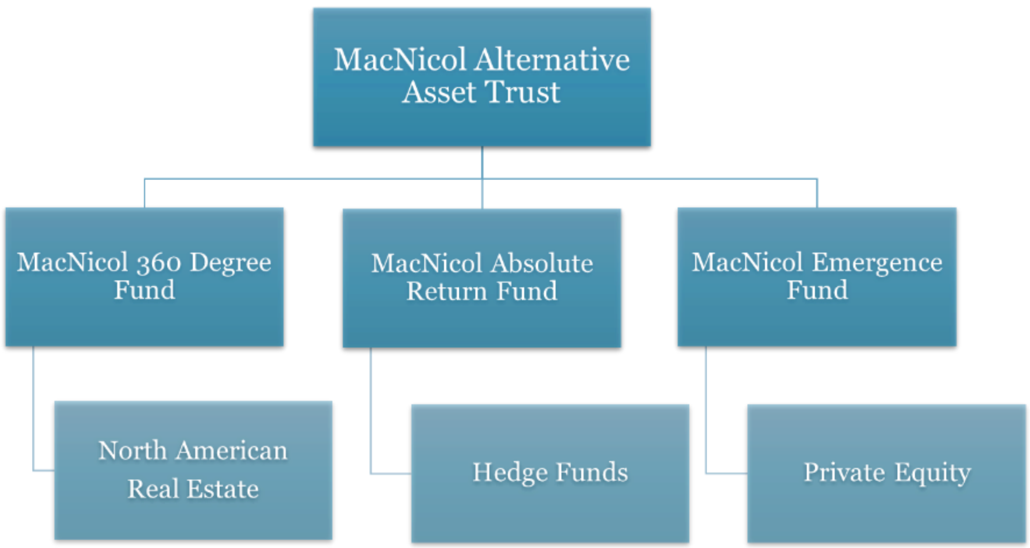
**Alternative Asset Trust Second Quarter 2023 Report:**

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 second quarter of 2023 trust was higher by approximately 1.9% in an environment defined as coping with dual challenges of higher rates and persistently high inflation as best it can. Earlier in the quarter, the MacNicol Investment Team penned a piece entitled "*Tiff for tat…*" a not-so-subtle criticism of Central Bank of Canada Governor Tiff Macklem. Governor Macklem, like the head of many of the world's major central banks, is tasked with the all-important job of controlling short-term interest rates. With several rate hikes now behind him, Governor Macklem, like many of the world's major central bankers, is faced with the painstaking decision of whether to tighten further. Higher rates should mean lower inflation.

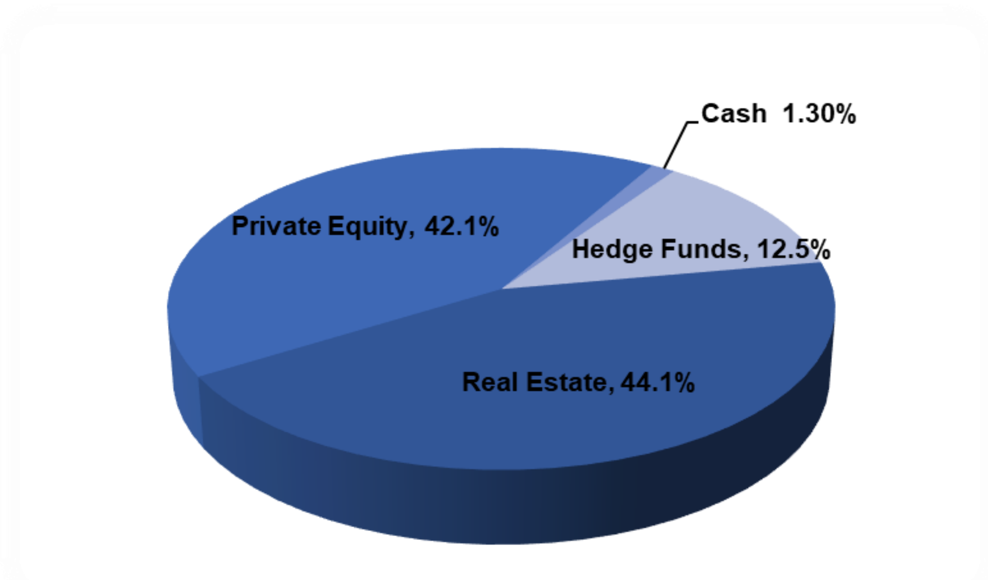
But in a world (not only Canada) drowning in debt, much of it now tied to changes in more volatile short-term rates. Higher rates can also mean bank failures, foreclosures, and bankruptcies. At what point do interest rate hikes as a solution to inflation become one of the root causes of inflation? We leave that for the economists to debate. For our part, the MacNicol Investment Team is today more focused than ever. Focused on helping you and your family achieve their long-term investing goals in a world where the biggest threat to capital isn't a Dictator, a pandemic or plague or even a bank failure or hedge fund implosion it's a policy mistake by those mandated to control our money supply and the government leaders that appoint them.

**Second Quarter 2023 Highlights:**

During the second quarter of 2023, the MacNicol Investment Team observed a number of key developments in the world of alternative assets though we highlight only the most salient ones to you, our investors. First, the dramatic increase in interest rates has made 2023 a challenging year in which to find attractive private real estate acquisitions that would generate alpha in a way that we (and you) can count on. There was both a lack of properties for sale and a large spread between the bid and offering prices for assets that were on the market. In multifamily residential, long our favorite private real estate asset category, most asset owners were content to simply hold on and wait for an improved transactional market before selling. Some, however, believed that pursuing a sale made sense even though price was not the primary motivation for the sale. By that we mean the following. The way real estate developers traditionally approach multifamily assets is to a) complete construction b) lease up the property to stabilization (90% occupancy) and c) sell the asset for the highest possible price. At stabilization, the property would be financeable by Freddie Mac and Fannie Mae, the two agencies that account for the lion's share of multifamily debt. But these are far from traditional times and new entrants to the multifamily space have painfully discovered that deals that seem too good to be true usually are. Developers are now in some cases walking away from projects that have become consumed by rates that crept too fast or workmanship that has progressed too slowly. Like the good capitalists that we are, we saw this as an opportunity. Specifically, the opportunity to acquire new or nearly new assets at a price that is not necessarily the highest nor the closest to peak valuations seen well over a year ago. Second, in private equity deal volumes plummeted, performance declined, and valuations fell—dramatically in certain sectors.

Yet despite the implosion of certain US Regional Banks that catered to a mostly venture capitalist or start up audience in the first quarter, private markets outperformed public markets on the way down. The dislocation between public and private market performance (during 2022) drove private market allocations higher on a percentage basis across investor portfolios and triggered the widely covered "denominator effect". While a few limited partners thus far have abandoned commitment plans or sold portfolios off (we would be in this camp) several have pulled back, particularly from smaller and newer funds, causing fundraising to decline (we would also be in that camp). And so overall capital call activity and net new capital commitments are down. Finally in hedge funds, and this might surprise you, the overall hedge fund space was noticeably smoother than stock markets in general. For example, when compared to either the S&P500 or the MSCI World Index, the HFRI (Hedge Fund Research Institute) diversified index is much smoother. This is surprising because often, hedge fund managers are stereotyped as *bringing volatility to* an investment portfolio rather than taking it away. Exotic investment strategies, high finance pedigrees and copious quantities of leverage can result in many a hedge fund implosion and indeed this is much more often the story one hears in the popular press when it comes to hedge funds. Very few stories get published about the hundreds of hedge funds that sequentially bring good value to investors on an annual basis. Those were the broad highlights from the world of alternative assets during the second quarter. Let us now turn to a more focused discussion of the MacNicol Alternative Asset Trust itself.

**Chart 2 – Alternative Asset Trust Asset Mix, as of June 30th, 2023**



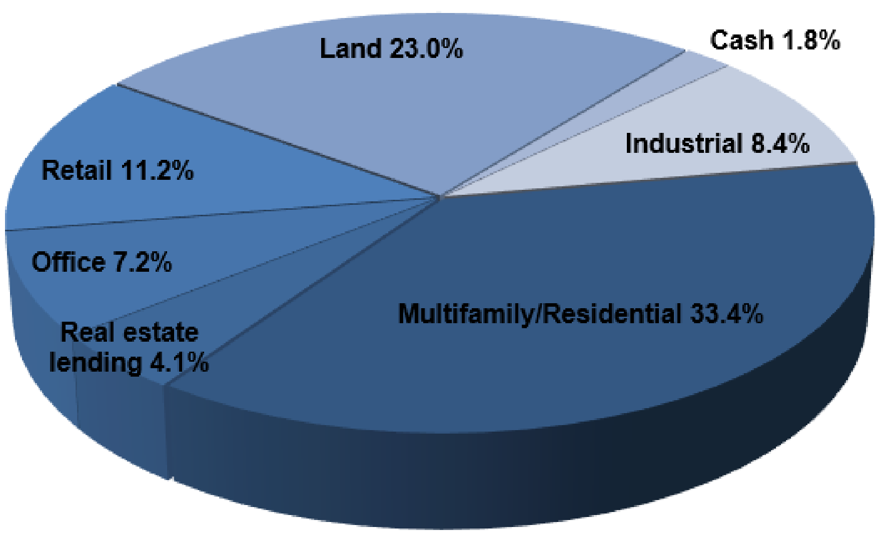
**Alternative Asset Trust: 2nd Quarter 2023 Overview**

As described in Chart 2 of page 3, the Trust's asset mix at quarter end featured a slightly higher cash weighting as compared to the previous quarter. Cash was positioned to support investor redemptions (denominator effect) and to be available to fund capital calls to existing investments. The Trust had no material liquidity issues during the quarter despite the uncertainty around inflation expectations and the appropriateness of monetary policy and monetary tightening in North America. The weights of the Trust's alternative asset categories excluding cash were off only marginally when compared to the previous quarter with hedge funds lower by 80 basis points, private real estate lower by 60 basis points and private equity lower by 30 basis points.

**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 mortgage providers. In total, the 360 Degree Fund holds over 150 real estate projects across 6 well defined product types described in Chart 3 below and in select regions as illustrated in Chart 4 on page 5.

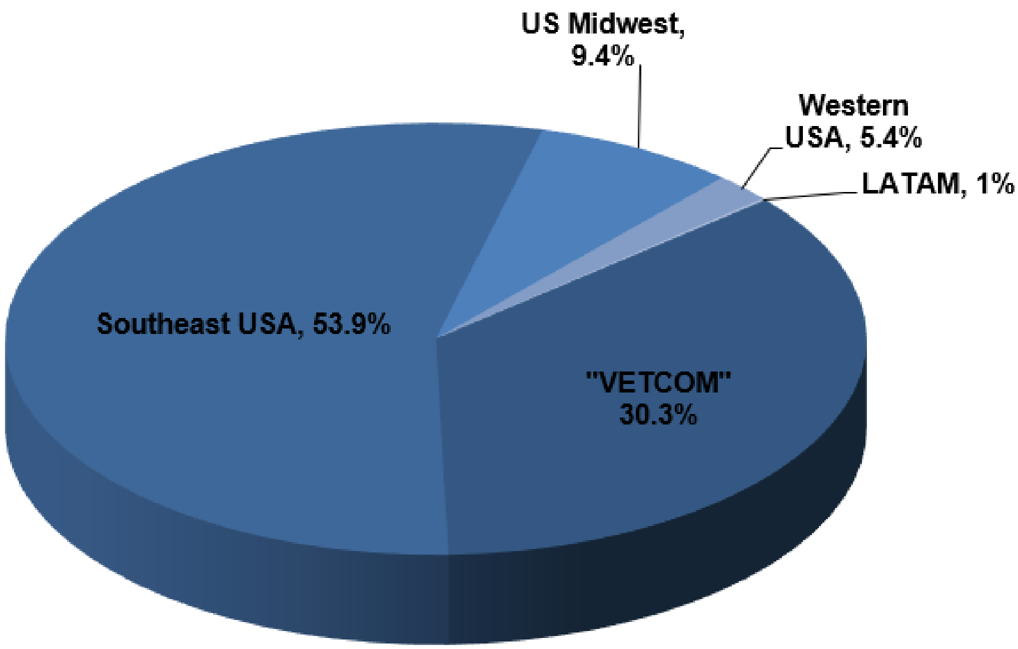
**Chart 3 – 360 Degree Fund Product Mix, as of June 30th, 2023**




[1] Denominator effect arises from alternative assets outperforming conventional assets in 2022 leading to outsized policy weight allocations to alternatives.

Compared to the end of the first quarter, the 360 Degree Fund held a lower cash weighting and a higher industrial and land weighting. A more detailed breakdown of the deployment of cash is found in the transaction summary section on page 7. Changes to the fund's geographic exposure were not noticeable as funds transitioned primarily to existing limited partnerships on a pro rata basis.

**Chart 4 – 360 Degree Fund Geographic Exposure, as of June 30th, 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 result is that vacancies in industrial are low and in some regions scarce. Vacancies in the important 200,000 square foot plus segment virtually were 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):* 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 sector.

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 of 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 2nd quarter: transaction summary**

As detailed earlier, 360 held less cash at quarter end but had a higher weighting in industrial and land assets. The industrial asset weighting was primarily the result of capital call activity with our partners at IP Capital Partners who late in 2021 launched a southeast industrial fund that we are a part of, and which focuses on large-scale distribution and storage assets.

| RANK | MPC | CITY, STATE | DEVELOPER |
|---|---|---|---|
| 1 | **The Villages** | The Villages, Florida | The Villages |
| 2 | **Lakewood Ranch** | Sarasota, Florida | Schroeder-Manatee Ranch, Inc. |
| 3 | **Silverleaf** | St. Augustine, Florida | Hutson Companies |
| 4 | **Cane Bay Plantation** | Charleston, South Carolina | Gramling Brothers |
| 5 | **Babcock Ranch** | Punta Gorda, Florida | Kitson and Partners |
| 6 | **Mission Ridge** | El Paso, Texas | Hunt Communities |
| 7t | **Silverado** | Aubrey, Texas | D.R. Horton |
| 7t | **Sunterra** | Katy, Texas | Land Tejas/Starwood Land |
| 9 | **Summerlin** | Las Vegas, Nevada | Howard Hughes Corporation |
| 10t | **Viera** | Melbourne, Florida | The Viera Company |
| 10t | **Wellen Park (formerly West Villages)** | Venice, Florida | Wellen Park LLLP |
| 12 | **Epperson** | Wesley Chapel, Florida | Metro Development Group |
| 13 | **Marvida** | Cypress, Texas | Land Tejas/Starwood Land |
| 14 | **Ontario Ranch*** | Ontario, California | Multiple Developers* |
| 15 | **Latitude Margaritaville - Watersound** | Panama City Beach, Florida | Minto Communities |

Unlike the fund's earlier forays into land banking, more recent vintage deals have centered on the strategy of providing off balance sheet financing to home builders and developers. Indeed, the approach of concentrating on only the top performing master planned communities in the United States has been a highly effective one. And in the table shown above (Source: RCLCO.com) we direct investors to transactions involving publicly traded D.R. Horton (DHI-NYSE) and privately owned Land Tesjas. The 360 fund is part of partnerships selling land parcels to both groups, and demand has been extremely strong.

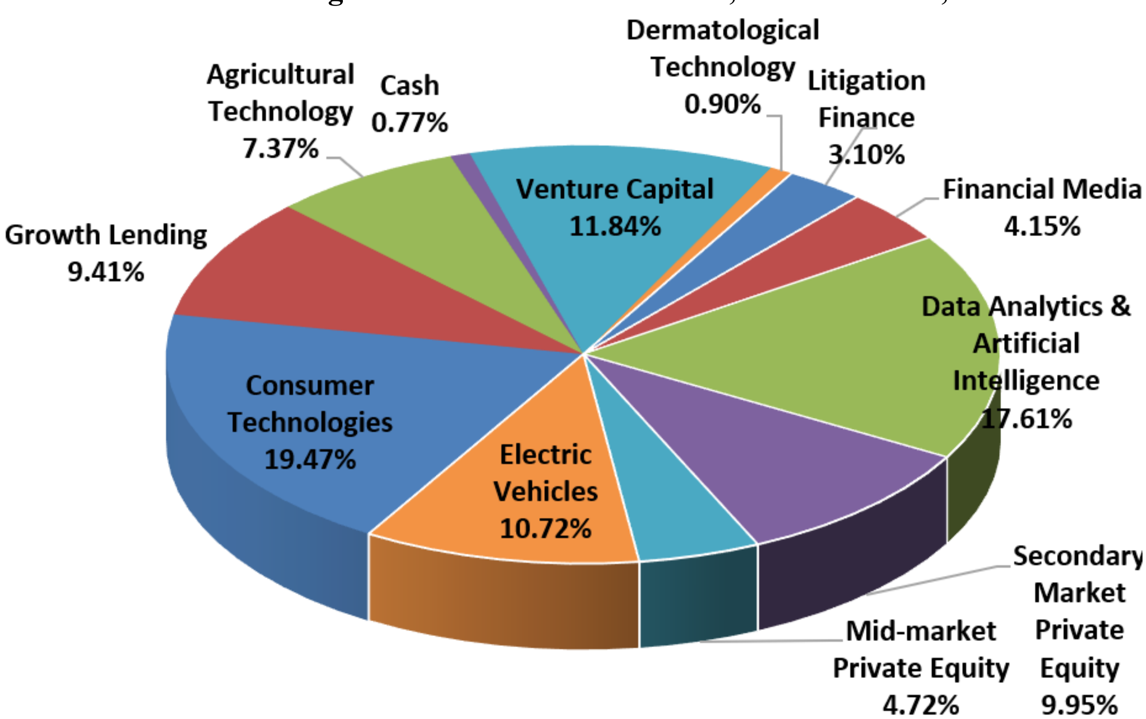
**Real Estate: Closing Remarks**

Higher rates and lower transaction volumes rarely bode well for real estate. At these times, the fund's laser focus on price, performance and thinking outside of traditional microenvironments like southern Ontario 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**

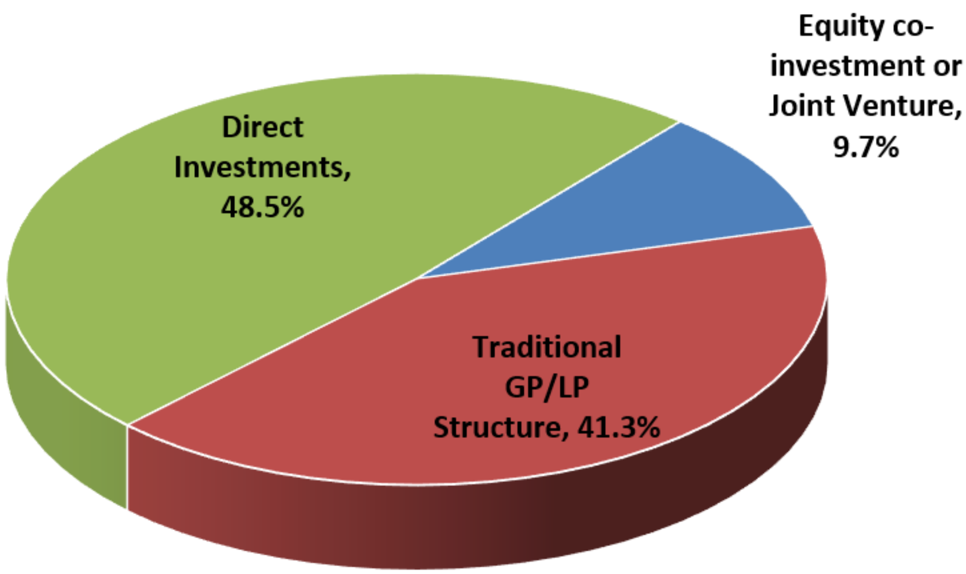
Private equity is an alternative asset class comprised of capital that is not found on public stock exchanges. Through direct ownership in private companies, equity co-investments in private companies and limited partnerships that hold several private companies, the Emergence Fund invests in a range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

**Chart 6 – Emergence Fund Sector Allocation, as of June 30th, 2023**



During the second quarter of 2023, the Emergence Fund was lower by 0.4%. Earlier stage investments as well as those more closely tied to discretionary spending were a drag on performance during the quarter where as late-stage growth businesses and those in the healthcare space performed well.

**Chart 7 – Emergence Fund Investment Vehicle Mix, as of June 30th, 2023**




**Private Equity Portfolio: Activity**

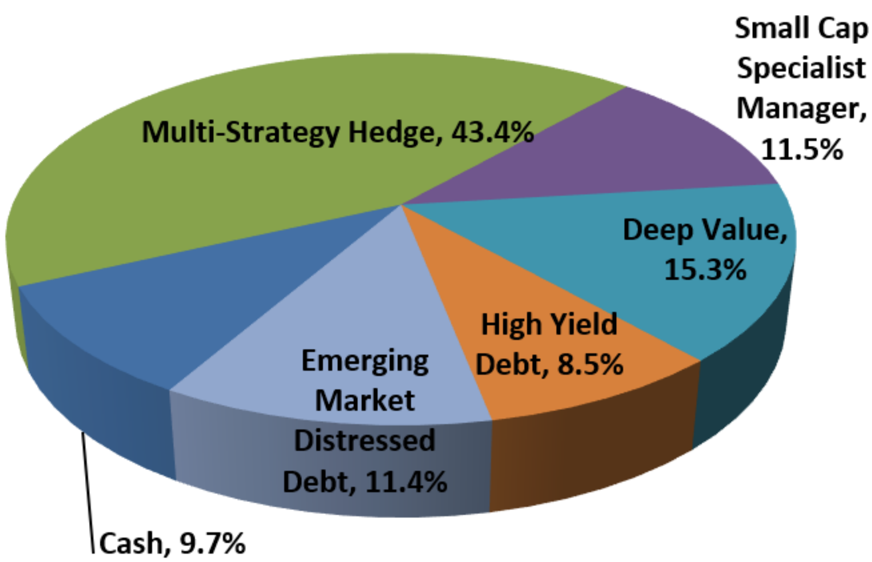
During the quarter, Emergence added to its position in RealVision and financed capital calls to partnerships focusing on private equity secondary markets. The fund also continued towards completing its music royalty's investment.

**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 second quarter of 2023 the fund was lower by 4%.

Risk assets such as small capitalization companies and emerging market distressed debt were a drag on performance while the multi-strategy hedge fund allocation drove performance forward.

**Chart 8 – Absolute Return Fund Strategy Mix, as of June 30th, 2023**




The debt ceiling impasse between Democrats and Republicans in the US generated headlines throughout the quarter. Equity leadership is present however it is also very narrow. The largest ten names in the S&P 500 accounted for nearly all the year-to-date return (the S&P 500 Index YTD performance is 9.65% while the S&P 500 Equal weighted Index performance is -1.43%). Large tech companies outperformed the broader market, backed by strong earnings reports and growing investor expectations about the future potential of Artificial Intelligence (AI). During the month, growth equity (MSCI World Growth Index 2.28%) outperformed value (MSCI World Value Index -4.97%). Core inflation remained stubbornly high in Europe and the US, and the prospect of sustained strong wage growth has fueled investor concerns that central banks could tighten further, leaving peak policy rates higher than initially expected. Against this backdrop, yields on treasury bonds rose. The Long/Short Equity strategy was the largest contributor to the Fund's multi-strategy performance in absolute as well as capital

weighted terms. The Long/Short Equity strategy generated positive Alpha outperforming its net exposure to equity markets.

The Long/Short Equity strategy continues to have a relatively low net exposure to equity markets. The Event Driven/Credit strategy was the second largest detractor from the fund’s performance during the quarter on absolute terms and largest detractor on capital weighted terms. The strategy is positioned for capitalizing on heightened volatility and re-pricing in credit markets. The performance of credit markets was mixed over the month and the strategy did not have sufficient opportunities to capitalize on.

The Macro strategy was the largest detractor from the Fund's performance in the quarter absolute terms and second largest in capital weighted terms. There was divergence in underlying funds’ performance in the strategy as some funds were light on positioning during the quarter while other funds were affected mainly from positioning in rates which detracted.

**Closing Comments**

The second quarter of 2023 was a positive one for the Trust but as in the case of public markets, the Portfolio Manager observed a narrowing in returns that were more concentrated in a handful of outsized assets.

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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