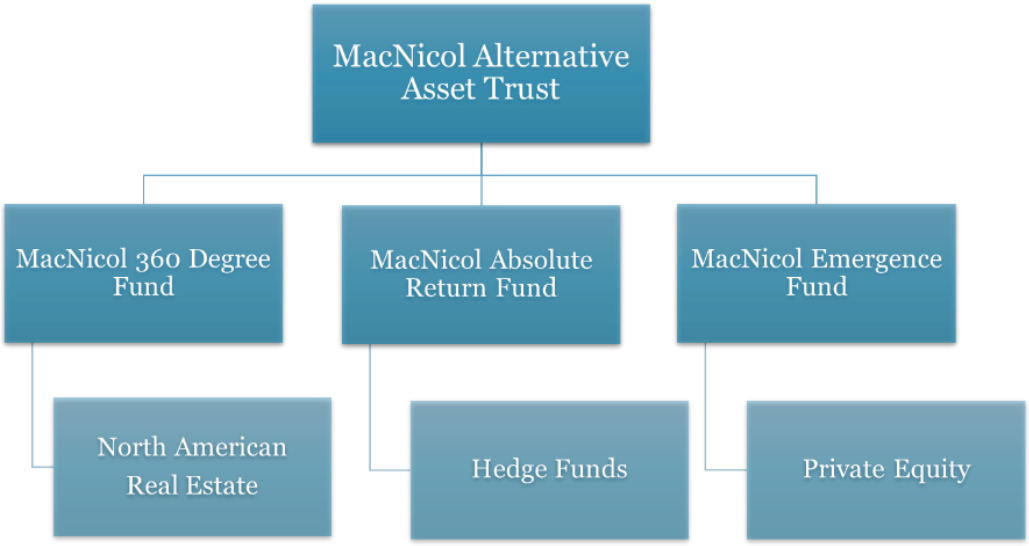
Alternative Asset Trust First Quarter 2022 Report:

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 diversify portfolios of public market investments. During the 1st quarter of 2022 the Trust was higher by 1.34% bringing the annualized return since inception to 10.24% per year net of all fees and expenses. During the quarter, the Trust provided stability when the world around it was anything but. Severe geopolitical risk and severe inflation were the first quarter's dominant investment headlines and through this chaotic period the Trust performed in line with expectations when evaluated in local currency terms. Currency headwinds were a slight challenge for the Trust as CAD/USD was stronger on a week-to-date, month-to-date and quarter-to-date basis, with one Canadian dollar costing approximately $0.80 US as the quarter closed.

First Quarter 2022 Highlights:

As previously mentioned, the first quarter of 2022 was defined by extreme geopolitical risk and extreme inflation. This had major implications for stocks, but the vulnerabilities of traditional fixed income holdings were comparatively more striking. The first quarter of 2022 was the **worst** quarterly return in the Canadian bond market in over 40 years. Details of the malaise are summarized in the table below. Please take a moment to allow the figures to sink in, noting that what you are looking at are the returns on bonds [not stocks].

Top 10 Worst Quarters
Canadian bond market*
(data since 1980)

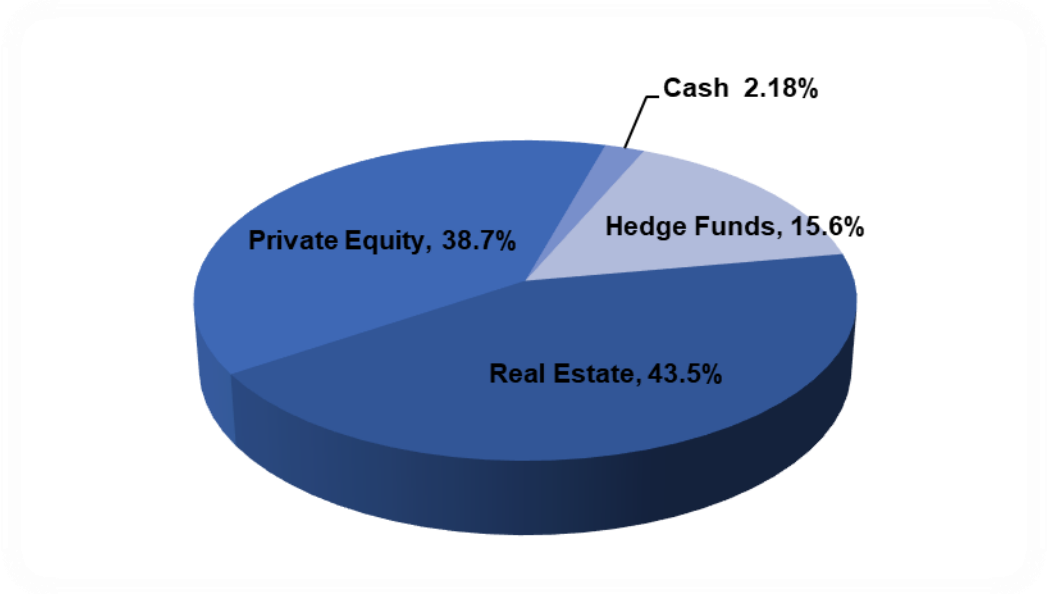
10 Worst Quarters	Total return
Q1 2022	-7.0%
Q3 1981	-6.5%
Q1 1980	-5.9%
Q1 1994	-5.5%
Q1 2021	-5.0%
Q1 1990	-5.0%
Q3 1980	-4.9%
Q3 1987	-4.4%
Q2 1994	-3.9%
Q4 2016	-3.4%

(Data via Refinitiv). *FTSE Canada Universe

Though returns for the *overall* Canadian bond market were poor during the first quarter, the situation at the longer end of the maturity spectrum was more serious and underscored our view that traditional fixed income portfolios are the area we currently have the least confidence about. In fact, investment grade bonds with maturities well into the future lost 13% during the quarter; a figure more appropriate for a report about junk bonds and somewhat out of place here. Faced with a rapidly changing investment environment (complacent to austere) our core focus in the Trust this quarter was to **fortify capital** and **manage short-term cash flows** against the impact of rising rates.

Short-term cash flows originated new allocations and subscriptions, and monies originating from our decision to unload certain stock positions subject to mandate during the recent powerful rebounds seen in the S&P 500 and Nasdaq while maintaining Canadian equities given generalized price levels are rising and Canadian equities currently trade at a historically steep discount to the S&P 500. Short-term cash flows were allocated mainly to a new tail-risk strategy led by two well respected names in finance and to our growing industrial assets portfolio.

Chart 2 – Alternative Asset Trust Asset Mix, as of March 31st, 2022



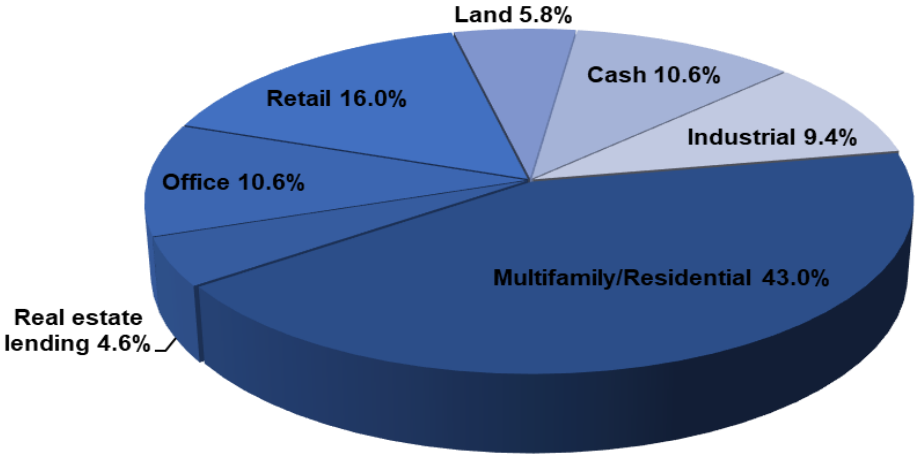
Alternative Asset Trust: 1st Quarter 2022 Overview

As described in Chart 2 the Trust's overall asset mix changed only slightly during the first quarter of 2022 with cash flows firstly being invested in tail-risk protection and building up on the sidelines. Similarly, the Trust's currency exposure changed by only 1 percentage point over the previous quarter with Canadian dollar exposure now at 35%. The Trust's liquidity profile was higher than last quarter with approximately 33% of the Trust's holdings liquid on 90 days' notice, and 49.3% of capital expected to be returned to the Trust in 3-5 years. For now, let us begin by taking a closer look at the Trust's largest alternative asset class privately held real estate.

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 locations illustrated in Chart 4.

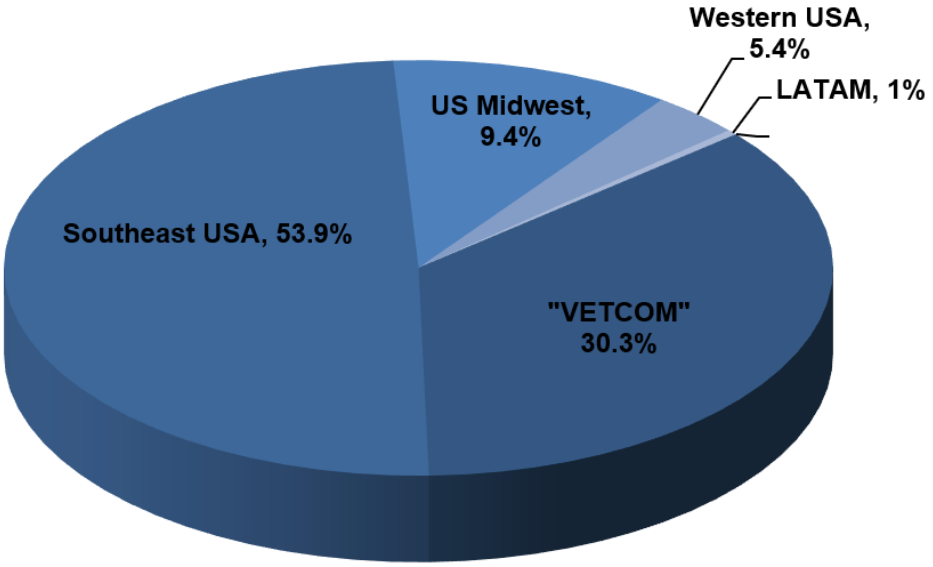
Chart 3 – 360 Degree Fund Product Mix, as of March 31st, 2022



Compared to the end of 2021, the Fund finished the 1st quarter of 2022 with a greater cash weighting and with greater emphasis on industrial properties. Updates to our real estate ranking were singular with higher global fuel prices causing us to "switch" the ranking of suburban office (which last quarter ranked 5th) and core office space (which last quarter ranked 6th).

1. Suburban Multifamily Residential
2. Industrial
3. Urban Multifamily Residential
4. Strategic Land Banking
5. Urban/Core Office
6. Suburban Office
7. Grocery Anchored Retail
8. Hotel/Resort/Leisure

Chart 4 – 360 Degree Fund Geographic Exposure, as of March 31st, 2022



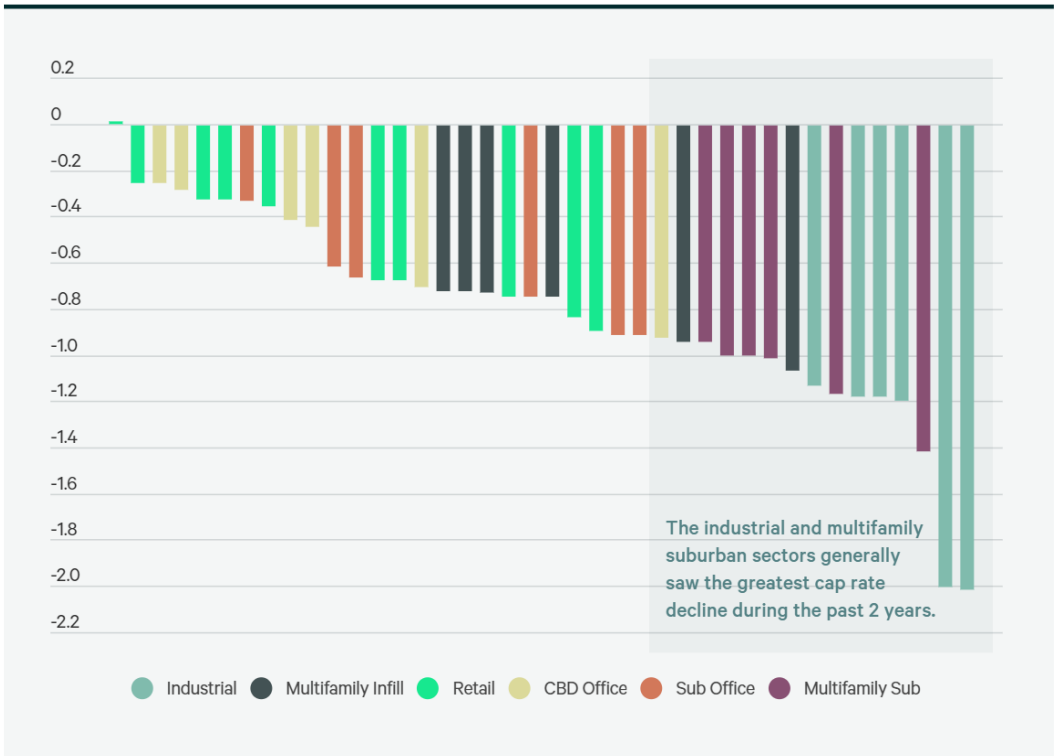
"VETCOM" markets consist of Vancouver, Edmonton, Toronto, Calgary, Ottawa, and Montreal

360 Degree US Realty Income Fund 1st quarter performance review

During the first quarter of 2022 the fund was higher by over 5%. A heavy allocation to multifamily residential real estate in southeast US growth markets, as well as increased allocations to industrial assets helped to dampen portfolio repositioning in the retail space as a nascent recovery in office space gets under way.

360 Degree US Realty Income Fund 1st Quarter: asset class highlights

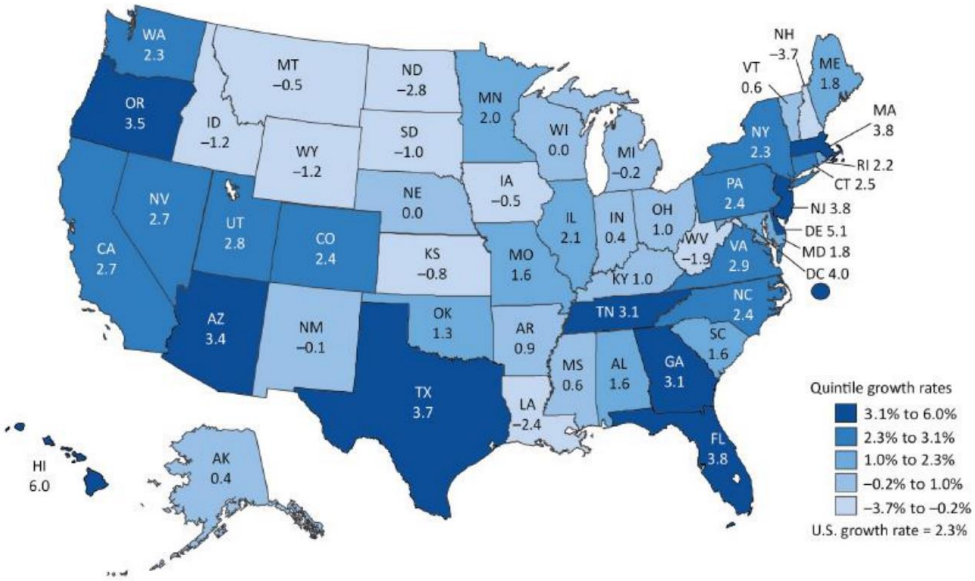
Multi-family Residential: Multifamily residential real estate is not only our favorite real estate asset class, but it is quite possibly our favorite overall alternative asset class. Rising interest rates mean that the variable segment of the mortgage market faces renewed affordability challenges. This enhances the value of rental properties while allowing them to function as effective inflationary hedges. In CBREs semi-annual cap rate survey, our team observed the strongest declines in cap rates in multifamily and industrial real estate categories over the 24-months ending December 31st, 2021, confirming in our mind that the 360 Degree Fund is well positioned to preserve investment capital, hedge inflation and capitalize on growth in e-commerce and supply chain sovereignty.



[A current report by CBRE confirms that the Fund is well positioned with a heavy allocation to multifamily residential and industrial assets. The industrial sector's very strong rent growth amid the pandemic meant this segment accounted for the greatest decline in yields during the past year, regardless of class.]

Industrial: Regular readers of these pages know that we are highly constructive in our view on industrial real estate. Incoming data, both factual and anecdotal, has helped shape our thesis on industrial and confirms that raising the fund's industrial allocation is the right move to make for unitholders. In a nutshell, we simply love industrial assets in high growth markets with large primary and secondary market populations.

Commercial Real Estate (CRE): To us CRE is all about size, speed and skill. From 2012-2019, more than twice as much capital flowed into larger funds despite 50% of the value and 93% of real estate transactions occurring in the middle market. This lack of competition typically allows firms such as ours to achieve more attractive risk-adjusted returns through better structures and better pricing in the middle market rather than "dancing" with the Blackstone's or Sternlicht's of the world. It's a strategy that we believe is likely to endure in CRE as the largest funds deploy capital opportunistically and with higher leverage than groups like ours.



[The US Bureau of Economic Analysis released its report on the quarter over quarter change in percentage rate of GDP growth for the overall United States. The figures shown above are not the respective state GDPs but rather the rate at which GDPs in those states grew during the second half of 2021. That nearly half of the fund's industrial properties can be found in the dark blue states indicates that the migration of Americans leaving other states for the south shows no signs of stopping.]

Office: Each quarter, Cushman & Wakefield update us on subleasing activity in the North American office market. The tables below represent office markets where the inventory of units available for sublease has *declined* by more than 100,000 sf during the second half of 2021. A reduction in sublease activity is a positive for office space, and although some office markets such as those in the Midwest continue to have us pause, we are delighted that the days of working away in one's pyjamas in a cold, dark basement after not having shaved for a week are finally concluding.

MARKET	DECLINE (sf)
San Francisco	**2,268,402**
Boston	**1,912,305**
Manhattan	**1,759,045**
Toronto	**944,495**
Atlanta	875,306
Oakland	823,255
Silicon Valley	728,263
Chicago	**642,338**
Seattle	604,594
Austin	582,556

MARKET	DECLINE (sf)
Denver	576,830
San Mateo Co.	543,120
Charleston	463,750
Puget Sound - E.	409,071
Richmond	331,396
Dallas / Ft. Worth	312,925
Northern Virginia	288,672
Washington, DC	**224,124**
Jacksonville	179,271
Charlotte	170,845

[Cushman & Wakefield's listing of North American office markets where subleasing activity decline by more than 100,000 square feet during the scond have of 2022.]

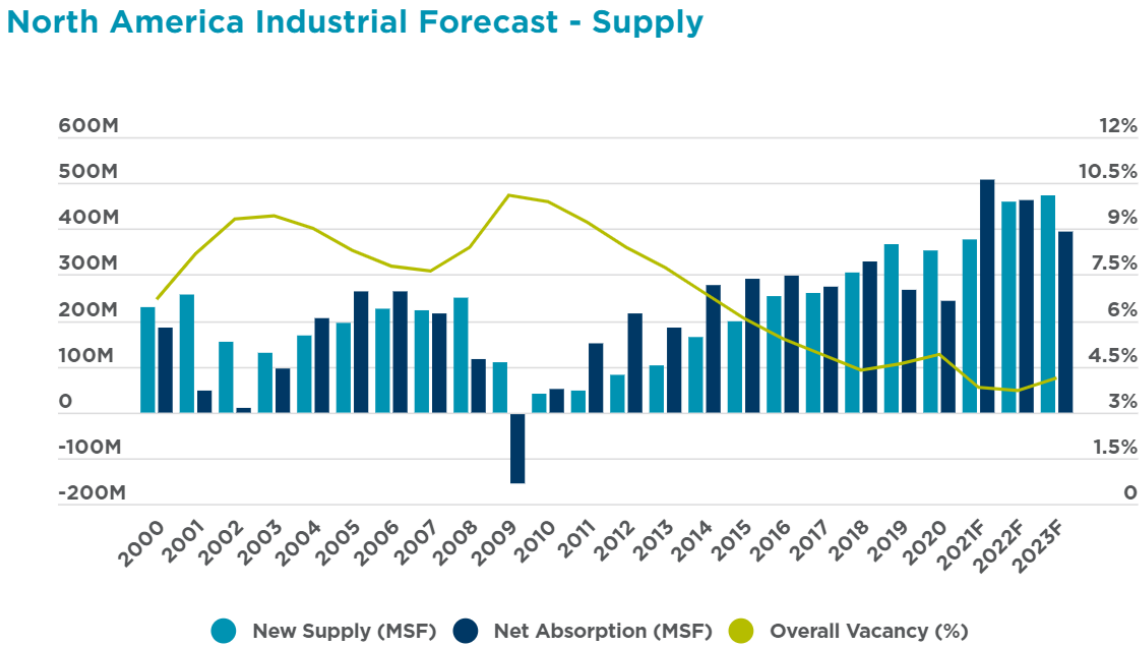
Retail. Collections and operating metrics saw sequential improvement in the first quarter of 2022 as re-openings became more mainstream through the economy. However, we continue to feel that retail's best and brightest are busily finding ways to reposition portfolios to either drive engagement by existing consumers or market to new consumers entirely.

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

During the 1st quarter, the fund received proceeds from the closing of its investment in the beach front AC Marriott hotel with 171 keys on Ft. Lauderdale. This investment in a fund-level, local currency 2.5x MOIC and 26% IRR.

[The 360 Fund generally avoids hotels but well located and well orchestrated assets are music to our ears.]

As mentioned previously at a high level, the fund continued to add to its industrial property portfolio, and our key partners in this space are IP Capital Partners LLC, Bridge Investment Group and Bayvest Capital. During the first quarter of 2022, capital was called to all three partnerships for transactions that offered LPs mid-teens IRRs and cash-on-cash yields of 5-7%. A closer look at the future of industrial properties reveals that industrial demand is still booming as described by the table at the top of page 9 from Cushman & Wakefield's Industrial report.



Strategic redevelopment of industrial lands situated in core urban centers or in well located secondary markets, the fund hopes to capitalize on industrial vacancies that are the tightest seen in 32 years (Source: JLL). Returns from these investments will be supported by contractual pre-sales of completed project to tenants in the e-commerce, logistics and distribution, and small-and-medium sized business areas at the ratio of 25%/25%/50% respectively.

Real Estate: Closing Remarks

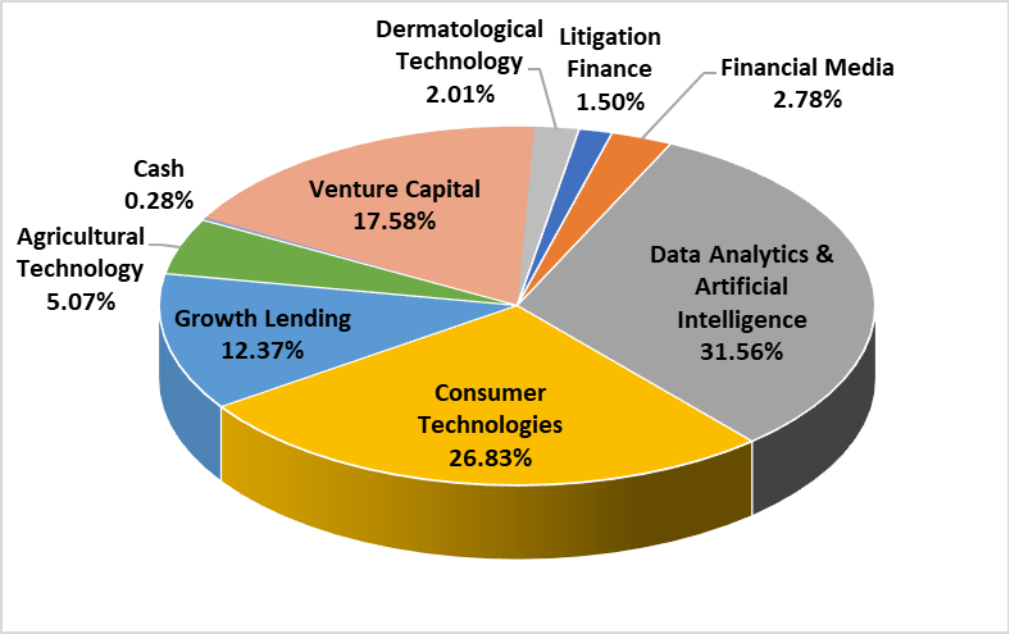
Conjecture, the media and even pop culture are all responsible for painting real estate with extremely broad-brush strokes. Each one accentuates the risks of real estate investing while somehow simultaneously glorifying intrepid investors willing to take on those risks.

We aren't interested in "glory", and we know that carefully underwritten real estate in well located growth markets will humble the naysayers and reward investors for years to come. Real estate is always a smorgasbord of data, actual experience that we report to you in the fund and what our eyes and ears are telling us.

Private Equity: MacNicol Emergence Fund

Private equity is an alternative asset class comprised of capital that is not listed 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 and structure in Chart 7.

Chart 6 – Emergence Fund Sector Allocation, as of March 31st, 2022

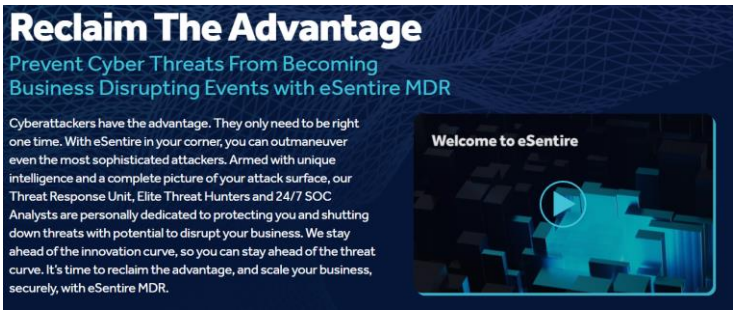


During the first quarter of 2022, the Emergence Fund was lower by approximately 1%. The portfolio manager was active in funding new investment opportunities with Overbay Capital Partners and Round 13 Capital. In addition, portfolio company updates from Georgian Partners were provided for: Top Hat Monocle Corp., Alida, Freshbooks, ESentire and Tealium. Top Hat is a mobile-based classroom response system that engages students and provides professors with the real-time feedback on student comprehension. Top Hat lets instructors conduct polls, quizzes and interactive demonstrations in class.

Students can participate in class using any device they own, such as their smartphone, iPad or laptop. Quarterly revenue and EBITDA were slightly below plan. Alida is a leader in market space called Voice of the Customer. The company provides a suite of software and associated services that allows large companies (banks, manufacturers, retailers) to communicate with large communities of customers in order to better understand their customers' feelings about brand and products. Both revenue and EBITDA were on track for the quarter. FreshBooks is a leading cloud-based accounting software for service-based small business owners. Their customers use the software to invoice clients, track time, and run their accounting functions in the cloud. Revenue was on track for the quarter though EBITDA dipped just shy of plan in the same time period.

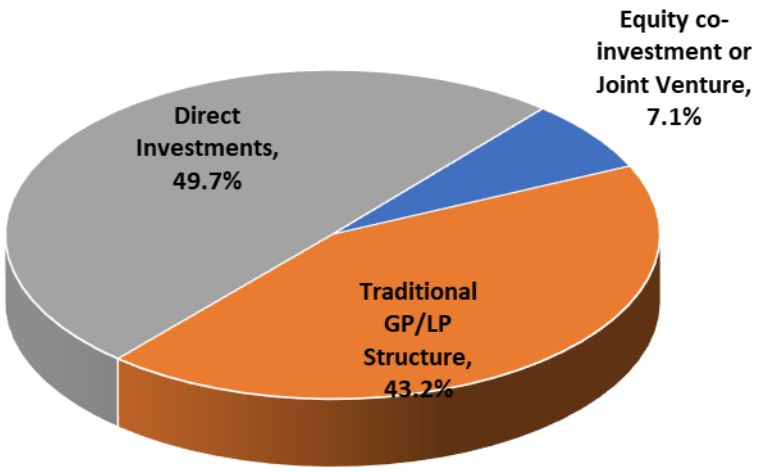
[The only two certainties in life are death and taxes. FreshBooks can help with the later of those two certainties.]

eSentire is a cyber security company, providing market leading Active Threat Management technology, solutions, and services. The company offers a best in class mix of technology, SaaS, and managed services to its customer base, delivering a range of automated cyber security enterprise solutions. The company has a large focus on Financial Services, particularly with PE and hedge funds. Revenue was above plan for the quarter while EBITDA was inline.



[Cyber risk management needs to be smarter than the threats facing businesses. eSentire provides comprehensive security strategies that scale with your growing attack surface.]

Chart 7 – Emergence Fund Investment Vehicle Mix, as of March 31st, 2022



Private Equity Portfolio: Activity

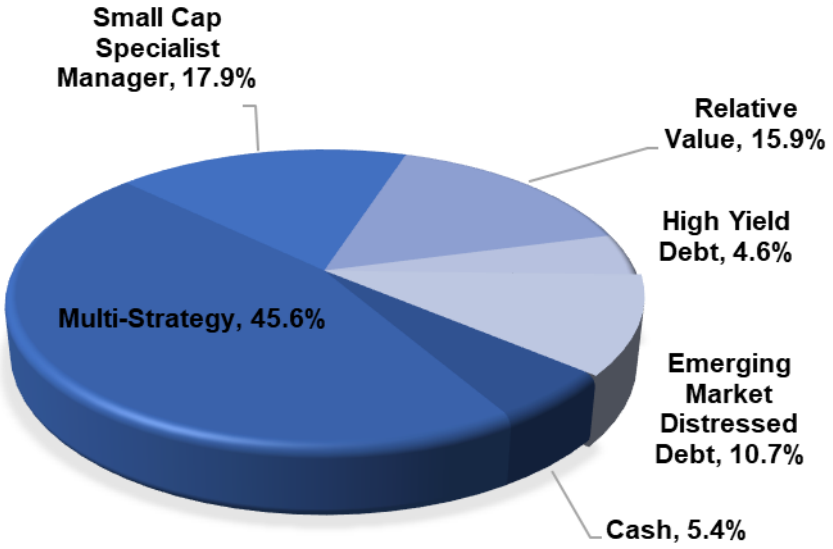
As previously highlighted, the portfolio manager funded a new investment opportunity with OverBay Capital Partners and funded an existing investment with Round 13 Capital. During the quarter, the fund also received 3% of its committed capital from a venture capital vehicle that is partnered with Versant Capital and Lumira Ventures, which focuses on late-stage health and life sciences mainly in Ontario, Canada.

During the quarter, the portfolio manager also helped the fund participate in a Series A2 financing round for portfolio company Jurissa International Bank, which was discussed at a high level earlier on. Jurissa will be a Puerto Rican international financial entity providing services to the legal sector with a focus on secured loans and bank guarantees to litigation funds, their general and limited partners, law firms, lawyers and claimants to fund litigation and law firms. The recent financing was a result of Jurissa having been granted permission to organize as a bank by Oficina del Comisionado de Instituciones Financieras, the Puerto Rican version of the OFSI.

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 2022, the Fund was higher by 1.30%. During the quarter, equity and bond markets experienced another tough month driven by concerns surrounding the Russian invasion of Ukraine. Energy prices appreciated and growth stocks trailed value stocks as the S&P 500 Pure Value Index returned 0.48% versus S&P 500 Pure Growth Index -1.80%. Global bond markets, like their Canadian counterparts, fell and February provided another reminder to investors that in times of heightened inflationary risks and central bank tightening, bonds provide less protection to portfolios. Multi-Strategy hedge fund holdings were the largest contributor to the fund's performance in absolute terms and third largest in capital weighted terms over the quarter. Performance drivers were mainly Event Driven and Long/Short Equity strategies. The Event Driven/Credit strategy was the largest contributor to the fund's performance in capital weighted terms. The strategy is positioned for capitalizing on heightened volatility in the credit space. The Macro strategy also contributed to the fund's performance during the quarter on absolute terms and in capital weighted terms. The portfolio manager continues to see opportunities in the global macro strategy as the expectations and actual normalization of central bank policy together with inflation concerns should generate an opportunity rich environment for the strategy.

Chart 8 – Absolute Return Fund Strategy Mix, as of March 31st, 2022



Overall, however, the fund's investment strategy mix, as detailed in Chart 8, was comparable to that seen at the end of 2021.

Closing Comments

The first quarter of 2022 was a positive one for the Trust, with quality and innovation driving results for unitholders. As indicated in First Quarter 2022 Highlights, the core focus in the Trust this quarter was to **fortify capital** and **manage short-term cash flows** against the impact of rising rates and we feel confident that we have achieved this goal. At the same time, the portfolio manager appreciates that the world is a (vastly) different place than it was at the end of 2021 and that enhanced diligence and caution are warranted. The Trust's position in a tail risk fund will help to protect capital from dramatic, short-term event risk while the Trust's portfolio of private companies and properties continues to offer investors attractive risk-adjusted returns. Alternative assets are a class of investments well known to institutional investors but not as well known by individual investors. Because alternative assets change hands less frequently than publicly traded investments, they are less volatile and aligned our investors with sophisticated capital that focuses on the long-term.

For more about the MacNicol Alternative Asset Trust or the services we offer to private investors please feel free to contact us at toll free: 1 866 367 3040.

MacNicol & Associates Asset Management Inc.
April 2022