Subject: Absolute Return Fund

Dear Investors,

I hope that you and your families are safe and dealing with the drastic - but necessary - adjustments to life in a post COVID-19 world. These continue to be unprecedented times with observers drawing parallels between COVID-19 and the global financial crisis or even the great depression.

I would like to update you on the progress of our hedge fund program which represents the smallest segment of our alternative asset program. Before doing so I would like to echo the words of my late grandmother Diana who taught us to accept what we cannot change and to always be thankful for good, strong health as without it we truly have nothing.

The past month has been one of the most challenging periods in the history of the Absolute Return Fund with two formidable challenges testing the fund's strength in a big way. The global-growth slowdown from COVID-19, combined with oil dropping to $25/barrel, has had a sharp impact across emerging markets. As you may know, the Absolute Return Fund through its partnerships invests in Latin America (LATAM) and our distressed debt program was impacted and impacted significantly. As today is March 24th, 2020, I am not in a position to discuss specific performance metrics of the fund just yet but will detail them in the fund's section of the Alternative Asset Trust's Q1'20 report. Since the fund also invests in a variety of other structures outside of LATAM, it is important to note that the ensuing comments apply to a portion of the fund and not the entire fund.

With that said, there will undoubtedly be a fundamental impact as global growth slows, with emerging markets affected disproportionately - particularly in Brazil. Because the focus of our LATAM distressed debt program is large and liquid "special situations," we have seen an immediate repricing effect, unlike small private names whose prices may not immediately reflect such moves. While in hindsight we may have underestimated the true global impact of the virus on economic growth, we continue to believe the portfolio is comprised of high-quality assets which are the best positioned to weather this situation. Moreover, the opportunity set has expanded *dramatically* with a significant number of new distressed debt situations in companies that have been tracked for some time. I will provide further context and specifics around the recent market moves in mid-April.

I would now like to comment on our fund of hedge funds strategy with some perspective, while once again noting that there is still roughly one full week of March yet to go.

Until the 3rd week of February global equity indices experienced robust rallies (for example the S&P 500 experienced rallies of up to +5%), but during the last week of the month due to COVID-19 equity markets suffered substantial declines with February ending in a decline of 8.5%. These declines continued, accelerated and spread globally in March (for example the MSCI World Index declined by 25% through mid-March and declined a total of 30% since the start of this recent drawdown).

The MacNicol Absolute Return fund of hedge funds strategy is diversified and comprised of a number of leading hedge funds with the more salient aspect of our allocation being described as a diversified portfolio of primarily equity positions which cut across many different sectors of the economy and with a relatively low net beta exposure to equity markets. Nevertheless, financial market action in February was truly confounding. Market declines in February were extraordinary insofar as less volatile stocks performed *worse* than stocks in general (for example the S&P500 Index fell by 8.4% while the S&P500 Low Volatility Index fell by 9.75%).

I found this behaviour strange and the antithesis of a garden-variety "flight to quality". I did look into this more deeply with one of our partner hedge funds in Toronto who explained that I was right to sense a dislocation. In fact, out of the 52 months that the S&P500 has fallen by more than 4% since 1980 in only *two* months has such a phenomenon occurred (i.e. when capital flows ***away*** from quality when one might otherwise expect it to seek quality) and one of these two months is February 2020.

The Systematic strategy was impacted by this incredible capital dislocation and I would offer that indiscriminate investor selling was the primary culprit. This indiscriminate selling causes dislocations in the markets and in stock prices and hence will impact the strategy.

It should be noted that to date the Systematic strategy has declined substantially *less* than the declines in general equity markets - a point I underscore to you because I feel it is important for you to know.

From past experience, such dislocations tend to correct themselves in a relatively short period of time and while policy makers have leapt into action to stabilize markets and the economy, I believe this issue ends when humans put humanity first and hand COVID-19 the thing that all viruses fear the most: the inability to replicate and spread...

It is also worth noting that despite the market malaise the systematic strategy has shielded investors from trouble in the past. For instance, in October of 2018 stocks declined by 7.5% while the systematic strategy feel by 0.68%, in December 2018 stocks dropped by 8% while the systematic strategy declined by 0.48% and finally in May of 2019 stocks declined by 6% while the systematic strategy rose by 0.35%.

I know this is a difficult time in the markets and many of you are concerned. Please know that your concerns are important to all of us at MacNicol & Associates Asset Management. Please also know that the Absolute Return Fund - as a matter of policy of safe harbour investing - is invested alongside the highest quality investment firms in the world that have successfully managed billions of dollars for many years with very talented teams of Analysts and Portfolio Managers, Mathematicians and Statisticians, Economists and Engineers all of whom (like us) are singularly focused on you.

Updates on the other areas of our program are as follows.

The Long/Short Equity strategy was the largest contributor to the Fund's performance for the month on absolute terms and the second largest contributor on capital weighted basis. This strategy

generated positive Alpha in negative equity markets. The strategy continues to maintain a relatively low net exposure to equity markets.

Statistical Arbitrage was the largest detractor from the Fund's performance for the month on an absolute basis as well as capital weighted terms. Performance drivers for this strategy were broad based as it was affected by the indiscriminate sell-off that took place in the markets. In the past, such periods of underperformance were corrected in the following months and we are hopeful that this time will not be different.

Multi-Strategy was the second largest detractor from Fund's performance for the month on absolute and capital weighted terms. Performance drivers were mainly Long/Short Equity on the positive side and Event-Driven on the negative side.

The Macro strategy was the largest contributor to the Fund's performance on capital weighted terms and second largest contributor on absolute terms. The main driver of the strategy's performance for the month was the decline in interest rates.

Many in the financial news media are now reporting live from their living rooms. Gone is some of the drama that comes with a spot produced in-house, there's something more "analog" about someone speaking to you via a Skype feed from their home with potted plants, family portraits or college diplomas as the backdrop. Analog because despite the adjustment, life for many goes on.

We believe that the Absolute Return Fund will continue to perform in-line with its long-term performance targets. As my grandmother said accept what you cannot change and that is that financial markets have been, and may continue to be, highly volatile for a little while. But the one thing all crises have in common is a conclusion. This too shall pass and humanity as a whole will be better for it.

In these turbulent times, we would like to thank you for our ongoing trust and welcome any questions you might have.

MacNicol & Associates Asset Management Inc.

March 24, 2020