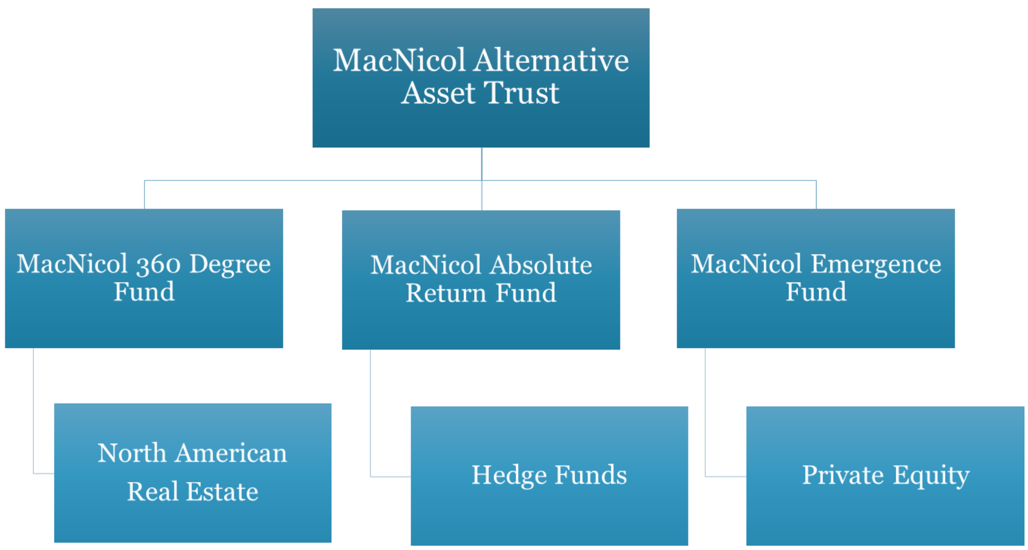
Alternative Asset Trust Quarterly Report: March 31st, 2018

The MacNicol Alternative Asset Trust is a multi-strategy, alternative investment platform designed to generate positive and uncorrelated returns against the public stock and bond markets. The Trust, through its underlying limited partnerships, is invested in private real estate, mortgages, private equity and multi-strategy hedge funds. Combined, the Alternative Trust is invested in more than 150 separate real estate projects, mortgages, hedge funds and private securities. The advantage of combining different alternative asset classes and high yield investments into one Fund include tremendous diversification, enhanced liquidity, and a more predictable and less volatile pattern of returns when compared against the performance of the individual asset classes themselves.

Chart 1 – Investment Structure MacNicol Alternative Trust



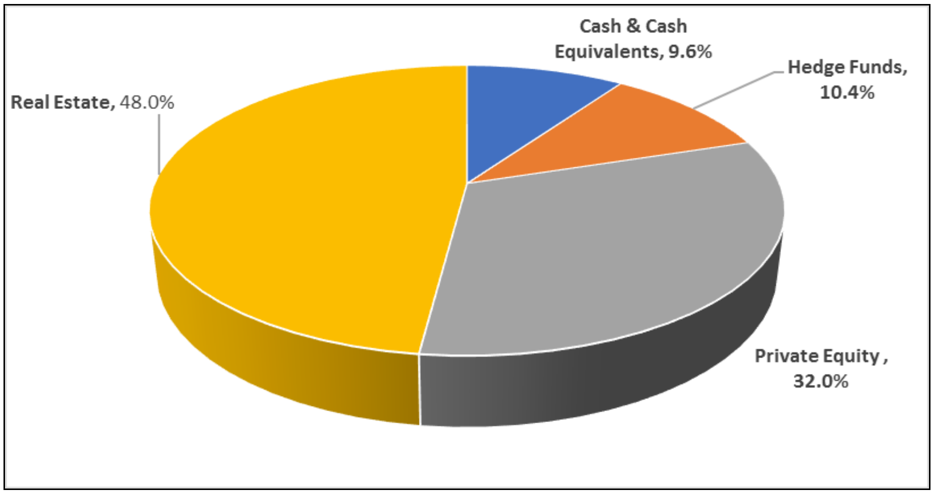
Alternative Trust Review: The goals of the Alternative Trust are to generate positive "real" returns (after-taxes and inflation) each year, and to generate annualized nominal returns of 6 - 8% over rolling five-year periods. We are pleased to report that as of March 31st, 2018 the Trust has met its primary goals by generating a positive 1-year return of +6.5% and a 5-year annualized rate of return of 12.4%.

The year 2017 was marked by elevated geopolitical risk, rising interest rate fears and a market that casually shrugged off these same fears. As a result, momentum-based trading strategies and the whole notion that investing is "easy" saw better 2017 performance. After a brief resumption of that trend in early January; 2018 appears to be fixated more closely on earnings, signals from the bond market and the reclassification of alternative investments as core holdings. In other words investors are starting to look at certain names and wonder whether rebalancing is necessary. After an extended absence, volatility made its return and we actually feel this is a good thing. Volatility compels investors to think about individual investment decisions and overall asset mix a bit more.
As equity markets struggle for traction early in 2018 and bond markets face the threat of rising rates, we feel that: asset allocation, sector rotation and a focus on alternative investments will feature prominently in many investor dossiers.

During the 3-month period ending March 31st, 2018 the Alternative Asset Trust was higher by over 3% which compares favorably to a good number of major stock market indexes over the same period. Perhaps not surprisingly, we observed Advisors and investors taking a harder look at alternative investments more than before through engaging us in discussions and requests for more information. We think that 2018 and 2019 represent the years when a lot of the theory on alternative investments is put into practice by a broader array of investors. Of course, at MAAM, most of our seperately managed accounts include alternative investments. This comforts both us and our clients given our forecast for tighter monetary policy.

During the 3rd and 4th quarters of 2017 we anticipated elevated levels of volatility and sector rotation were not that far off. We certainly did not know that the late January early Februrary period in 2018 would define the border between a wearisome and worrisome market, but the good news is that the Alternative Trust did its job in providing some heavy lifting in portfolios. Chart 2 on the following page provides the most recent window into the Alternative Trust's asset mix as at March 31st, 2018. If this asset mix seems familiar to you that's because it is. Though not much has changed from an asset mix perspective, the deeper story is that the team has become more selective in the past quarter and changes figure more prominently at the individual limited parternship level. This is not to say that asset mix is irrelevant, rather because capital is now chasing ever more projects, a more thorough assesment of business plans and detailed modelling is necessary. As to asset mix, continued real estate bias remains warranted.

Chart 2 – MacNicol Alternative Asset Trust Asset Mix March 31st, 2018



Alternative Trust First Quarter 2018 Highlights

During the first quarter of 2018 the Alternative Trust was higher by 3.1% with private equity and private real estate performing well. The trust trailed major developed benchmarks like the S&P500 in the later half of 2017 albeit with less volatility. But early in 2018 the Trust outperformed both the Dow and S&P500, and easily outpaced the S&P/TSX Composite as geopolitical concerns dominated investor expectations for earnings growth in the context of elevated valuations. Currency headwinds continued to be a factor for the Alternative Trust but with the Canadian $ ending the first quarter substantially where it began, quarter-over-quarter comparisons illuminated the quality of alternative investments themselves and less so currency flucations. We view this as a positive.

North American Real Estate: 360 Degree Realty Income Fund

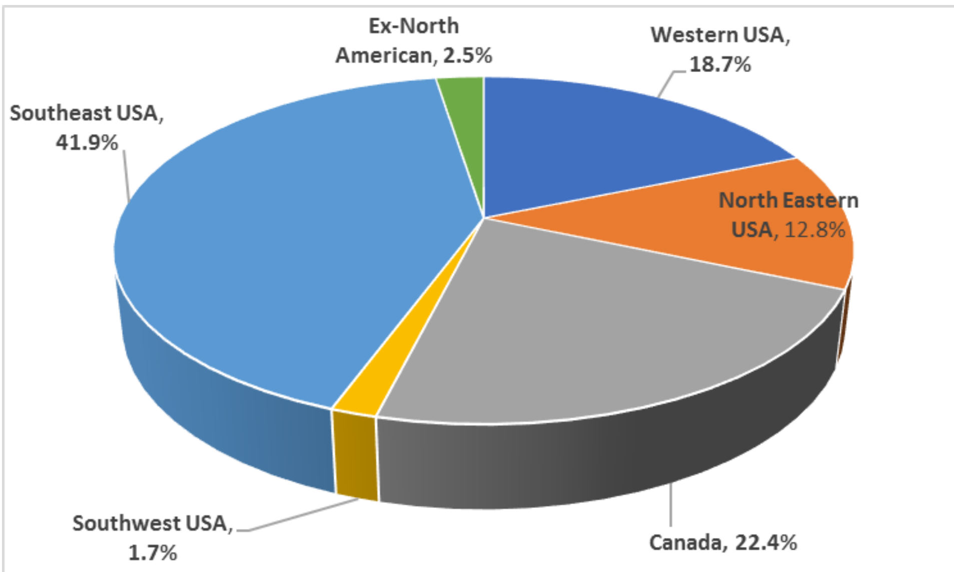
The Alternative Asset Trust invests in North American real estate through the MacNicol 360 Degree Realty Income Fund. This fund focuses on value-added projects in the United States and Canada. The Fund also invests in financing through the residential and commercial mortgage funds of carefully selected sponsor firms. All sponsors are chosen for their high degree of local experience in deal sourcing, finance, construction, and

property management. The fund has exposure to more than 140 separate real estate projects and 6 different asset classes across North America. **Chart 3** on page 5 highlights the regions of North America in which our real estate projects are located as of March 31st, 2018. While the strategy continues to focus on North American growth markets that possess favorable demographics, modern infrastructure and access to the global markets; some observers have questioned the relatively sluggish recent trend in rent growth for the multifamily residential space. We address this below.

360 Fund Fourth Quarter Highlights: For the first quarter of 2018, the fund rose by 1.2% in base currency terms and 3.5% in local currency terms. A steady stream of distributions returned to the fund by plan sponsors reflects the disciplined process of monetizing investments early on and the fact that good real estate in great locations continues to command a favorable premium. The MAAM investment team tends to focus on projects and strategies that furnish limited partners with weighted average occupancy levels of 92% or higher and inception-to-date revenue growth of at least 10%. Conservative [i.e. sub 60%] leverage and high-quality assets in growth markets are prioritized whenever the fund seeks to make new or follow-on investments. Cap rate compression is a catch phrased being bantered about the industry though we remind investors of the dangers of generalizing. Real estate is a specific asset class that requires precision analysis. Cap rates are highly asset class and grade specific. Case in point: multifamily residential real estate. Long a bedrock of the fund, this space has garnered some concern among investors especially in connection to potential oversupply. We think those concerns will quickly abate for those investors who view the space strategically in the context of the operational performance of the assets and the valuations being paid for them by investors. Both aspects are driven by supply and demand fundamentals. From an operational perspective, the focus is on the supply of units in a certain rent range versus the demand for such units. From a valuation perspective, the focus is on the supply of capital targeting the kinds of assets MAAM invests in. A higher quantity of capital supplied reduces capital costs and implies that successful Managers can gain exposure to what amount to mini cities. Canada has a multifamily market but to more fully exploit this strategy one needs to look to the United States. Operational performance in the United States remains strong, especially in assets that offer a range of rents the broader population can afford and afford to have increased. A slight decline in rent growth was talked about extensively in the media but it was not due to a lack of demand. Instead, the phenomenon was a maxing out of rental affordability. Fortunately, wages are growing again for the middle-income population and we expect to see rental increases return in 2018 and more strongly in 2019. Investors are advised to consider that new supply coming onto the market targets higher rental rates. While the fund does own certain up market properties where rent growth has been the slowest, the Manager is not frustrated by this trend as these sorts of assets benefit from the locational safety.

A selection of individual transactions is highlighted in the *Real Estate Portfolio Activity* section of this report.

Chart 3 – MacNicol 360 Degree Fund Geographic Mix: March 31st, 2018



Commercial Real Estate: The commercial real estate market is fundamentally stable and well anchored at the property level. In the United States, many middle market tenants are the beneficiaries of recent US tax reforms. The MAAM team has observed tenants renewing their leases and expanding their square footage. From an equity market perspective, strong inflows (especially for larger transactions) continue while pricing has compressed but only to the extent that "forced" liquidations from either: a) legal battles between General and Limited Partners and b) Estate fights among siblings dominate commercial listings. However, for the most part the commercial real estate market is acting rationally. Equity is not as plentiful as debt (as many LP's have rotated into debt) allowing equity in this space to be more of a non-commodity investment.

Multi-family Residential: Long-term investors know that we value the multifamily residential space for anecdotal colloquialisms like “everyone has to live somewhere”. But there’s a bit more to it than that. Recent US government tax reform and initiatives relating to agency financing are things we view as supportive of the space over and above economic growth rates and demographic trends. That some investors question the multifamily space due to a slight down tick in rent growth concerns us only tangentially. Rent growth was slowest for the very highest price point of units currently available on the market and these types of holdings are frankly peripheral to our core assets. That rent growth did not meet expectations is in our view more a function of supply being soaked up by consumers. Additionally, the upper end of price points in multifamily benefit from the safety of locational premiums and high occupancy, and we expect rent growth to resume soon. More importantly for the fund, our focus is on multifamily assets the broader population can attain and not those units which target the 1% income/asset owners. We also like “B” grade properties as their tenants tend to stay longer and the properties themselves are more difficult to replicate with new product due to wage inflation.

Industrial: We are constructive on the industrial space and as much as any real estate asset class the MAAM team continues to explore direct and fund-specific opportunities in this area. There are numerous tail winds that we feel will support valuations including many that investors may not consider as being directly linked to real estate on initial inspection. Tax law changes allow users of industrial assets in the United States to expand thus leading to elevated lease and sales activity. Manufacturing is making its resurgence, especially in the US Midwest. Members of the MAAM investment team recently conducted due diligence and property visits in the Midwest however at the time of this writing do not disclose material acquisitions. Logistics and “just-in-time” inventory is driving demand for localized industrial and storage solutions. And finally, in markets that have legislated the use of recreational cannabis, demand for industrial properties is increasing leading to a tightening of supply and rent inflation.

Office: Investing in office space typically has one of two clear cut outcomes, especially in the “Class A” office market that is defined by large floor plans and large tenants. Tenant enhancement expenses can bite into profits and erode returns, and tend to do so at the wrong time. Selectivity is a hallmark of any real estate transaction but especially pertinent to the office market. Success is contingent upon being successful with large tenants in larger markets, strategically developing infill locations with both potential development of land as well as repurposing existing structures; and greater granularity in rent rolls. The rent roll is a snapshot of rents due for the period as reflected in signed and valid leases. The rent roll is utilized by owners, managers, lenders and government agencies as a springboard to understanding value.

Retail: We believe that the retail space is oversold though we caution investors against the temptation of generalizing. Shopping Malls for example, aren't necessarily over sold in our view, but capital has retreated from the retail space seemingly all at once, a phenomenon known as throwing the baby out with the bathwater. We begin to see attractively leased properties with good cash flows seeking capital at levels of 300 to 400 basis points (3-4%) outside those of other asset classes. Whenever such assets are sourced in large markets, or even secondary or submarkets that have the benefit of strong demographics, we are all ears. To be clear, retail is one of our small asset classes in the fund but in reviewing the operational performance of the assets we own, we are comfortable. At some point the tables turn. The fund continues to own direct investments in this space as well as a smaller allocation to SLATE Retail REIT, the publicly traded owner of US based grocery-anchored shopping facilities. Though SLATE's unit price is down since our purchase, we take comfort in the company's excellent operational performance, less interest rate sensitive balance sheet when compared with previous quarters, and well insulated monthly distribution. Strategically, we like that SLATE's focus is assets that ordinary Americans visit daily, this is in contrast to "trophy" assets.

Real Estate Portfolio Activity

During the first quarter of 2018, the fund experienced distributions on the sale of a portfolio of two multifamily properties located in Kennesaw, Georgia through our partnership with the Carroll Group. Additionally, the Florida real estate value fund distributed proceeds generated by the continued closing success at its Manor Park property. To date, 102 of 239 units at Manor Parc have closed, with an additional 42 homes sold not yet closed. The MAAM investment team is constructive on the Florida real estate value fund given that sponsor 13th Floor, is ahead of schedule with respect to activities levels and above proforma on this asset. During the quarter, the fund also acquired a position in PURE Multifamily REIT, a publicly traded Canadian REIT, with a high-quality portfolio of multifamily assets located in key US Growth markets. Though the fund does not employ a take-over strategy as an investment objective, PURE REIT was viewed as a suitable investment given its attractive portfolio and appealing

valuations. Subsequent to the purchase, PURE unit price experienced significant short-term gains in connection with a revised offer by Electra America, a Florida-based owner and operator of multi-family properties. The size of the premium supports our notion that the multifamily residential strategy continues to perform well, attracting capital in both the United States and Canada.

[Manor Park Home, Greater Miami Area, Florida USA]

[An image of the PURE Estates TPC asset in San Antonio Texas]

[Kennsaw Property, Georgia USA]

Private Equity – MacNicol Emergence Fund:

The investment objective of the Emergence Fund is to generate capital gains and income by investing in a portfolio of fast-growing public companies and private equity funds. The Fund seeks opportunities in private equity where capital exit strategies are clearly defined, and are likely to occur within a 3-5 year time frame. The Emergence Fund invests in established private equity funds with a focus on companies with defensible franchises, high growth profiles and proven management. The 2017 calendar year proved to be another strong one for the fund and elevated the fund's 5-year track record to an annualized rate of nearly 19%. Early in 2018, the fund continues to be profitable returning +2.2% for the quarter ended March 31st, 2018. The fund continues to closely monitor the race to obtain artificial intelligence [AI] scale and scope by traditional technology names such as Google, Intel and Apple but also by companies not traditionally viewed as players in the tech space such as the John Deere company. We view the broader appeal of AI as a positive especially in a consumer driven economy where efficiencies are critical to reducing selling, general and administrative expenses of business.

During the quarter, the MAAM Alternative Asset Team conducted final stage due diligence on a privately held company whose high technology platform is set to challenge the affinity program market. While a formal subscription agreement has not been signed at the time of this edition of the Fund's Quarterly Report, we will update investors in the second quarter of 2018 should a transaction be consummated.

During the quarter, the Emergence Fund received sales proceeds from the sale of Terapeak to eBay and experienced an investment in Signpost a provider of CRM solutions designed to build better customer relationships.

We note that the operational knowledge associated with implementing AI and machine learning systems continue to be in high demand, and a material weighting in the fund. Prices paid by major technology firms for AI talent was covered recently in the New York Times. In conversational AI, the wider availability of Microsoft's Azure Bot service will help speed the adoption of applied AI and conversational AI.

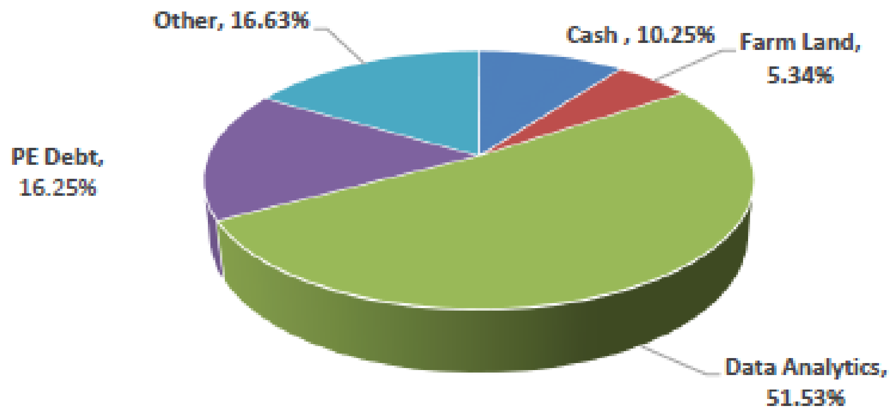
Data security was a very hot topic in the quarter and as the Fund's Quarterly Commentary goes to print. Differential privacy continued to be a hot topic in not only the mainstream media but in technology specific publications. Much interest by the market was focused on Apple's use of differential privacy and speculation on the effectiveness of its implementation. Few topics were hotter than data breaches as they dominated news headlines. Uber was the poster child for how not to handle a data breach when reports surfaced that the company paid hackers to keep quiet about the fact that data concerning 57 million Uber users had been leaked.

Few stories gained as much attention to data privacy as the Facebook fiasco in which a consulting firm, Cambridge Analytica, improperly accessed information associated with up to 87 million users of Facebook.

[33 year old Facebook Founder Mark Zuckerberg preparing for a roasting by Congress]

While the political and media firestorm around data breaches in general, and Facebook's handling of the Cambridge Analytica, in particular were fierce, the MAAM investment team observed a change in sentiment on the part of market participants towards the issue of privacy inasmuch as consumers are thought to have repriced the value of traditional retail outlets where such breaches are less common. While we agree that consumers value the ease and convenience of a digital world, the increased freqeuncy and extremely wide dispersion of data breaches will cause many to re-assess the premium they place on personal privacy.

Chart 4 – MacNicol Emergence Fund Industry Mix: March 31st, 2017



Digital blockchain technology and cryptocurrency miners underperformed in the quarter however we continue to view the space positively as management of our loan name in the sector [HIVE:TSX] continues to execute on their strategic business plan.

Hedge Funds – Absolute Return Fund

The investment objective of the Absolute Return Fund is to generate positive returns under most market and economic conditions, and to have little or no correlation to US and Canadian stock markets. In order to achieve its objectives, the Absolute Return Fund invests in several value-added strategies managed by experienced and successful Canadian, US and U.K. hedge fund managers. Most of these investments are not available in the public market and are typically not accessible to individuals and smaller institutions because of high minimum investment thresholds, often in excess of five-million dollars. For the first quarter of 2018 our hedge fund strategy was higher by 4.2% but more volatile than we would have hoped especially during the extremely volatile period of late January and early February. As the Absolute Return Fund derives a significant portion of its alpha from Emerging Markets, we will follow closely the broadening gap between US and International growth rates to assess whether such exposure remains prudent. In connection with broader market volatility we allocated

additional funds to the BSP Absolute Return Fund a multi-strategy fund of world class hedge funds and conducted diligence into a systematic trading program.

Closing Comments

Global equity markets roared into 2018 on a great deal of momentum before hitting a “Wall of Worry” stemming from rising interest rates and concerns over global trade. Many stock markets have given up year-to-date gains and exited Easter in negative territory. Implied volatility as measured by the VIX volatility index continues to be elevated. Market weakness was led by the financial, information technology, and materials sectors, while the utilities, real estate, and energy sectors finished in positive territory. On the other hand, credit markets continued to hold up comparatively well especially against the backdrop of a seemingly preprogrammed US Federal Reserve. On the geopolitical front, concerns regarding a trade war between US and China as well as other countries added to uncertainty and volatility.

The world is a complicated place and we are pleased that the Alternative Asset Trust has performed well in the first quarter of 2018. The Trust’s responsibility as a diversifying or risk in client portfolios doesn’t look to get any easier in 2018 or 2019 but know that the MAAM Investment Team will be with it and with you every step of the way.

If you or someone you know could benefit from real diversification take a look at our website (soon to be updated!) or call 416-367-3040.

Sincerely,

MacNicol & Associates Asset Management Inc.