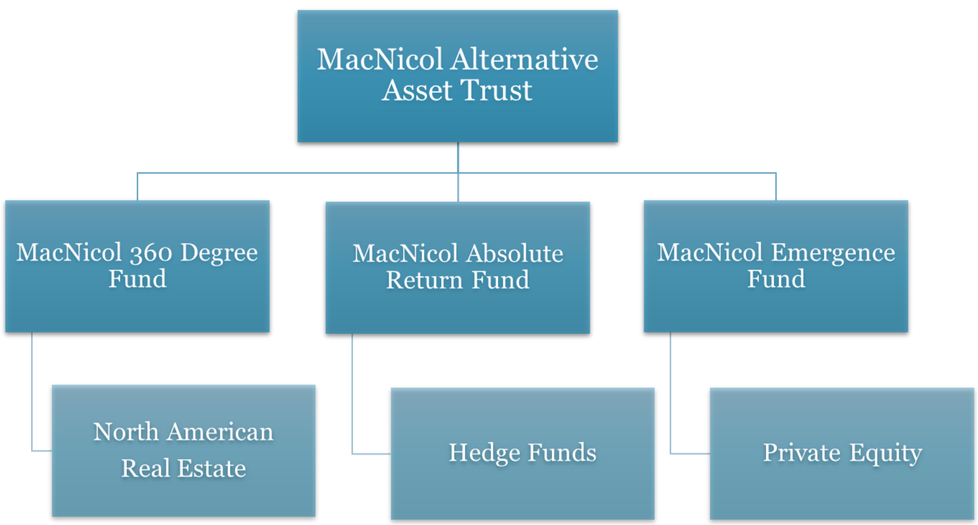
<u>Alternative Asset Trust Third Quarter Report: September 30th, 2018</u>

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, is invested in private real estate and mortgages, private equity and multi-strategy hedge funds. Combined, the Alternative Trust is invested in more than 150 separate real estate projects, mortgages, hedge funds and private securities. The advantage of combining different alternative asset classes and high yield investments into one Fund includes tremendous diversification, enhanced liquidity, more predictable and less volatile pattern of returns when compared against the performance of the individual asset classes themselves. The alternative trust's structure is described below in Chart 1.

Chart 1 – Investment Structure MacNicol Alternative Trust

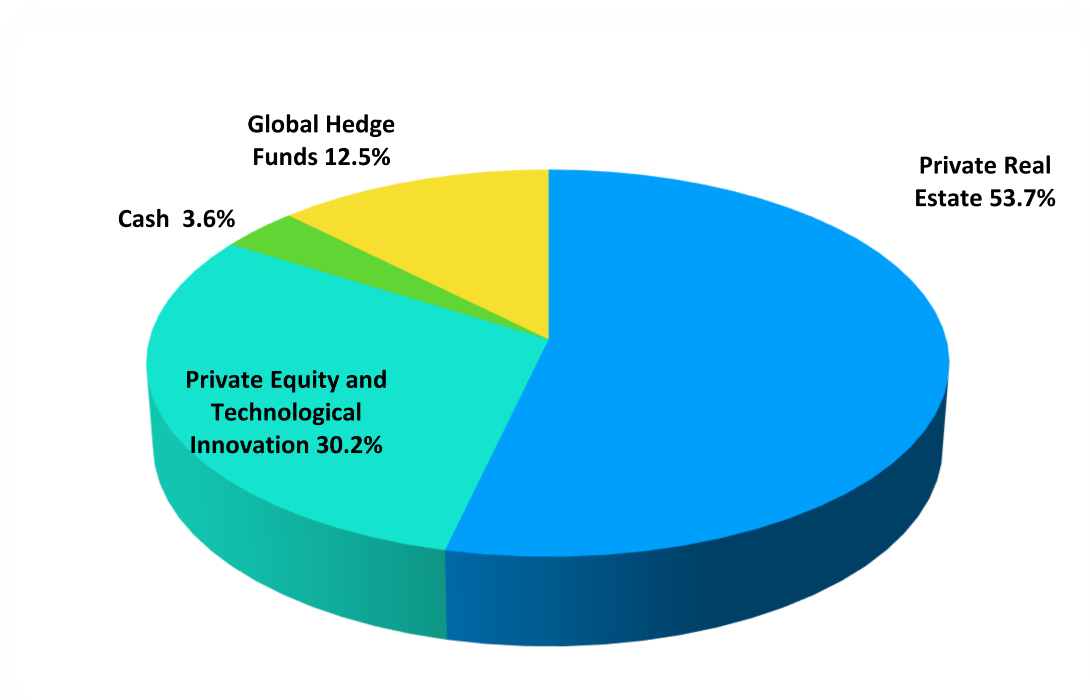


Alternative Trust Review: The goals of the Alternative Trust are to generate positive "real" returns (after-taxes and inflation) each year, and to generate annualized nominal returns of 6%-8% over rolling five-year periods. We are pleased to report that as at September 30th, 2018 the Trust has met its primary goals by generating a positive 1-year return of 7.5% and a 5-year return of 10.0%.

The 3rd quarter of 2018 was marked by trade negotiations between the United States and its key global trading partners. The evolution of these negotiations impacted market

performance in many ways. For example, US small and medium sized firms performed well in late August as investors viewed President Trump's protectionist trade policies as beneficial to firms with a domestic focus. The Russell 2000 and NASDAQ indexes both peaked on August 27th, 2018. On the other hand, larger multinationals like the components of the Dow Jones Industrial Average peaked in late September as trade rhetoric declined and greater clarity and trade deals began to surface. Precious metals such as Gold were forced lower in the quarter by investors who felt the US federal reserve was raising interest rates at a pace appropriate to contain inflationary pressures yet destabilize economic growth. US Monetary policy also drove the US Dollar higher and Emerging Markets (many of whom borrowed extensively in the large US Bond market and who now have higher interest payments) lower. More severe pain was felt by Emerging Markets that distanced themselves from pro-business, reformist agenda such as Turkey. Energy prices were generally higher during the quarter on moderating inventory levels however a rising spread between US and Canadian crude prevented investors in Canadian energy names from profiting. Refinery shut downs in the United States only compounded the glut of Canadian oil seemingly stuck in Alberta.

Chart 2 – MacNicol Alternative Asset Trust Asset Mix September 30th, 2018



Alternative Trust Third Quarter 2018 Highlights

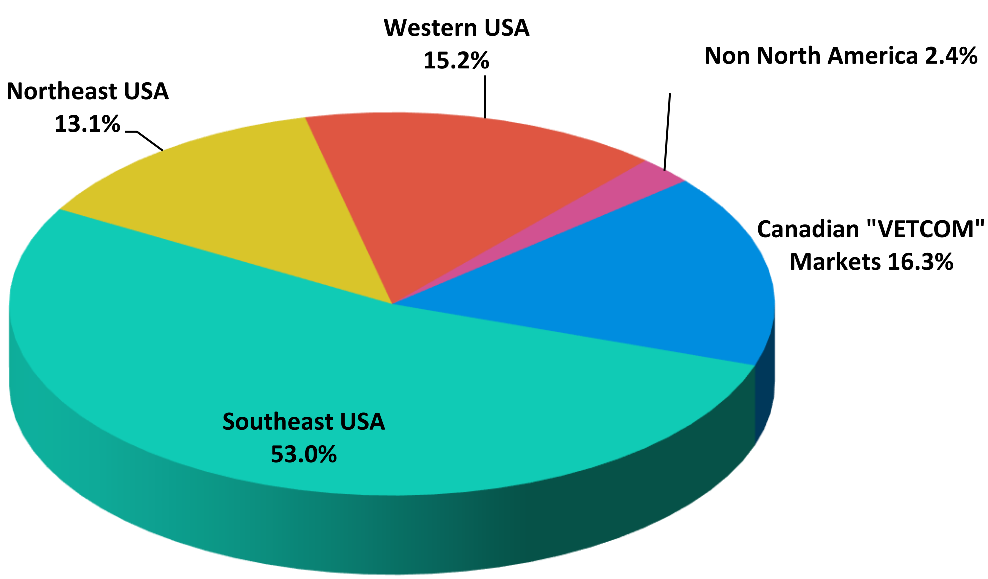
During the third quarter of 2018 the Alternative Asset Trust rose by 1.0%. Global Hedge Funds were largely flat for the quarter as investors re-assessed the short-term risks of holdings in Emerging Markets. The MacNicol Absolute Return fund prioritized a focus on the long-term, choosing instead to add to positions in select Emerging Markets such as India while noting that not all Emerging Markets are created equal. Private Equity and Technological Innovation were lower during the quarter primarily reflecting weakness in Latin American agricultural technology in July and August. We note that a much larger portion of the Emergence Private Equity Fund is allocated to data analytics [56.7%] and expect holdings in that area to begin reporting in October with results trending above expectations. Accordingly, Emergence should be a net contributor to performance during the final quarter of 2018. After a brief period of uncertainty in real estate the MacNicol 360 Degree Realty Income Fund performed well during the quarter, particularly in August and September. Cash flows into the fund confirm that well priced, conservatively levered, multifamily residential real estate is the bedrock of any sound real estate strategy. As 2018 begins its swan song quarter, the Alternative Asset Trust stands ready to do what it does best, which is enhance risk-adjusted returns through better diversification and access to opportunities previously reserved for the uber wealthy.

North American Private Real Estate: 360 Degree Realty Income Fund

The Alternative Asset Trust invests in North American real estate through the MacNicol 360 Degree Realty Income Fund. This fund focuses on value-added projects in the United States and Canada. The Fund also invests in financing through the residential and commercial mortgage funds of carefully selected sponsor firms. All sponsors are chosen for their high degree of local experience in deal sourcing, finance, construction, and property management. The fund has exposure to more than 140 separate real estate projects and 6 different asset classes across North America. **Chart 3** highlights the regions of North America in which our real estate projects are located as at September 30th, 2018.

360 Fund Fourth Quarter Highlights: For the 3rd quarter of 2018, the fund rose by 6.5% in base currency terms and 8.5% in local currency terms. A larger than expected stream of cash distributions from multifamily residential transactions confirmed the ongoing demand for this product type on the part of institutional investors. Cash distributions from the commercial segment of the fund reflect primarily retenant and leasing efforts that we wrote about earlier, but which are now beginning to impact financial reporting. Broad based US economic growth translated into firms continuing to lease in Tier 1 gateway markets, but it also saw the emergence of a new trend; a push by corporate managers into secondary markets. A variety of factors propel commercial real estate valuations such as the pro-business agenda of the Trump Administration, the fiscal stimulus provided by the Tax Cut and Job Act of 2017 and a Fed that continues to normalize policy at the appropriate rate. However, our view is that the two primary propellants of commercial real estate include strength in the labor market and liquidity. Employment growth is a (and we would go so far as to suggest the key) proxy for leasing efforts. Second, a liquid capital market environment should continue to fuel transaction activity by supplying capital to market participants. The MAAM investment team does not view interest rate hikes in-and-of-themselves as a major headwind to real estate prices, especially in an environment in which liquidity remains robust.

Chart 3 – MacNicol 360 Degree Fund Geographic Mix: September 30th, 2018



*VETCOM (Vancouver, Edmonton, Toronto, Calgary, Ottawa and Montreal)

Commercial Real Estate: Commercial real estate's appeal to investors is rising due to supportive fiscal policy and liquidity on the part of (primarily) institutional investors looking to cash in. Tenants are benefitting from tax cuts and choosing to renew leases for longer time horizons and on more attractive terms to underlying asset owners. Private real estate equity markets continue to have strong inflows and it is this supply of equity capital that is dictating terms in more of today's transactions.

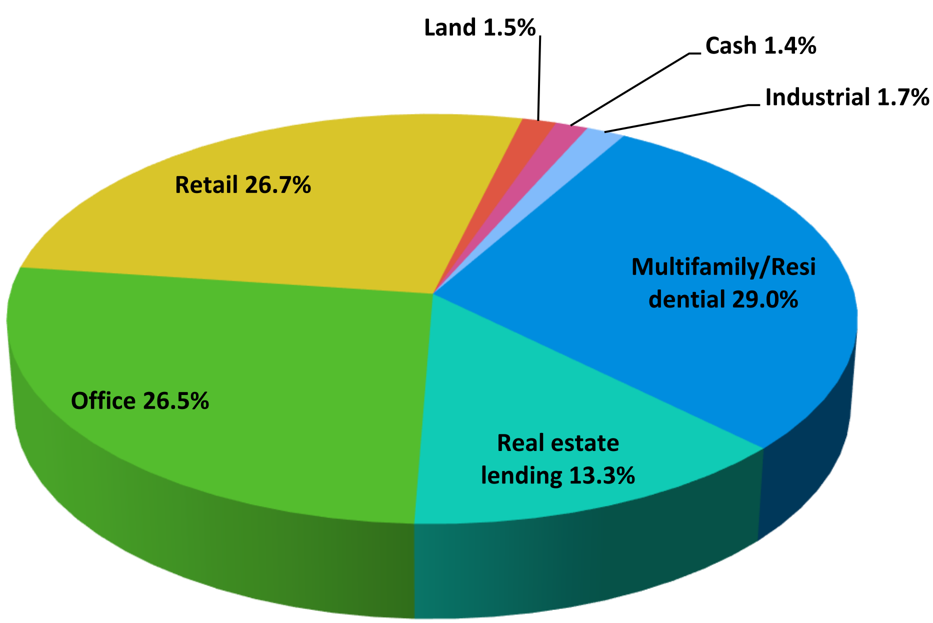
Multi-family Residential: The performance of multifamily residential real estate is driven by several factors most notably jobs, which are closely tied to vacancy levels. However, in this edition of the Quarterly Report we wanted to speak more directly to our focus on south east US Growth markets. As described in Chart 3, a significant portion of the fund is allocated to the US south east and this is not by accident. Between 2014 and 2015 the US south east added over 560,000 people or more than 750 per day. In comparison, New York, Illinois and California (each) lost more than 100,000 people. Looking ahead, the rate of population growth in the US south east is forecast to outperform the broader United States (5.6% vs 4.1%) lending merit to the thesis that an affordable, high quality of life is a strong propellant of migration to the south east. South east US states also had infrastructure spending that totaled 6.4% of all revenue, compared to a national average of 5.5% for the rest of the United States. The south east's infrastructure advantages have led to the logistics and manufacturing resurgence in the region. In short, people and product are moving to the south eastern United States.

Industrial: The industrial product type stands at an interesting inflection point. On the one hand, the growing interest in the medical and recreational cannabis industries would act to support industrial complexes that provide adaptable and flexible square footage. On the other hand, comparable NAV [Net Asset Value] discounts and trading metrics show that industrial assets can trade at values below those of peers in multifamily, office and retail. While not as reliable as multifamily or office, the industrial space does warrant attention since capital gains opportunities can be awarded to investors who find adaptable assets in growth markets.

Office: Office space, economic health and ample supply of capital only reaffirm our view that this product type was down but far from out. The MAAM investment team recently met with several New York based real estate firms focused on office space. Those meetings were positive and helped us better understand the transmission of US economic strength in Tier 1 gateway cities to secondary markets. Diffusion in Canadian "VETCOM" markets was also observed back home in Canada.

Retail: Retail is an asset class that continues to be misunderstood by the market. We view the misunderstanding as an opportunity to build a base in names that are cash flow generators and capital appreciation opportunities of today. Our holdings in the retail space have benefitted from low cost basis and inflationary pressures on pricing that has lagged other product types. Jacksonville Florida represents a market well positioned to benefit from the fallout of more competitive pricing pressure in markets such as Boca Raton and Miami. Obviously, the failure of 120+ year old Sears and others like it, pose a serious question mark for the retail sector. We mentioned earlier that labor market strength supports occupancy rates in other product types within the fund, however it also underpins the broader retail space, which is not dying but rather going through a disruption. Our investment team will look at opportunities in retail as we do at all real estate opportunities, carefully. We believe that heading into 2019 retail vendors will view secondary markets, like Jacksonville, as providing customers (and employees) with the right "work-life" balance that results in sustainable cost advantages moving forward.

Chart 4 – MacNicol 360 Degree Fund Product Type Mix: September 30th, 2018



Real Estate Portfolio Activity

Arium Station 29, Tucker GA

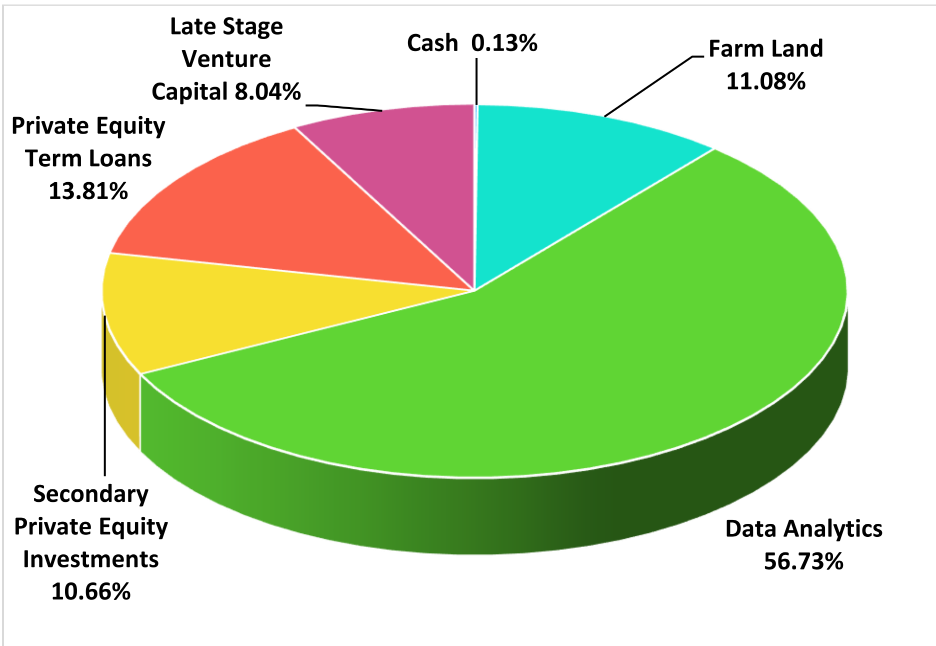
The 3rd quarter of 2018 was dominated by distributions in the multifamily residential space. Distributions in which the MAAM investment team noted price multiples more than 2x and internal rates of return (IRR) well into the double digits. Such multiples and percentage returns were awarded to attractive opportunities which capitalized on (mainly) labor market strength in the south eastern United States and the renter-by-necessity segment here in Canada. While broader market participants continue to lament over whether this is the 5th, 6th or 7th "inning" of a market cycle, the MAAM investment team views multifamily residential real estate as a product type more accurately described as being midway through a long-term secular bull run that could last the next 9-11 years. The MAAM investment team has a "blind faith" in nothing. We aren't undaunted pessimists. We just view our client's investment needs as something far too important to simply take someone else's word for. Luckily with multifamily residential real estate we don't have to take anyone's word for it, strong cash flows are all the proof we need.

Private Equity and Technological Innovation: Emergence Private Equity Fund, September 30th, 2018

Private Equity (PE) is an asset class consisting of equity securities and debt in private operating companies that are not publicly traded on a stock exchange. Private Equity is a source of investment capital from high net worth individuals and institutions with the purpose of investing and acquiring equity ownership in companies. PE has a low correlation to other asset classes, can act as counterbalance in the portfolio and can provide investors with overall capital appreciation where investments can benefit from additional operational expertise or capital. Private Equity investing is not a liquid investment and is not for the impatient. Private Equity has been seeing strong growth compared to other alternative assets. It has become increasingly important for firms to pursue differentiating

strategies in their investments. Private Equity can at times be difficult to value as no two investments are similar. Some valuations have gotten stretched or fallen below historical levels but typically are pushed and pulled back to its mean trajectory.

Chart 5 – MacNicol Emergence Fund Industry Mix, September 30th, 2018



The MacNicol Emergence Fund continues to focus on data. Later in the month of October the MAAM investment team will be hosting leading experts in the data area at our Data Intelligence Conference. The event will focus on early stage, Private Equity investments aimed at offering investors the opporunity to intelligently invest alongside some of the world's largest and most sophisticated investors. With that said, the Fund was off just over 3% for the quarter. Driven primarily by weakness in agricultural and farm land investments and the absence of reporting from the (much larger) data sector the fund struggled for traction during most of the Summer. Our investment team views the likelihood of the fund finishing positively in 2018 as a possibility, since Q4 will be a large reporting quarter for bigger areas of the fund. The weakness mentioned above was offset by cash distribution from two main areas, secondary Private Equity investments and term loans. Term loans are in their "harvesting" phase and we expect the pace of distributions to continue in the fourth quarter of 2018 and into 2019.

Private Equity Portfolio Activity

Tyson Steele helps Dental practices optimize their revenue streams.

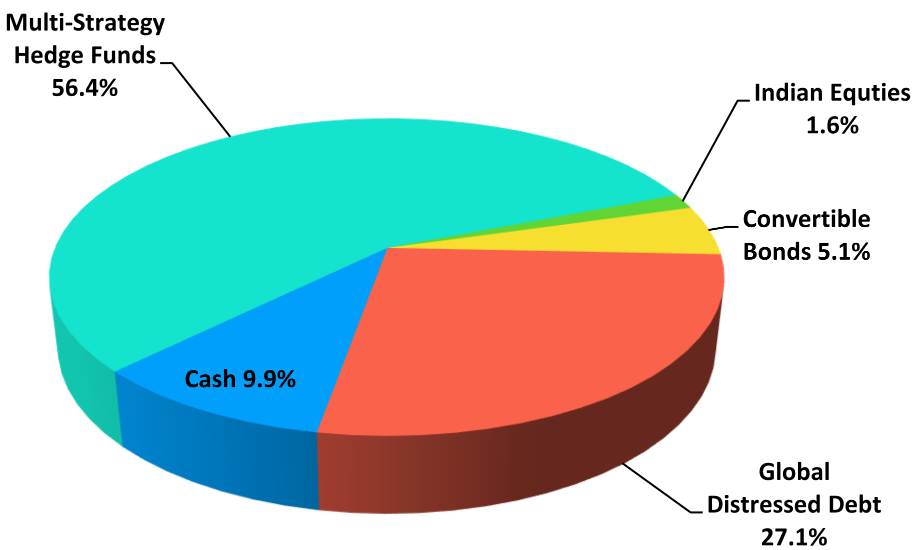
During the quarter the fund became a partner in Tyson Steele a cloud-based full service dental marketing firm designed to help Dentists build sustainable real growth in their practices.

Successfully marketing of a dental practice requires a multichannel approach, combining the right tactics to reach specific goals. In addition, the mix of marketing tactics should vary dynamically based on a Dentist's goal. Most dental marketing firms are really just sales firms: every Dentist gets the same recommendation. Tyson Steele uses state of the art website and data analytics to optimze patient and big case conversion. Dentists seeking more transplant or cosmetic cases can use Tyson Steele's proprietary technology to create not just online visibility but a visibility targetted to their needs.

Hedge Funds: MacNicol Absolute Return Fund

The objective of the MacNicol Absolute Return Fund is to generate positive returns under most market and economic conditions, and to have little or no correlation to the US and Canadian stock markets. To achieve its objectives, the Absolute Return Fund invests in several value-added strategies managed by experienced and successful Canadian, US and U.K. hedge fund managers. The fund's strategy mix is described below.

Chart 6 – MacNicol Absolute Return Fund Strategy Mix, September 30th, 2018



During the 3rd quarter of 2018 our hedge fund strategy was largely flat falling by 81 basis points (-0.81%). The performance of our Emerging Market strategy was hampered by US dollar strength in the quarter as many of our positions in the debt market pay loans configured with a variable rate US dollar peg. The fund initiated a position in Indian equities which were viewed as a good value during the quarter. More holistically, India was viewed as one of a short list of pro-business, reform mind nations worthy of inclusion in the fund. We believe that over the short-term, the funds Emerging Market investments will create volatility. However, we believe that the longer-term rewards for broadening one's perspective outside of North American will be richly rewarded.

Closing Comments

As equity markets reached levels many viewed as unsustainable in the short-term the Alternative Asset Trust did what it does best and that is diversify. Through its unique blend of strategies and with the support of the dedicated MAAM investment team the fund will continue to support investment portfolios both today and in the future.

Sincerely,

MacNicol & Associates Asset Management Inc.