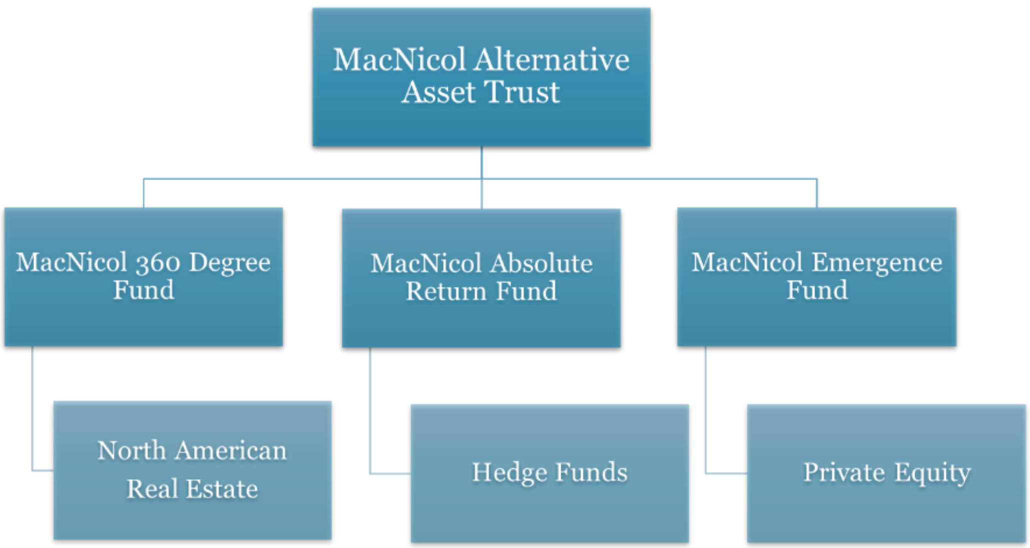
<u>Alternative Asset Trust First Quarter 2023 Report:</u>

The MacNicol Alternative Asset Trust is a multi-strategy, alternative investment platform designed to generate returns that are positive and uncorrelated with public stock or bond markets. The Trust, through its underlying limited partnerships invests in real estate, private equity, and hedge funds. In total, the Alternative Trust is invested in more than 150 separate real estate projects, private businesses, and hedge funds. The advantages of our approach to alternative assets include effective diversification, enhanced liquidity and a less volatile return profile compared to the individual asset classes themselves.

Chart 1 – Investment Structure MacNicol Alternative Trust

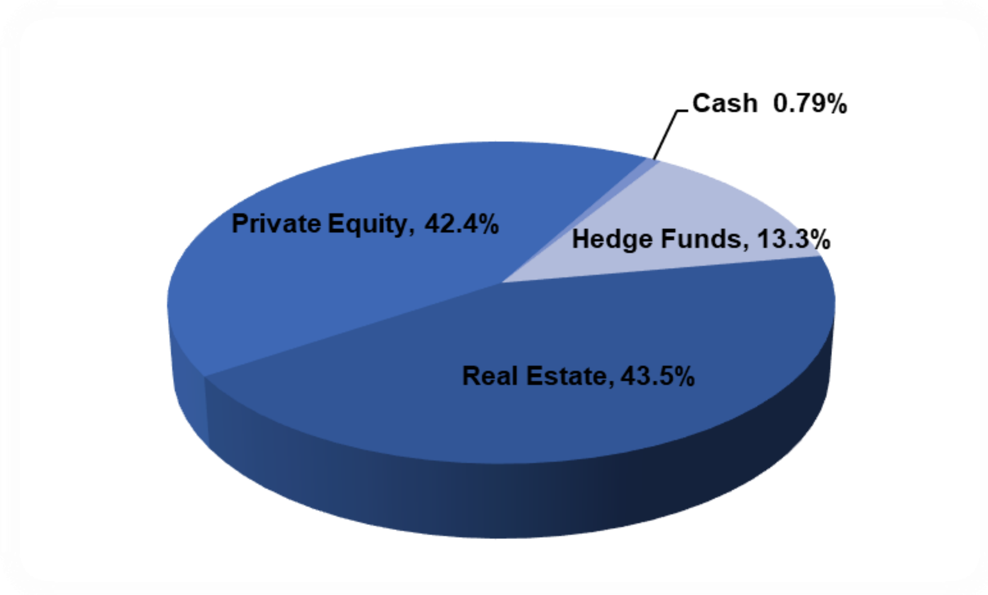


Alternative Trust Update: The goals of the Alternative Trust are to generate attractive risk-adjusted returns and help alleviate investor reliance on public market investments. During the 1st quarter of 2023 the Trust was higher by approximately 0.4% in an environment defined as having a greater diversity of views regarding the direction of monetary policy and prospects for a recession in North America. An added challenge during the quarter was the failure of Silicon Valley Bank, a mid-market US lender catering primarily to the venture capital industry. The speed with which Silicon Valley Bank failed ricocheted across the US regional banking sector and compounded the funding challenges venture capital is currently going through. Importantly, the Trust's annualized since inception rate of return continues at a healthy 10+% and as always, performance figures used in this report are net of fees and expenses.

First Quarter 2023 Highlights:

By far, the single biggest financial news story during the first quarter was the spectacular implosion of California-based Silicon Valley Bank ("SVB"). What was so incredible about SVBs failure was just how quickly it happened. On March 9th SVB customers withdrew $42 billion from the troubled lender on fears that uninsured deposits were at risk. The following day March 10th a colossal $100 billion worth of deposits were slated to leave in what would have been over 80% of SVBs total deposit base exiting the company in just 48-hours. That's when the Federal Deposit Insurance Corporation ("FDIC") seized SVB and unwound things in a more orderly fashion. The simple fact that a US bank had failed, and that the FDIC had to intercede sent shockwaves thorough-out the US regional banking system, and even up to some of the largest financial institutions in the world. The last US bank to fail was Washington Mutual during the 2008 global financial crisis. Back in 2008 Washington Mutual clients withdrew $16.7 billion at the more leisurely pace of nine days. By comparison, SVB literally vanished into thin air, and in the process, cast doubts about the FDICs ability to back stop other troubled regional lenders. More broadly, it is increasingly apparent that a funding crisis has gripped the world of venture capital and start ups. Broad based global macro economic factors such as higher interest rates and inflation have weighted on the investment climate in the venture capital space, and US regional banking challenges did little to acquiesce concerns. According to research consultancy CB Insights, start up funding in the United States fell by nearly 50% to $32.5 billion during the first quarter of 2023 while in areas such as China it fell by 60% to $5.6 billion. Startups in India raised just $2 billion during the first quarter of 2023, 75% lower than the same period of last year, and the smallest quarterly number in nearly three years. Start ups in India were particularly hard hit because they are far more reliant on foreign capital than global peers - have seen a more severe squeeze, which some executives say is also partly due to investors realising that they misjudged consumption growth. In the world of private real estate, exit cap rates and revisions to Internal Rates of Return (IRRs) caused the appraised value of certain categories of real estate to fall. The spread between the going-in cap rate and exit cap rate (the yield in the final year of ownership of a real estate investment) fell from 36 basis points in fourth quarter 2022 to 27 basis points in first quarter 2023. That spread stood at 78 basis points in the fourth quarter of 2021. When exit cap rates are lower than entry cap rates, this usually means the property's value has increased for the investor.

Chart 2 – Alternative Asset Trust Asset Mix, as of March 31st, 2023



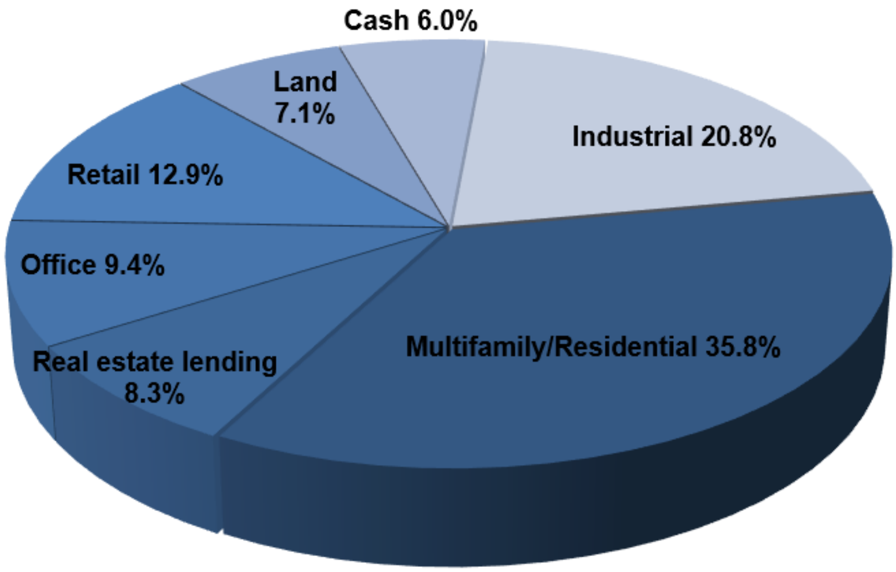
Alternative Asset Trust: 1st Quarter 2023 Overview

As described in Chart 2, the most notable difference in the Trust's asset mix at quarter end was a reduced cash weighting. Cash was drawn down to fund investor redemption request during the quarter. Given the uncertainty in the US regional banking system, as well as ongoing concerns about the direction of monetary policy and inflationary pressures, overall investment activity for the Trust was lower during the quarter, and the Trust's other asset classes varied only slightly when compared to the previous quarter.

North American Private Real Estate: 360 Degree US Realty Income Fund

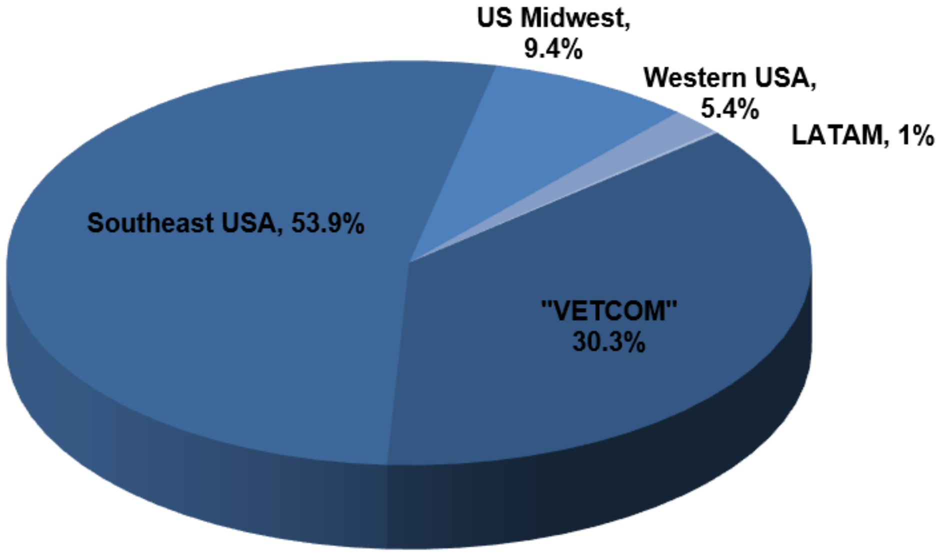
The Alternative Asset Trust invests in North American real estate through the MacNicol 360 Degree US Realty Income Fund. The 360 Fund focuses on value-added projects in the United States and Canada while also providing investment capital to residential and commercial mortgages providers. In total, the 360 Degree Fund holds over 150 real estate projects across 6 well defined product types described in Chart 3 and in select regions as illustrated in Chart 4.

Chart 3 – 360 Degree Fund Product Mix, as of March 31st, 2023



Compared to the end of 2022, the fund's commercial office space was lower by over 1%. Indeed, returns in office were disappointing but mitigated by the fact that we have not added to it in quite some time. While the valuation of office space was primarily driven by revisions to the appraisals, operationally, our portfolio of office space performed well and **significantly** outperformed S&P/TSX listed office REITs by key operational areas such as occupancy, NOI growth and leasing velocity. It is particularly important that we communicate to you that (on average) our core office portfolio is tenanted by substantially higher quality tenants than many office REITs, and includes clients such as the Bank of Nova Scotia, the University of Toronto, the Province of Ontario and several establish Law, Accounting and Engineering firms. With that said, appraisers – in connection with higher interest rates – have elevated their assumptions around office IRRs and terminal cap rates by between 50 and 75 basis points without an offsetting adjustment to expected revenue growth. The end result was a roughly 8-10% downside revision to many assets in the core GTA area. Importantly however, our "NAV" here at the company excludes **mark-to-market** adjustments on lending facilities such as mortgages. In an environment of rising interest rates, such adjustments would function to inaccurately augment or "juice up" current value only to pivot or "leak" as the weighted average of the remaining mortgage term declines (reducing future returns). While reporting on the challenges in the world of office space are difficult for us to report, ensuring that investors are accurately communicated the status of the current marketplace is of critical importance to investors seeking liquidity through redemptions and opportunity through incremental investment.

Chart 4 – 360 Degree Fund Geographic Exposure, as of March 31st, 2023



"VETCOM" markets consist of Vancouver, Edmonton, Toronto, Calgary, Ottawa, and Montreal

360 Degree US Realty Income Fund 1st quarter performance review

During the first quarter of 2023, the fund was higher by 2.3% in base currency terms and 2.1% in local currency terms to Canadian investors. Overall, the fund's geographic mix (Chart 4) was little changed from that seen at the end of 2022 because transaction activity related to new investments in the fund was nil as was distribution activity relating to more active, value-added refinancings or property exits and instead limited to ordinary course rental income distributions.

360 Degree US Realty Income Fund 3rd Quarter: asset class highlights

Multifamily Residential: Our residential portfolio continues to perform well in a world seemingly obsessed with pointing out real estate's challenges. At 94.1% occupancy, the fund outperformed the national multi-family occupancy index during the quarter while at the same time offering investors the ability to participate in growth. Releasing of vacant suites was done at a reduced cadence during the quarter but consistent with underwriting assumptions and with 8-10% rental growth in most units. If there is one thing that separates our approach to institutional real estate (versus real estate held directly by individual clients) it is the emphasis on NOI growth, and therefore the underlying property and market or submarket fundamentals (versus the individual credit quality of a given client).

Industrial: The need for industrial remains elevated primarily as a result of population growth and onshoring. Supply growth on the other hand remains restricted due to land use permitting. The end result is that vacancies in industrial are low and in some regions scarce. Vacancies in the important 200,000 square foot plus segment virtually non-existent, and we hold a good number of assets in this category with great tenants such as Lowes. Building costs have more than doubled over the past few years as a result of material and wage inflation and although we view the potential for a recession as having (some) downward impact on demand, industrial assets continue to be a solid "must have" slice of the commercial real estate pie that investors need exposure to.

Commercial Real Estate (CRE): With higher rates and the prospects of a recession, commercial real estate investors have more to consider in 2023 than in previous years however we stop short of using the term worry. Clearly the challenges in the office sector (which we detail shortly) are by now well known, but overall real estate has historically been a very good, very reliable and very fuss free way of creating significant wealth. In 2023, a more disciplined approach to capital recycling will likely be a core element for many of the fund's mixed use CRE partnerships. We expect to see things like asset swaps, the movement of equity joint-venture interests and non-core asset dispositions as well as alternative fund raisings as being more dominant headlines in 2023.

Office: Not all large office towers are empty, but office continues to grapple with what we feel is a working from home "hang-over" and a slowdown in tech. Urban centers like Toronto, New York and LA are most impacted by the retreat of technology as tenants in this sector are passing on opportunities to lease up more space and, in some cases, even giving it back. On the other hand, cities like Calgary are benefitting from higher leasing velocity due to the return to profitability of many businesses in the energy industry. A marked reduction in office construction, demand through core consolidation and the wider economic impact of population growth will eventually translate into higher overall office utilization rates and occupancy, and therefore leasing growth.

Retail. Retail could be the story for 2023. In our portfolio of retail properties, we are seeing more evidence of a recovery in mall traffic and leasing performance continues to rebound. Overall sentiment from tenants and landlords is improving rapidly, and fears over the inability to replace tenants at market rates of rent are dramatically lower than peak levels seen roughly 2 years ago. Retail is not the fund's largest holding, but one that we feel has potential to surprise us by year's end. Bring on the summer!

360 Degree US Realty Income Fund 1st quarter: transaction summary

During the first quarter of 2023 transactional activity in the fund was low and limited mostly to updates on existing assets. The biggest such update concerns the fund's investment in Woodland Country Club in Tamarac Florida. On March 23rd the asset, which the fund owns through a partnership with 13th Floor Investments, received approvals for the development of a 335-home community in Tamarac, Florida and development is proceeding at full speed.

The formerly non-operational golf course consists of 275 acres, of which 165 will be developed, with the balance to remain as open space. This important progress point represents an opportunity for the MacNicol Investment Team to build on its previous success of helping to finance homebuilding in Tamarac Florida, where to date over 700 homes in three communities (Central Parc, Manor Parc, Hidden Trails) have been brought to market and sold. We forecast that homes in The Woodlands community will be more up market and starting in the low USD $700,000 range.

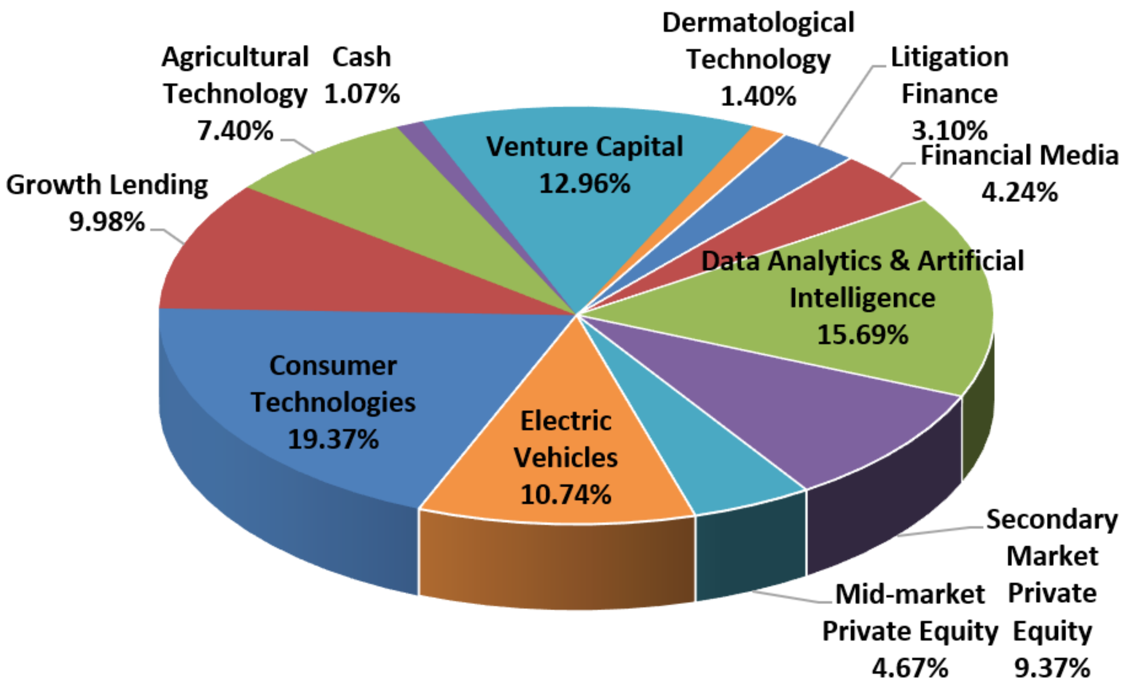
Real Estate: Closing Remarks

Higher rates and lower activity are not always a good recipe for many asset classes. At these times, the fund's obsession with investments in well located, thoroughly researched and most importantly of all conservatively underwritten assets are in our view key differentiating factors that will continue to offer investors attractive long-term rates of return from what has traditionally been a must have area of private market investments.

Private Equity: MacNicol Emergence Fund

Private equity is an alternative asset class comprised of capital that is not found on public stock exchanges. Through direct ownership in private companies, equity co-investments in private companies and limited partnerships that hold several private companies, the Emergence Fund invests in a range of technology, data analytics and artificial intelligence and venture capital strategies and lends to growing companies and which are quantified by their allocations in Chart 6 below.

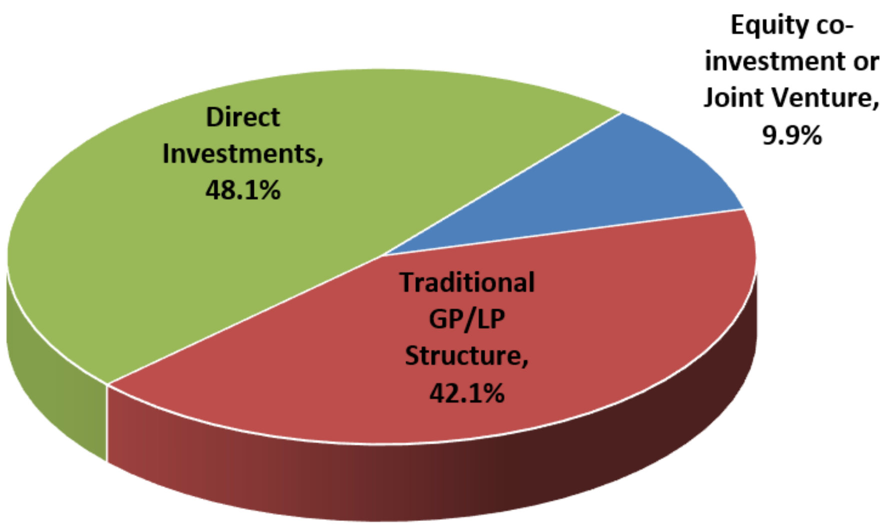
Chart 6 – Emergence Fund Sector Allocation, as of March 31st, 2023



During the first quarter of 2023, the Emergence Fund was lower by 1.3%. There is very clearly a funding crisis in the world of venture capital and start ups. While the fund traditionally has avoided investments generally defined as “very early stage”, broad based global macro economic factors such as higher interest rates and inflation have weighted on the investment climate in the venture capital space. To eliminate any potential confusion, the fund’s exposure to venture capital is distinctly late-stage, and visions of a late 1970s Bill Gates dropping out of Harvard or a late 1980s Jeff Bezos starting Amazon in his garage simply do not apply to the fund’s venture positions. However, a market reduction in start up funding did trickle over into more established areas.

As you draw your attention to the fund's vehicle mix in Chart 7 below, please take into account that the overwhelming majority of Emergence's position though global in scope (example Fliteboard, Kognitiv & RealVision) they maintain distinctly North American funding ties to Bay Sreet, Wall Street and Greenwich CT.

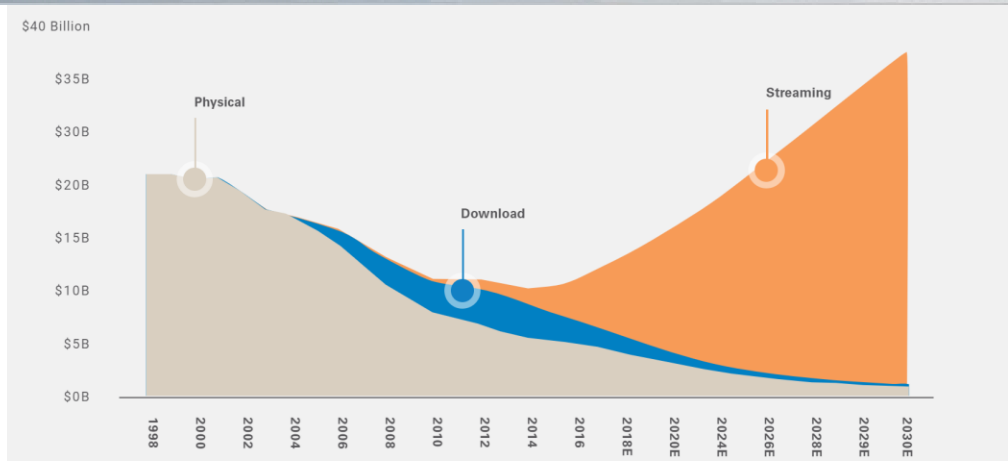
Chart 7 – Emergence Fund Investment Vehicle Mix, as of March 31st, 2023



Private Equity Portfolio: Activity

During the first quarter of 2023, the most notable adjustment to the fund's vehicle mix was captured by an increase in partnership investments. The fund initiated a position in the music royalty's space. After almost 25 years of disruption, music is undergoing a large, vibrant and loud! revival.

Specifically, singers, songwriters, record labels and producers are cashing in on the growing popularity of streaming platforms such as Spotify and Apple Music.



[PWC and Goldman Sachs reckon that streaming will be – by far – the largest musical platform of the future, and that is music to our ears and portfolios.]

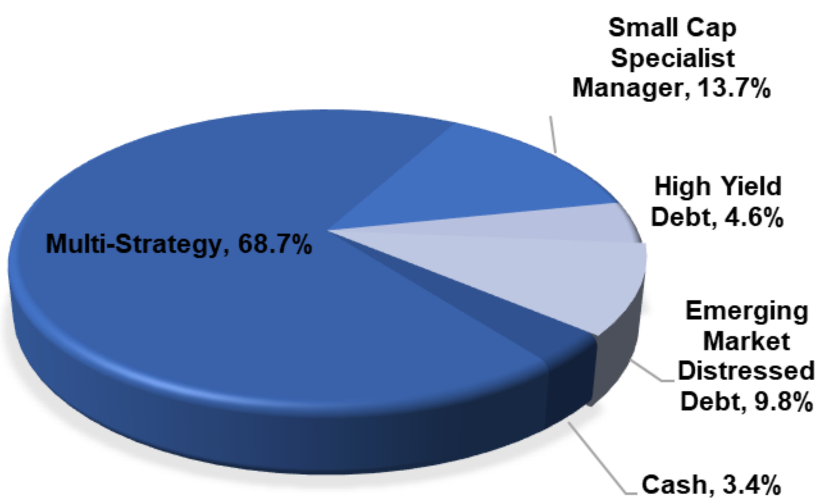
The MacNicol Investment Team was most impressed with the comparative economic inelasticity of streaming audio platforms, their ability to generate cash flow and the fact that the mathematics around underwriting music catalogues were separate from individual tastes and preferences towards specific genres, artists, and time periods. In short, we like streaming, and we love royalties, and we hope that together we can make beautiful music for the fund's investors.

[The great Julie Andrews showed us that the hills are indeed alive with the sound of music. Thanks to MacNicol & Associates and our new partners in the music royalties' space, we feel confident that portfolios will be alive with the sound of music, and royalty payments, as well.]

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. During the first quarter of 2023 the fund was higher by 1.2% but influenced more strongly by the heightened sensitivity towards risk assets in March. As detailed in the highlights segment of this report, the main financial news story of March was the spectacular implosion of Silicon Valley Bank. In addition to the direct consequences on deposits and loan facilities held principally by the venture capital and start up technology sector, SVB also created seismic shocks throughout many areas of financial markets. While a detailed analysis of all outcomes related to SVB is beyond the scope of this report, the MacNicol Investment Team believes there are both near-term and longer-term factors for investors to consider. First, shares of smaller companies and loans to distressed companies while highly volatile, likely represent attractive buying opportunities. Secondly and more strategically, it is the view of the Portfolio Manager that the best hedge fund strategy isn't a single hedge fund strategy at all, but rather a diversified approach that draws upon the expertise and talent of many of the industry's best and brightest. Financial markets are not "still" inasmuch as all of the individual components are dynamic and move.

Chart 8 – Absolute Return Fund Strategy Mix, as of March 31st, 2023



Closing Comments

The first quarter of 2023 was a positive one for the Trust during what was, once again, a challenging and uncertain period for financial markets. Though the Portfolio Manager and indeed the entire MacNicol Investment Team has a tremendous degree of confidence and respect for the Trust's holdings, we continue to leave nothing to chance. We are actively engaging in detailed discussions with areas of the Trust that require further guidance. Additionally, we continue to hold a substantial amount of portfolio insurance through the Trust's partnership with tail risk experts Universa Investments.

For more about the MacNicol Alternative Asset Trust or the services we offer to private investors please feel free to contact us toll free: (866) 367 3040 or (416) 367 3040 info@macnicolasset.com.

MacNicol & Associates Asset Management Inc.
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