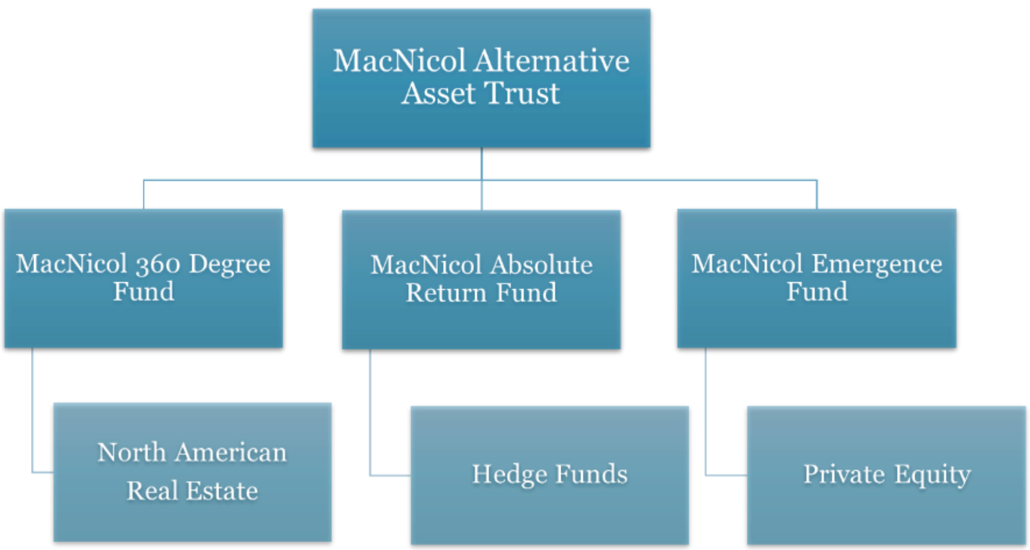
Alternative Asset Trust 2021 Annual Report:

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 Asset 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 Asset Trust Update: The goals of the Alternative Asset Trust are to generate positive real returns each year and to help better diversify portfolios of conventional investment assets such stocks and bonds. The Trust was higher by 14.2% during 2021 and as always this is after all fees and expenses. During the fourth quarter, the Trust was higher by 3.6% with returns being driven primarily by real estate and private equity. Volatility was also generally low during the quarter and 2021, and notably lower than that observed in equity benchmarks such as the S&P500, the Dow Jones Industrial Average and the NASDAQ Composite over the same time frames. The Trust also outperformed both short-term and long-term Canadian bonds and felt equally at home as a safe haven or inflation fighter. To summarize, the Trust's risk-adjusted performance in 2021 illustrated that alternative assets can be an effective tool at

protecting investment capital from short-term risks, while growing investment capital over the long-term at rates that exceed inflation.

4th Quarter 2021 Highlights:

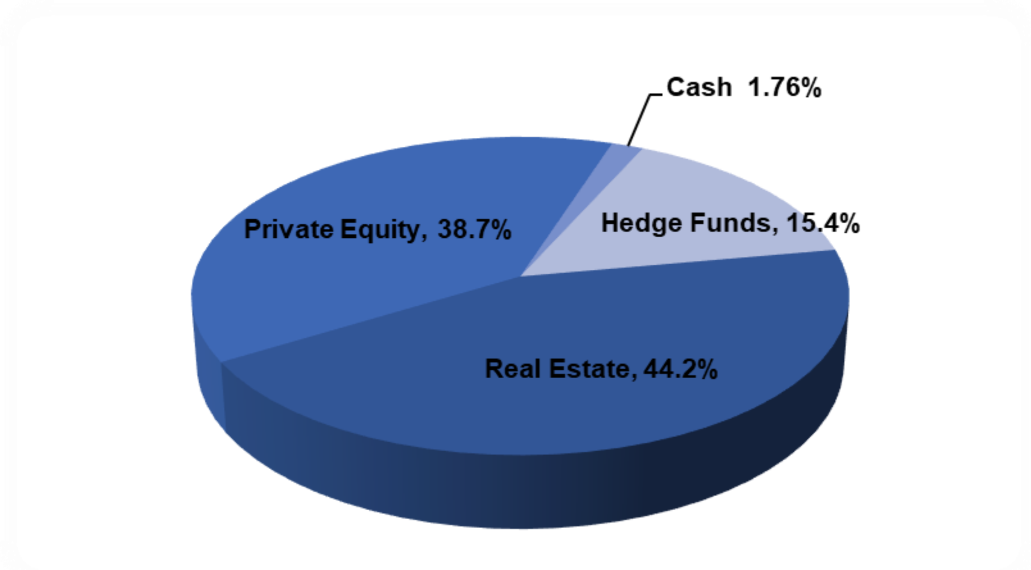
The 4th quarter of 2021 was defined by strong moves in developed markets, particularly in October. The perception that businesses and consumers were able to manage a world where COVID was a constant threat, accommodative monetary policy and (until then) undocumented problems with inflation made people feel good about investing in all kinds of stocks without considering what might happen should any one of those backdrops fall to the ground. Beginning in mid-November, investors began to observe significantly higher levels of inflation documented by official government agencies such as Statistics Canada and the Bureau of Labor Statistics. The US consumer price index rose by 0.5 per cent in December alone, enough to push the annual inflation rate to seven per cent for the first time since 1982. The figure was in line with what economists were expecting, but up from the previous 40-year high of 6.8 per cent in November. Higher prices for shelter and vehicles were the largest contributors to the increase. Prices for *used* vehicles went up by more than 37 per cent last year and were driven by a shortage of internal computer components for **new** units, due to ongoing problems in global supply chains. Canada's scorching housing market led to pricing woes for new buyers, but the Bank of Canada thinks that it may have come up with a solution.

[Tiff Macklem signaled that rising interest rates will be coming to a neighborhood near you in the future. However, the Governor of the Bank of Canada did not indicate that rising interest rates would slow house price

appreciation just yet. Being tipped off about higher borrowing costs is one thing but rates will be coming off historical lows and the increases may not be enough to offset the significant upward price pressure from Canada's housing supply crisis.]

Interest rates do little to reign in home prices when inventory levels simply do not sustain existing demand. We believe that interest rate hikes should have begun in H2, 2017 and that the potential for a policy mistake are high. For this reason and others, the Alternative Asset Trust completed 2021 with a wide and stable base in real estate, a material weighting in private equity and an allocation to hedge funds to help moderate returns. The Trust's asset mix at the end of the fourth quarter of 2021 is shown below.

Chart 2 – Alternative Asset Trust Asset Mix, as of December 31st, 2021



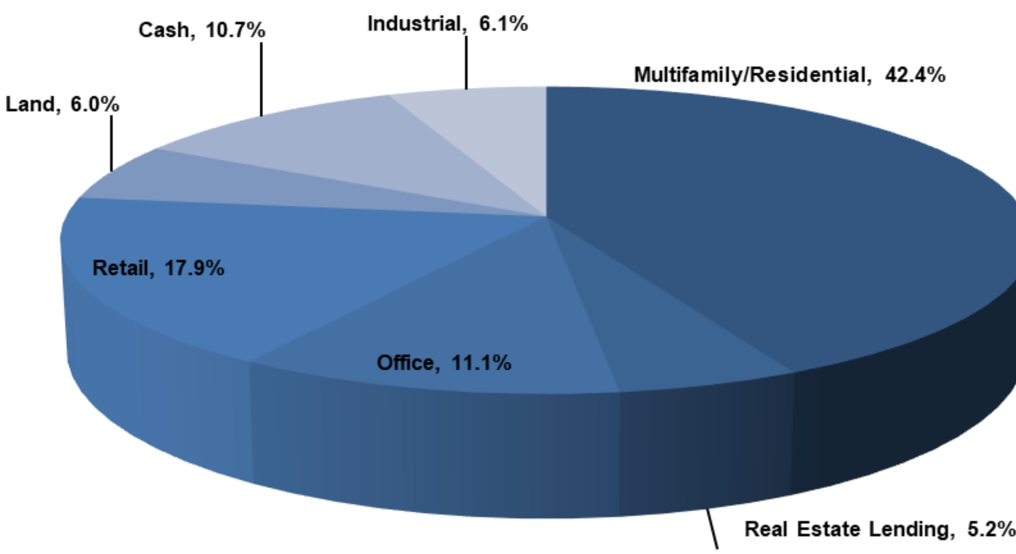
Alternative Asset Trust: 4th Quarter 2021 Overview

As described in Chart 2, the Trust's overall asset mix changed only slightly during the fourth quarter of 2021 with real estate returning to its position as the most widely held asset class in the portfolio. The Trust's geographic focus changed by only 32 basis points compared to the previous quarter when slightly more of the portfolio was domiciled in the United States. Liquidity/maturity was like past quarters with approximately 17% of the Trust's holdings liquid on 90 days' notice, and half expected to be returned to unitholders in 3-5 years. The one thing the Trust was not during 2021 was passive and we discuss a selection of more notable transactions that transpired during the fourth quarter shortly. 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 December 31st, 2021



Compared to the end of the 3rd quarter of 2021, the fund finished the 4th quarter with a higher percentage of land banking investments, as well as investments in the industrial area. And although the Portfolio Manager was active in deploying capital to new real estate investments, capital was also returned to the fund through a combination of rental income and strategic acquisitions. Multifamily residential investments, including an offshoot of the segment (specialized Elder Care) performed very well during the quarter and the appraised value of properties in the portfolio rose and, in some instances, rose

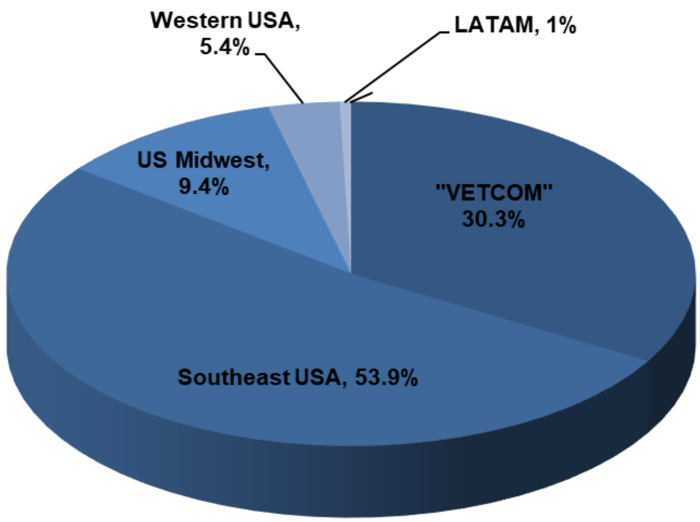
substantially as compared to the fund's acquisition basis. We are pleased by this positive trend and will have more to say about it shortly. Before then, we backpedal slightly.

Last quarter, we specifically ranked the real estate asset classes we liked the best with the term "best" being defined mostly by nominal yields *well* in excess of those available on long-term government bonds and the ability to adjust those yields upward at a rate greater than the overall rate of inflation. In updating our ranking much remains the same though we introduce a new category: strategic landing banking.

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

Strategic land banking is not an official commercial real estate asset class. The official term used by industry professionals is simply land banking. We add the qualifier *Strategic* to draw attention to our more recent investments in landing banks southwest of Houston, Texas. Specifically, Fort Bend County. Our emphasis on a more strategic approach to land banking is important to all investors but particularly relevant to Canadian investors who may not yet have adequate portfolio exposure to alternatives. Land banking also serves as an effective way for us to dig into a discussion about the fund's geographic footprint.

Chart 4 – 360 Degree Fund Geographic Exposure, as of December 31st, 2021



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

360 Degree US Realty Income Fund 4th Quarter: performance overview

During the fourth quarter of 2021 the fund was higher by almost 6 percent net of all fees and expenses. The quarter, like most of the 2021 was strong for unitholders as a heavy allocation to multifamily residential real estate in southeast US growth markets, as well as increased allocations to industrial assets and land helped more than offset weakness in retail and a heterogeneous office space picture. For 2021, the fund was higher by over 26% in based currency terms and our emphasis on quality meant that the past year was more of a resumption of positive trajectory as opposed to a recovery from declines in asset values. Those with a penchant for high-risk, high-profile investments are encouraged to consider that with the 2021 calendar year returns baked into the fund's performance results, the fund now boasts an almost 12.5% Canadian dollar denominated annualized return since inception with half the volatility of the S&P/TSX index. Proof very positive that there should always be vacancies for conservatively unwritten real estate in well located growth markets in well diversified investment portfolios.

360 Degree US Realty Income Fund 4th Quarter: asset class highlights

Commercial Real Estate (CRE): The commercial real estate market continues to deal with the impacts of the COVID-19 crisis. With vaccinations on the rise, some sub-markets are relaxing restrictions and re-opening wider swaths of their local economies.

On the other hand, the Delta variant has [if anything] created confusion in several other sub-markets that are more travel focused. Policies around vaccine authentication and quarantining continue to see many travels wait on the sidelines.

Multi-family Residential: Multifamily residential real estate is not only our favorite real estate asset class, but possibly our preferred overall alternative asset class. Operating metrics in multifamily residential are solid, even with immigration declining marginally during COVID and we have seen significant increases in the appraised value of our assets in Florida, Georgia and Texas. As occupancy normalizes, rent pressures offer investors an attractive hedge against inflation. Naysayers will toss out conjectures like their opinions that the Omicron wave may blunt operating momentum generated through the second half of 2021, but we still expect strong Spring leasing.

Industrial: Last quarter, the fund reported an increased allocation to industrial real estate. Our positive view on industrial carried over into the fourth quarter. Rent growth continues to surprise to the upside, particularly in gateway markets with low supply and new developments with higher rents as the only competition.

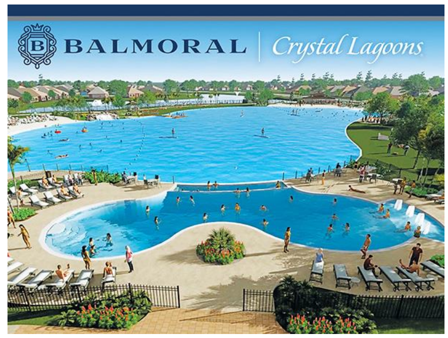
Office: Our office portfolio has been stable throughout the COVID 19 pandemic, and this is mostly due to tenant quality. Through our Partnerships in office, we are landlords to banks, hospitals and universities, as well as a selection of luxury goods retailers each of whom represent a very strong tenant base to the fund. With more people slowly heading back to their actual desks, office fundamentals should continue to improve.

Retail. Collections and operating metrics saw sequential improvement in 2021, however, we see the space pausing as operating restrictions limit momentum early in 2022. With retail properties trading at premiums to year ago prices, but with investors and the general public having been down this road before, we think the base case for retail continues to be wait and see for new potential investors in the space and a focus on longer-term operations for existing investors.

360 Degree US Realty Income Fund 4th Quarter: transaction summary

During the 4th quarter, the fund was active in strategic land banking, multifamily residential real estate and industrial real estate. Starting with the land banking segment, the fund made a follow-on investment in a land banking program with Connor Real Estate Investments focusing on the region southwest of Houston in a community called Rosenberg, in rapidly growing Fort Bend County. This transaction may sound familiar to

regular readers, and it should. During the 3rd quarter of 2021 the fund *also* engaged in a separate follow-on investment in a land banking program with Connor Real Estate Investments in Fort Bend Country however a [material] chunk of that was returned to the fund because of Starwood Capital Group acquiring a majority interest in developer Land Tejas.



[Land Tejas is one of the top developers in the State of Texas and known for communities such as Balmoral Crystal Lagoons. Barry Sternlicht's firm, Starwood Capital Group, recently acquired a majority position in Land Tejas and this led to a rapid though frankly not surprising return of capital to the fund. Strong demand, healthy valuations and transactions by high-profile US investors help us confirm that the fund is well positioned in its Texas land banking investments.]

In this most recent investment, the fund will target unlevered IRRs of 20%, as it participates in the purchase of up to 436 acres of land ideally located for a more straight-forward path to entitlement with the county and sale to Cove Matrix Developments in phases, where US homebuilding giants DR Horton (DHI-NYSE) and Lennar (LEN-NYSE) will roll out roughly 1,600 mostly first-time buyer and upgrade product in the $250,000 to $450,000 range. Zones for schools and commercial development are also targeted in the plan.

During the quarter, the fund also completed a new investment with partner Venterra Realty. The latest Venterra portfolio is comprised of four multifamily residential assets well located in high growth metropolitan statistical areas (MSAs) immediately adjacent to good schools and good infrastructure. The largest of the four assets, which is called Villages at Oakleaf Plantation is found in Jacksonville and forecast to produce reliable cash yields of over 7% and a net investment IRR in the mid-to-high teens.

[Villages at Oakleaf Plantation has many advantages to Canadian investors including good schools, good infrastructure, lower taxes and strong demand. Villages is a classic multifamily residential investment and the fund's 40% allocation to this all-important asset class is a key source of differentiation.]

Lastly, the fund initiated an industrial development investment opportunity with Bayvest Capital Corporation. The opportunity will be seeded with 3 development projects consisting of self-storage and industrial condominiums with a total equity requirement of $20 million and target IRRs of 20-25%.

By focusing on strategic redevelopment of industrial lands situated in core urban centers in Toronto and Montreal, the fund hopes to capitalize on urban industrial vacancies that are the tightest seen in 32 years (Source: JLL). Returns from the investment will be supported by contractual pre-sales of the development projects to tenants in the e-commerce, logistics and distribution, and small-and-medium sized business areas at the ratio of 25%/25%/50% respectively. An artistic rendering of the completed asset is shown on page 9, and we look forward to updating you on the performance of this investment in 1-2 years' time.

[Conceptual drawing of our latest industrial development investment with Bayvest Capital.]

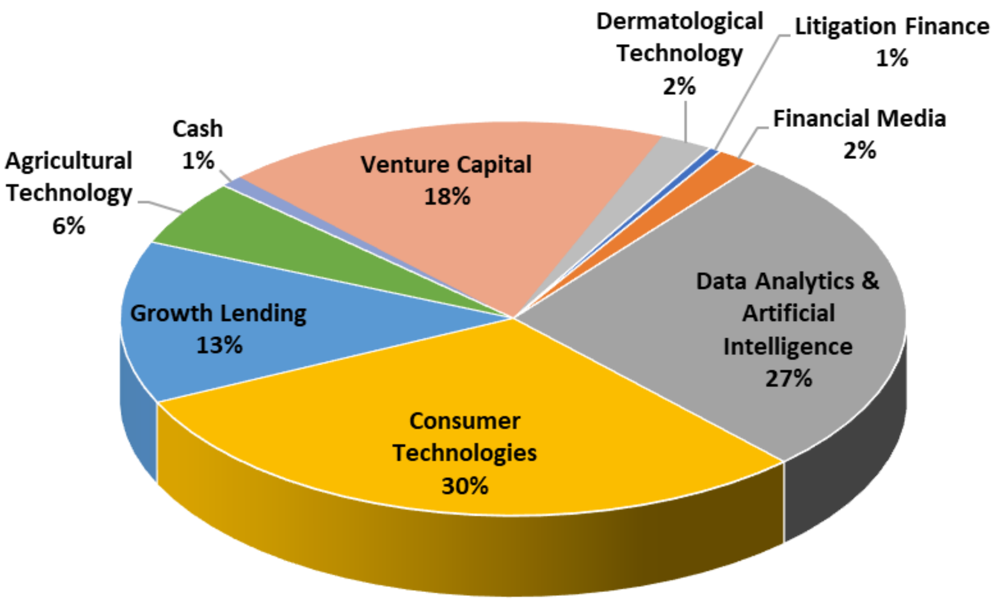
Real Estate: Closing Remarks

Despite the ongoing challenges posed by the fallout of the COVID 19 pandemic including the emergence of the new Omicron variant, very little of the fundamental rationale behind owning high-quality, institutional real estate has changed. Aside from our comments on the retail space, which we deem to be temporary and potentially cyclical with the evolution of COVID, we feel very confident in the fund's ability to provide investors with attractive risk-adjusted returns and strong, inflation-adjusted cash yields.

Private Equity: MacNicol Emergence Fund

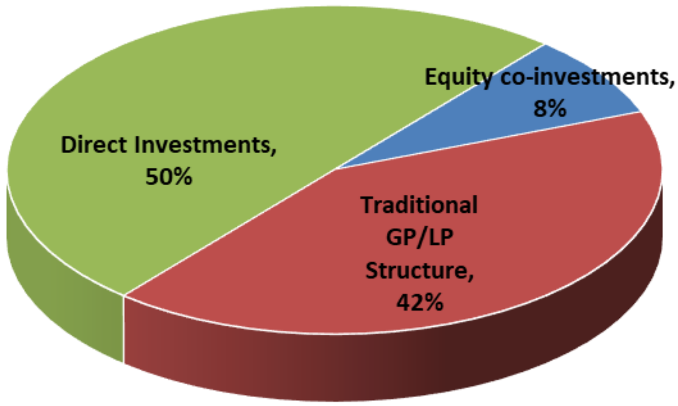
Private equity is an alternative asset class comprised of capital that is not listed on public stock exchanges. Through direct ownership in private companies, equity co-investments in private companies and limited partnerships that hold several private companies, the Emergence Fund invests in a range 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 December 31st, 2021



During the fourth quarter of 2021, the Emergence Fund was higher by nearly 5%. Partnerships in late-stage venture capital and the fund's ownership in a digital currency fund manufacturing business helped offset weakness in consumer technology investments whose fortunes were temporarily discounted by the new Omicron variant of COVID 19 or weather-related challenges. During the quarter, the fund's mix of direct, joint venture and traditional fund investments was little changed as described in Chart 7 on the following page.

Chart 7 – Emergence Fund Investment Vehicle Mix, as of December 31st, 2021



Private Equity Portfolio: Activity

During the quarter, we funded a new investment opportunity with OverBay Capital Partners and supplied the Series A2 threshold capital required by portfolio company Jurissa Financial to begin organizing as a bank in the commonwealth of Puerto Rico. Jurissa is involved in the litigation finance area and will commence making loans to litigation finance funds, law firms and parties in legal proceedings.

During the quarter, the fund also completed due diligence and began funding, a new investment opportunity with Round 13 Capital. The fund's investment with Round 13 Capital will focus on growth opportunities in technology and healthcare, as well as more traditional industries where there is an opportunity for technology enablement. Though our overall alternative asset platform at MacNicol can more broadly be defined as a US-centric asset platform, the focus at Round 13 will be solely Canadian based growth companies and bridging the late-stage growth funding gap in Canada between traditional venture capital and public market investors.

[Though the Round 13 portfolio companies might never achieve the notariety of the "Thrilla in Manilla", we do envision many of them to go on to become household names in the tech and healthcare enablement space…and no…we do not believe most of these businesses will require 13 rounds (or Series M) financing to get there.]

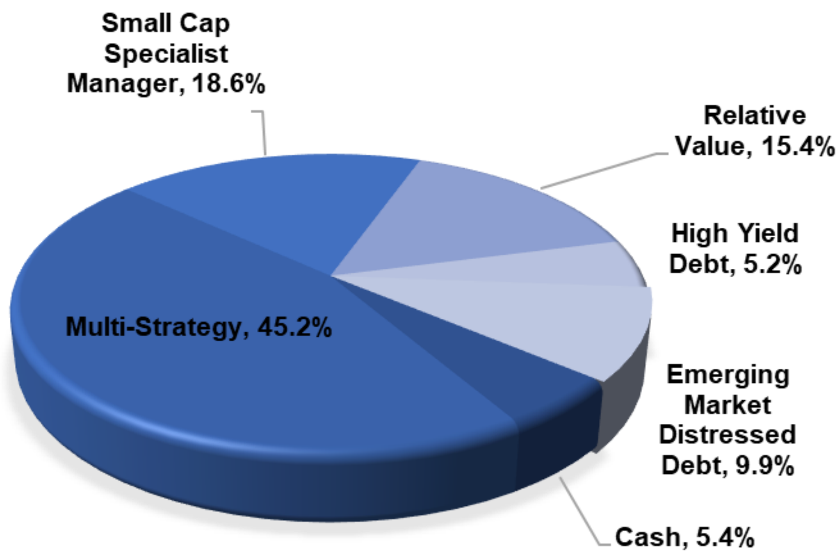
Many of the Emergence Fund's investment partnerships focus on the areas of applied artificial intelligence, global payments, and cyber security. Each one of these areas, in our opinion, are rapidly becoming "core" technology holdings that are difficult to obtain through conventional public equity vehicles without paying steep premiums. We hope that over time, more of the Emergence Fund's portfolio companies in these areas and others, will become acquired by large publicly traded peers or local pension plans or funds.

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 fourth quarter of 2021 the fund was lower by 1.3%.

During the quarter, the ongoing concerns over the latest variant of COVID 19, domestic inflation escalation along with the potential for policy frictions around the timing of central bank interest rate normalization and tapering and contagion fears in emerging high yield debt markets created a climate in which certain of our hedge funds encountered challenges. A good example of this was our smaller company specialist managers who encountered steep levels of year-end tax loss selling [but who also forecast more positive returns in January and February] and our emerging market distressed debt specialists who had to contend with the perception that bond markets in Asia will be adversely impacted by the fall out of Chinese real estate developer Evergrande group.

Chart 8 – Absolute Return Fund Strategy Mix, as of December 31st, 2021



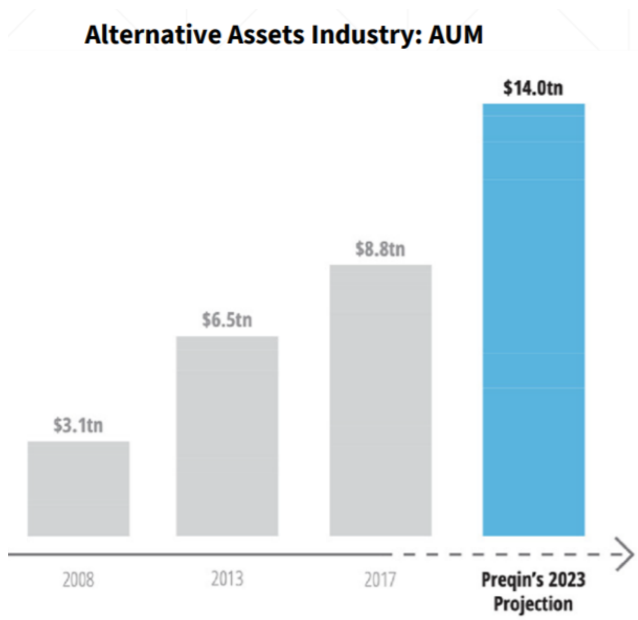
Overall, however, the Fund's investment strategy mix as detailed in Chart 8 was comparable to that seen at the end of the third quarter with the exception of a higher allocation to small cap specialist managers that we discuss below.

Absolute Return Fund: Activity

As alluded to earlier, the only addition to the fund during the quarter was an additional tactical allocation to small cap specialist managers. Though the short-term volatility this addition added to the fund detracted from performance in December, the Portfolio Manager anticipates the move to be accretive to performance in early 2022.

Closing Comments

The fourth quarter of 2021, like 2021, generally is best defined as a period when the Alternative Asset Trust returned to its long-term average of over 10 percentage points on an annualized basis, after the consideration of all fees and expenses. Some of the Trust's investments performed strongly throughout 2021 while others paused at various points during the year and still others encountered their own unique challenges. Yet the tried, tested and true formula of not putting all of your eggs in one basket while making conservative, thoroughly researched investments paid off. Still the temptation exists for some investors to attempt to "time" their way into or out of a variety of asset classes: alternatives included. We advise against market timing in general given its notoriously difficult [and often costly] nature, and that argument is only accentuated when it comes to alternative assets which come with several benefits but ease of entry or exit not being one of them. Nevertheless, investors are directed to industry publication like the one below from alternative asset database Prequin, which signal that growth in alternatives is not simply poised to grow but grow dramatically. Groups like the Ontario Teachers Pension Plan and the Ontario Municipal Employees Retirement System have already announced their intentions to increase [not reduce] their reliance on Alternatives. With Teachers adding to real estate and private equity, and OMERs adding to infrastructure through their acquisition of Navisun, you might be wondering how you can gain access to these kinds of investment opportunities in your portfolio?



You don’t have to be a member of one of those plans to do so. Our talented client onboarding team is dedicated to helping you learn more about why alternative assets are important to an overall portfolio strategy, and your discussions with MacNicol Portfolio Managers will take those discussions to the next level. Helping your capital work as hard (and smart) as you do are what we are all about and if you haven’t already, learn why so many more investors across Canada are putting their Trust in our Trust.

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.
December 2021