars of distressed loans maturing over the next six years.

**Canada Real Estate Outlook and Investments:** Our core Canadian real estate investment continues to be with KingSett Capital of Toronto. The KingSett portfolio is comprised of more than 50 Class A and Class B office, multifamily, retail and industrial properties across Canada. These properties include the Bayshore Shopping Centre in Ottawa, 130 Bloor Street West retail/condominium complexes in Toronto and the Cherry Hill apartments in London, Ontario. KingSett management, led by Jon Love, are very disciplined capital allocators and are adept at incremental improvements leading to above inflation rental gains in their properties. Outside of this investment, we continue to believe that the risk/return for U.S. real estate is superior to most of what we see in Canada especially in multifamily, distressed mortgages and Class B office space in gateway cities.

**Private Equity – MacNicol Emergence Fund:**

The investment objective of the Emergence Fund is to generate capital gains by investing in a portfolio of privately held companies and private equity funds. The Fund seeks opportunities where capital exit strategies are clearly defined, and are likely to occur within a three-year time frame. The Emergence Fund invests in established private equity funds and directly in private companies with defensible franchises, high growth profiles and proven management. Investments will largely focus on profitable companies with high levels of proprietary technology addressing large target markets. The Emergence Fund is invested in three primary end markets: Agriculture, Data Analytics and Clean Energy. In agriculture, the Emergence Fund owns farmlands in Brazil, Uruguay

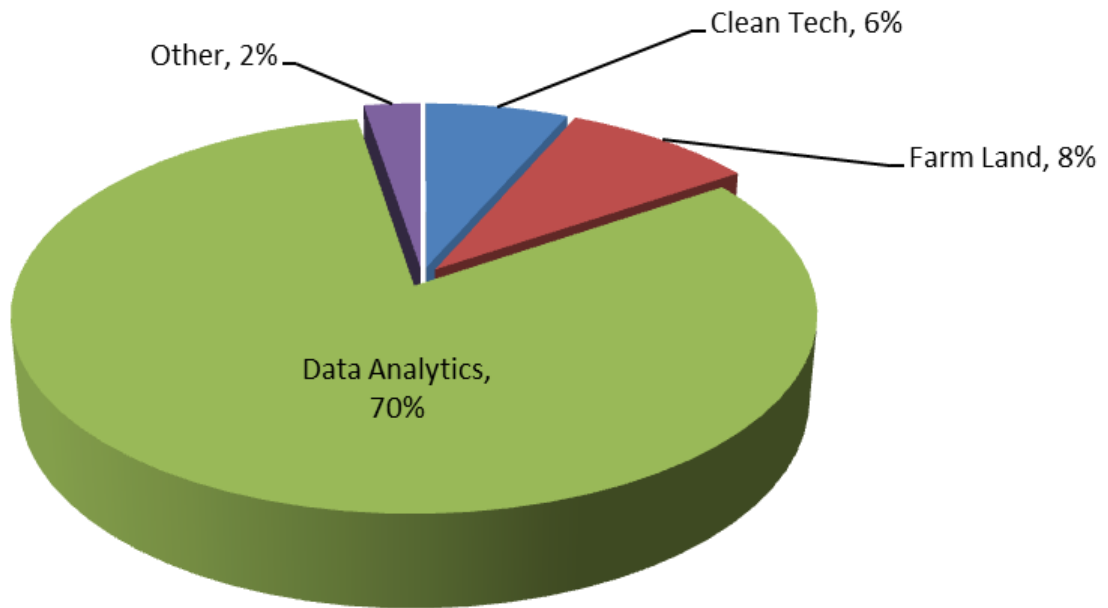
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and Saskatchewan all of which have increased in value this year as the world's population continues to grow.

### Emergence Fund Sector Allocation



The vast majority of our technology investments are in late-stage, revenue generating data analytics companies through our investment in the Georgian Partners Fund of Toronto. We were pleased with the performance of the Georgian Fund in 2012 and so far in 2013. The 10 companies currently in their portfolio grew revenues by more than 50% on average during 2012, and are all well positioned to take advantage of global enterprise software and security trends including cloud storage management, on-line security, mobile computing and the growth of smart phone platforms. The very successful sale of 41<sup>st</sup> Parameter to Experian in September 2013 for a 450% gain is a testament to the skill and knowledge of the Georgian team led by Justin Lafayette.

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### **Hedge Funds – Absolute Return Fund**

The investment objective of the Absolute Return Fund is to generate positive absolute returns under most market and economic conditions, and to have little or no correlation to the U.S. and Canadian stock markets. In order to achieve its objectives, the Absolute Return Fund invests in several value-added strategies managed by experienced and successful Canadian, U.S. and U.K. hedge fund managers. Most of these investments are not available in the public market and are typically not accessible to individuals and smaller institutions because of high minimum investment thresholds, often in excess of five-million dollars. Year-to-date 2013, the Absolute Return Fund has returned 6.0%. Investment returns within the portfolio have been broad based in 2013 with particularly strong performances from the Fund's investments in the Arrowgrass multi-strategy fund out of the UK and the BSP multi-strategy fund.

### **Closing Comments**

We are very pleased with the progress of the private equity, real estate and hedge fund components of the Alternative Trust which continue to perform to our objectives while showing positive growth in both up and down stock markets. With respect to the private equity component of the Trust, we believe we are at an important inflection point for several of our investments which will in turn drive significant positive returns for the Trust in the quarters and years ahead.

MacNicol & Associates Asset Management

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