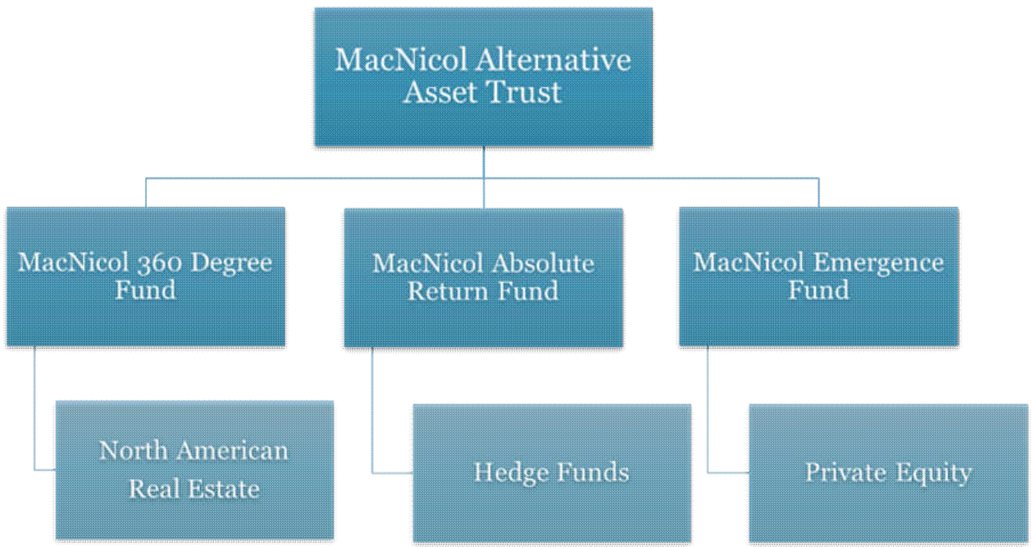
Alternative Asset Trust Second Quarter 2022 Report:

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

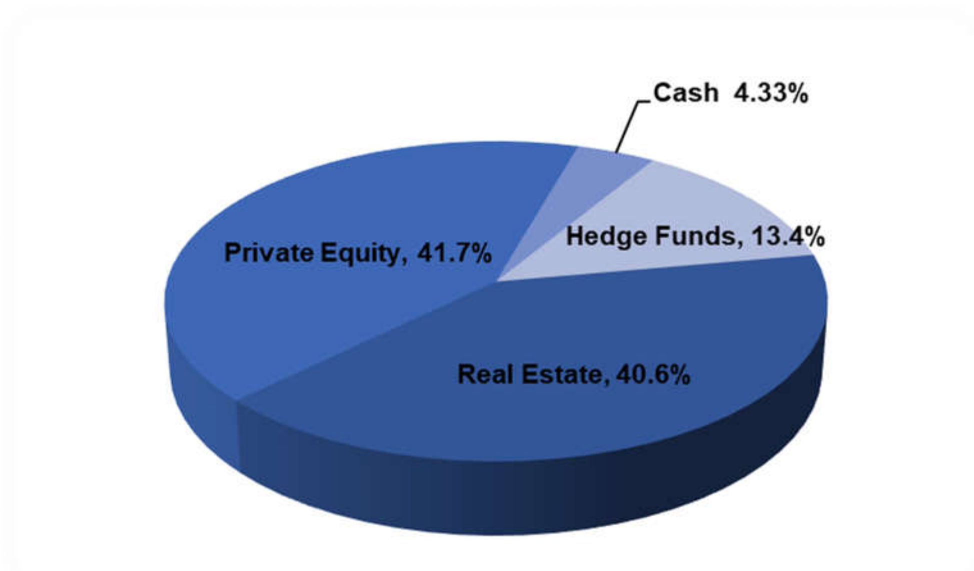


Alternative Trust Update: The goals of the Alternative Trust are to generate attractive risk-adjusted returns and help better diversify portfolios of public market investments. During the 2nd quarter of 2022 the Trust was broadly flat net of all fees and higher by 1% by the end of the first half. During the quarter, the Trust provided stability to a world that continues to cope with elevated geopolitical risk, high inflation, shifting monetary policy and the new challenge of more pointed questions about the economy. During this period a range of alternative investment opportunities were considered. However, the portfolio manager concluded that in the end, our time-tested approach towards alternatives would remain with only subtle refinements to the overall strategy.

First Quarter 2022 Highlights:

As previously mentioned, the second quarter of 2022 was defined by many of the same investment themes that dominated the first quarter but with the added complexity of an economy that may be losing momentum. This had major implications for global equity markets, which were lower during the second quarter and a range of traditional alternatives such as bonds and gold that were lower too. Over this period the Trust was off by just ten basis points mainly as a result of our hedge fund holdings, which will be discussed more thoroughly later on.

Chart 2 – Alternative Asset Trust Asset Mix, as of June 30th, 2022



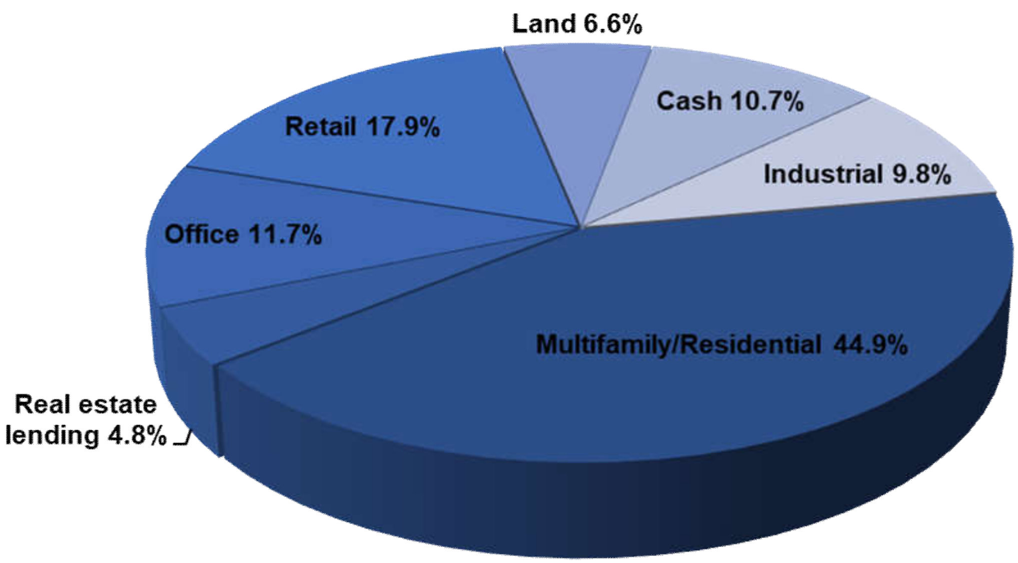
Alternative Asset Trust: 2nd Quarter 2022 Overview

As described in Chart 2 the Trust's overall asset mix changed slightly during the second quarter of 2022 with cash levels higher by 2%. Similarly, the Trust's currency exposure changed by only 2% over the previous quarter with Canadian dollar exposure now at 37%. The Trust's liquidity profile, which we define by vintage was more unique than last quarter with approximately 17% of the Trust's holdings liquid on 90 days' notice, 32.9% of holdings liquid during the next 3 years and 49.4% of capital expected to be returned in 3-5 years. New partnerships in real estate, private equity and hedge funds were the primary driver of an elongated liquidity profile.

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 June 30th, 2022



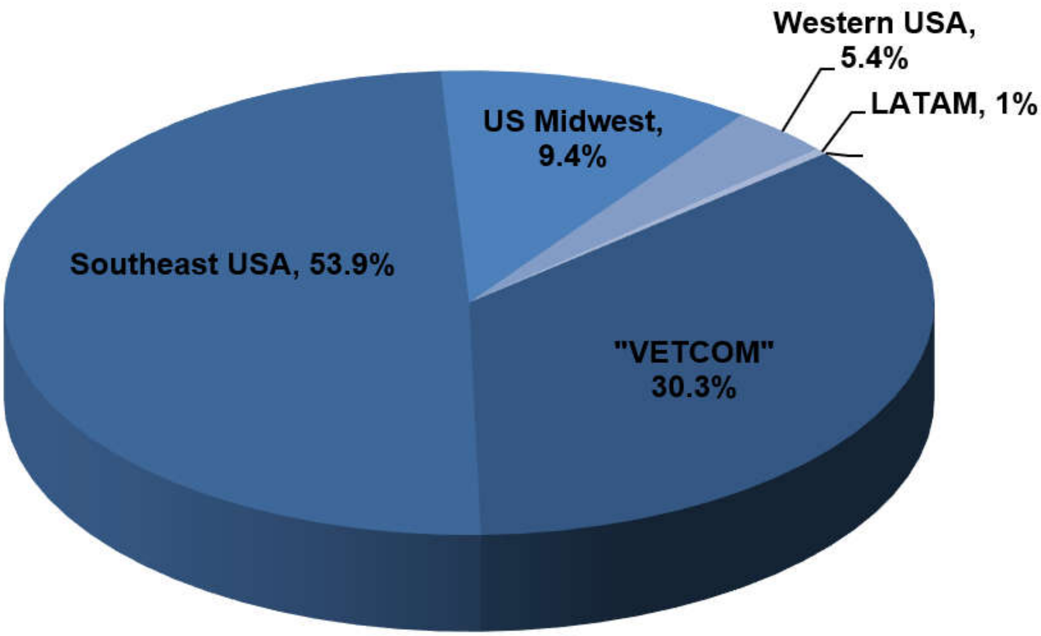
Compared to the first quarter of 2022 the fund's position in land and multifamily residential real were higher. This is primarily because of two new deals the fund participated in, which will be detailed in the transaction summary section that follows. Before pivoting to the fund's geographic presence, we thought it would be constructive to highlight three key differences between publicly traded real estate vehicles such as "REITs" and the private real estate vehicles the fund specializes in such as limited partnerships and LLCs.

First, the expense load for public real estate vehicles is higher even when one incorporates long-term performance incentives such as carried interest into the comparison. In other words, specialized real estate private equity firms are leaner and more efficient at sourcing and closing deals. A second difference is that public real estate vehicles behave like a “cocktail” of real estate and stocks. Since the proportions of the “cocktail” are not always controlled by investors, they can find themselves lacking the pure benefits of private real estate diversification. The obvious analogy would be ordering a non-alcoholic beverage that is “spiked” before you drink it. But one recent actual example of this is commercial office space. Most office focused REITs experience staggering volatility during the first, second and third quarter of the 2020 pandemic. The same experience was not experienced by private equity groups who own stakes in commercial office towers. By and large, these groups (like ourselves) focus on long-term fundamentals and do an excellent job of netting out noise.

One final aspect of private real estate holdings not often discussed is the value of our long-standing relationships with many American private real estate firms. In certain cases, our investors get the additive benefit of the “promote” being additive to returns, and this isn’t something many investors even experienced ones may know. Promote is the term used to define the real estate sponsor's disproportionate share of profits in a real estate deal above a predetermined return threshold. Think of promote as a manager receiving a promotion for strong on-the-job performance.

Returning to the 360 fund's geographic presence confirms that it did not change during the quarter, and US growth markets remain a hallmark of the fund's long-term demographic plan. Chart 4 below is almost identical to the same chart as at the end of the first quarter as recent transactions occurred in familiar states.

Chart 4 – 360 Degree Fund Geographic Exposure, as of June 30th, 2022



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

360 Degree US Realty Income Fund 2nd quarter performance review

During the second quarter of 2022 the fund was lower by 1.3%. A heavy allocation to multifamily residential real estate in southeast US growth markets, as well as increased allocations to industrial assets helped cushion a nascent recovery in office space and mixed results in the hotel and retail landscape. Rising domestic interest rates helped our investment in a private residential mortgage lender here in Canada get off to an encouraging start, though we were not in possession of any hard data as of the end of the quarter and conservatively opted to leave the valuation for the time being.

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 a candidate for our favorite overall alternative asset class period. But is this love affair still going strong in a world of higher rates and higher inflation? For starters, we continue to receive data[1] suggesting that most metropolitan statistical areas in the US south are experiencing supply and demand imbalances. High property prices are one of the main reasons why renting has become an option for so many. But today's issue is one of mortgage rates. Higher rates mean demand for mortgages has fallen and in the graph below we show the US 30-year fixed mortgage rate at 5.7% as of the end of June. This is by far the highest level the 30-year has been in the past 10 years, and quicky approaching the higher regions of the 20-year chart below:

[The US 30-year fixed mortgage is much higher than at any point in the past 10 years. And even when viewed over a 20-year time horizon as in the above graph, the US 30-year fixed mortgage is getting pricey.]

Rising rates amplify the appeal of renting. Of course, costs have risen too. Trades people, renovation materials and property management staff salaries have all gone up. But we continue to find success in passing along rent increases to tenants in our target markets, which for the year ended June 30th, 2022, averaged 12% across our several thousand-unit portfolios.

While it is hard to say whether rent increases can continue, we can point to an over 90% occupancy rate across our portfolio of multifamily holdings and to the fact that like Tomoka Pointe, many of our recent deals have been off market transactions. More difficult to close, off market transactions narrow down the list of potential buyers and offer groups like ours the potential to participate in transactions at favorable prices.

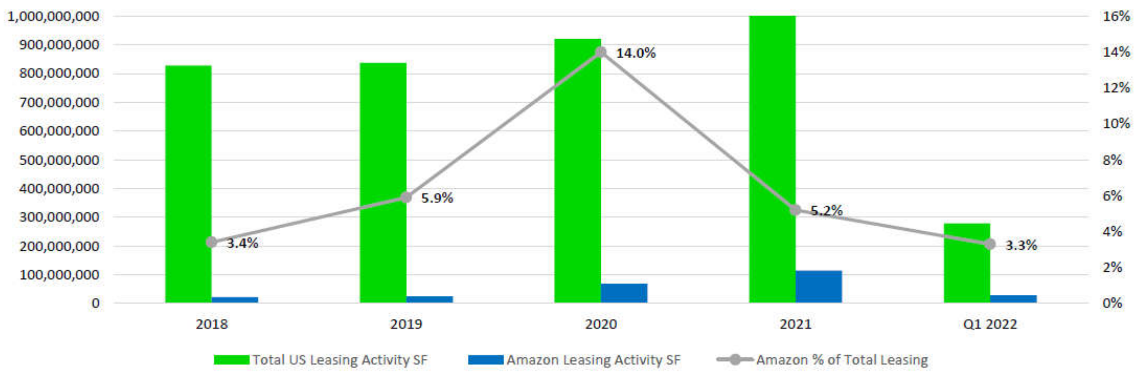
Industrial: We continue to be positive on industrial real estate despite what was arguably the second quarter's top industrial real estate headline. After nearly doubling its warehouse footprint to 700 million square feet between 2020 and 2021, Amazon's decision to ***sublease*** up to 10% of total space leased in the same period caught some observes by surprise. We feel the move reflects Amazon's desire to prioritize improved profit margins over aggressive expansion and by absolute no means a slowdown in e-commerce penetration.

[Click, click…BOOM? Not any time soon as far as we can tell.]

Growth in e-commerce penetration is expected to accelerate in top tier markets where there is a convergence of logistics infrastructure and population. These global gateway markets are expected continue to outpace that of secondary and tertiary markets where same day or next day delivery is less prevalent. U.S. e-commerce penetration rate is expected to increase from 14% in 2021 to 21.5% by 2025 (Source: JLL).

This compares to the China e-commerce penetration rate at 51% in 2021 and the UK at 28% in 2021, which suggests significant runway ahead (CoStar). Even with Amazon slowing expansion, gross national leasing activity year to date through April is up by 7% from the same period in 2021. Overall vacancy rate currently stands at **just** 3.1%, and rental rates were up by 16% year over year in Q1 2022.

Amazon's Leasing Activity relative to overall US industrial Leasing Activity



[In response to COVID 19 accelerating e commerce demand, Amazon nearly doubled its warehouse footprint between 2020 and 2021. However, after reporting a nearly $4 billion loss in in the first quarter of 2022 Amazon is willing to trade some square feet to right size profit margins. Amazon is of course an enormous tenant, but consider that even after taking into consideration Amazon's weaker leasing appetite, net absorption for the overall United States industrial sector is 6.2% higher thus far in 2022 than it was at the same time in 2021 (Source: Bridge Investment Group, CBRE and Prologis).]

Commercial Real Estate (CRE): Deloitte recently surveyed some of its largest clients for their own outlooks and how they might impact commercial property prices. Eighty percent of respondents expect their institution's revenues in 2022 to be slightly or significantly better than 2021 levels and we are optimistic about this figure. However, office employers such as ourselves are having to better balance individual staff productivity with broader employee engagement and collaboration. Meanwhile landlords such as our building's Kingsett Capital face increasing demands to prioritize ESG considerations older vintage technology infrastructures, a tighter fitting labor market, and increasingly differentiated competition. Ultimately, commercial real estate's future starts now and an awful lot about how the sector performs over the next decade could be decided in less than a year.

This sort of "mixed bag" environment cements in our minds the need to be disciplined when allocating capital to projects.

Office: Commercial office towers can only grow so tall and the increasing acceptance of hybrid work and flexible office usage in a post pandemic world mean the supply of sublease office space is on the "rise". CBRE recently noted that US sublease availability increased by 3.6% during the first quarter of 2022 while the leasing of the subleased spaces themselves rose by 60% on a year-over-year basis during the same period. This sort of metric does jump off the page to some extent and this is partially why the 360 Degree Fund is evolving into what is ultimately a real estate partnership for tomorrow's more digital world. But trends in digitization of everything pre-dates COVID 19 by many years. The virus simply accelerated the need to think about how manager allocate investment capital to deals. Sublease availability remains above pre-pandemic levels in every major market that CBRE tracks, though some metros are seeing modest improvements. And office space is far from an antiquated relic of the past.

Cheniere Energy, the massive LNG company, is moving its global headquarters to one of downtown Houston's newest skyscrapers in one of the biggest office deals in the central business district this year. Cheniere Energy has leased a 151,490 square-foot office space plus about 16,700 square feet of outdoor space at 845 Texas Avenue.

[Cheniere Energy is among five new office tenants who recently signed onto Texas Tower, the 47-story tower developed by Houston-based real estate firm Hines and Canadian real estate firm Ivanhoé Cambridge. Designed by Connecticut-based architecture firm Pelli Clarke & Partners, the skyline-changing, 1.2 million square-foot tower opened in December and is already about 70 percent leased.]

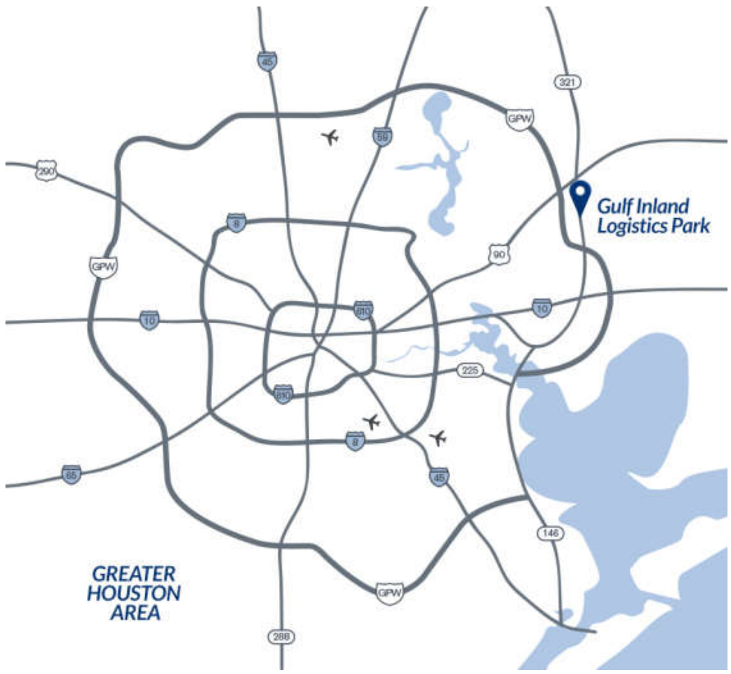
Retail. Battered and bruised, retail's resurgence has been impressive. Collections and occupancy have normalized to varying degrees and retailers themselves, as well as the shopping centers will target consumer experiences by placing greater emphasis on physical locations in a bid to recapture market share. Some aspects of retail will in our view remain unchanged like the locational premiums embedded in assets in urban locations and flanked by other commercial and residential tenants. On the other hand, more of retail real estate's future we believe might be in strategic joint ventures like Rexall Pharmacy's partnership with telehealth provider Think Research Corporation.

360 Degree US Realty Income Fund 2nd quarter: transaction summary

During the 2nd quarter, the fund acquired an equity stake in Tomoka Pointe. Tomoka Pointe is a 276-unit multifamily community just off the I-95 in Daytona Beach, Florida. This corridor has seen robust development over the past few years, with new retail, industrial, and medical-related facilities being completed. Tomoka is part of a master planned community, adjacent to Tomoka Town Center, and the asset is one of the fund's newer vintage properties having been completed in 2019. Tomoka has best-in-class amenities and features, including elevator access to three of its residential buildings. The property will benefit from the installation of a technology package to enhance the residential units further and from the implementation of a new and proven management platform, with an intense focus on the customer experience.

[Welcome to Tomoka Pointe Daytona Beach, the 360 Degree Fund's latest multifamily acquisition.]

The fund also made an investment in an industrial and logistics asset northeast of the port of Houston, TX called Gulf Inland Logistics Park ("GILP"). Development at GILP combined with the annual cash flows from resulting rail leases and operations should help the fund achieve a strong, targeted rate of return of 40%.



["GILP" connects to the jointly owned Union Pacific and BNSF Railway main line less than one mile away. Both carriers utilize Gulf Inland's location to originate and terminate unit train service providing tenants faster access to deliver and receive goods by rail. Gulf Inland's location provides direct rail access to the largest concentration of petrochemical companies in North America.]

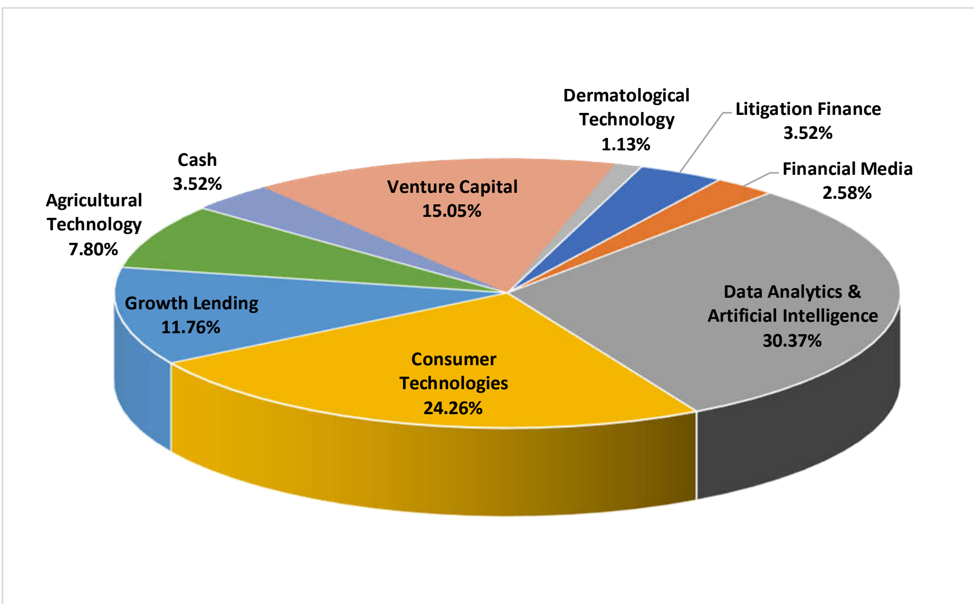
Real Estate: Closing Remarks

Higher inflation, higher rates and higher subleasing activity are all reasons to not invest in real estate. But by focusing on what is wrong with institutional real estate, investors risk missing so much about what is right about institutional real estate: attractive long-term risk adjusted returns, better portfolio diversification and the piece of mind that comes with knowing that you are instead alongside many of the most sophisticated investors in the world. We feel very confident about the 360 Degree Fund's existing holdings, and we are excited about the new deals discussed in this report. As always, we look forward to updating you on the performance of the fund at the end of the next quarter.

Private Equity: MacNicol Emergence Fund

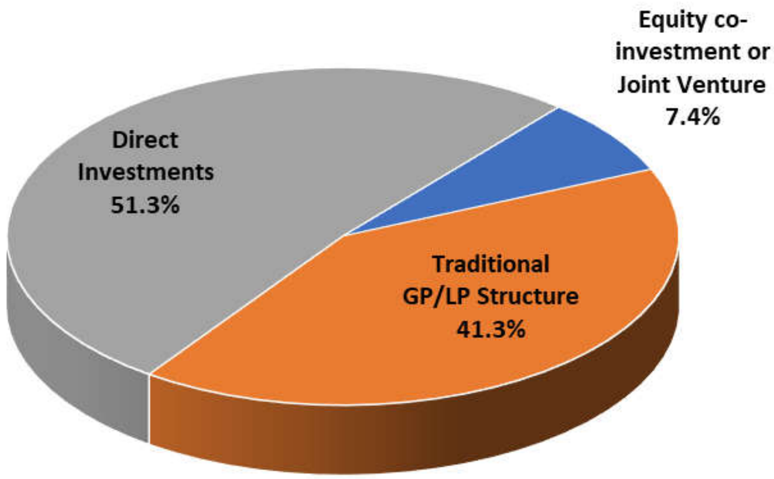
Private equity is an alternative asset class comprised of capital that is not listed on public stock exchanges. Through direct ownership in private companies, equity co-investments in private companies and limited partnerships that hold several private companies, the Emergence Fund invests in a range 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.

Chart 6 – Emergence Fund Sector Allocation, as of June 30th, 2022



During the second quarter of 2022, the emergence fund was higher by 80 basis points. Private equity secondaries and tech-enabled SaaS based business primarily in the healthcare space were the fund's best performers. A major sell off in technology and early-stage venture capital help Emergence outperform many of its more growth oriented and speculative counter parts. The fund's allocation to direct private company investments, private equity limited partnerships and equity joint ventures is described in Chart 7 on page12.

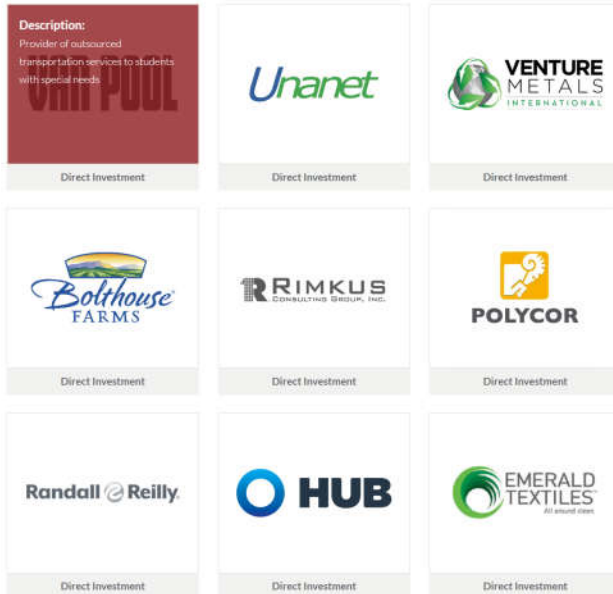
Chart 7 – Emergence Fund Investment Vehicle Mix, as of June 30th, 2022



Private Equity Portfolio: Activity

During the quarter the portfolio manager funded additional investments with OverBay Capital Partners and Northleaf Capital to enhance our positioning in leading, mid-market sponsor-backed companies. During the quarter, the fund also completed due diligence on a private technology company that is a pioneer in electric powered hydrofoils that gives the sensation of flying over water. Revenues for the company are forecast to top $200 million by 2025 and as the second quarter concluded, the fund entered into negotiations to take a stake in the company.

More details about this investment will be released once the transaction has been finalized, which we anticipate being mid-way through the third quarter of this year.



[The fund's expanded, mid-market private equity relationship brings more sponsor led companies .]

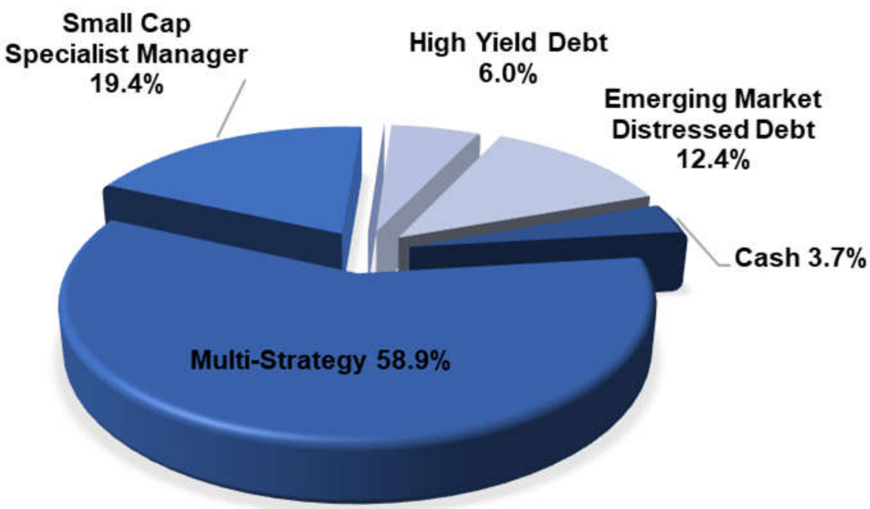
Many of the Emergence Fund's existing investment partnerships focus on the areas of applied artificial intelligence, global payments, and cyber security. More recent addition to the fund have focused on enabling businesses in areas like healthcare, insurance and manufacturing become more efficient.

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 2022 the fund outperformed most major developed equity markets and was lower by 6.3%.

During the quarter, a selloff in risk assets such as small company stocks and distressed debt. Higher rates hampered progress in smaller, growth-oriented companies, which certain of our hedge fund positions hold. Recessionary woes caused investors to exit distressed debt markets in favor of safer havens. Movement in the prices of small companies and distressed debt also provide the fund with opportunities for later in the year. The relative outperformance of the fund as compared to both the S&P500, and the S&P/TSX Composite was primarily the result of market neutral hedge funds and their ability to reduce portfolio level systematic risk.

Chart 8 – Absolute Return Fund Strategy Mix, as of June 30th, 2022



Overall, however, the fund's investment strategy mix as detailed in Chart 8 was comparable with that seen at the end of the first quarter with the Multi-Strategy allocation of 58.9% now more skewed towards market neutral strategies as detailed a moment ago.

Absolute Return Fund: Activity

In order to further reduce market volatility in the present uncertain and possibly recessionary environment. The Portfolio Manager allocated capital to a position in the Lionscrest TailPro risk fund with Universa. The objective of this positioning is to further fortify the overall alternative asset programs to substantial market risk.

Closing Comments

For many investors the second quarter of 2022 was a challenging one with heavy volatility and very few places to hide. High quality alternative assets once again proved to be an effective solution to the challenge of "nothing's working". Through careful monitoring and close discussions with our partners, the Trust is well positioned to begin the second half of 2022 in a similar position to which it began the year, which is to say: stable, focused and disciplined.

MacNicol & Associates Asset Management Inc.