APPENDIX 4D

Half Year Report
For the half-year ended 30 June 2013

Name of entity: Alternative Investment Trust

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	**6 months to 30 June 2013**
Previous Corresponding Period:	6 months to 30 June 2012

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

						2013 $'000	2012 $'000
2.1	Investment income /(loss)	Up	49.06%	to		6,259	4,199
2.2	Change in net assets attributable to unitholders * (excluding capital returns)	Up	89.78%	to		5,405	2,848
2.3	Profit /(loss) attributable to unitholders *	Up	89.78%	to		5,405	2,848

*Excludes loss attributable to minority interest

	2013		2012	
	Amount per security	Tax deferred	Amount per security	Tax Deferred
2.4 Distributions:	-	-	-	-
Final distribution	-	-	-	-
Interim distribution	-	-	-	-

2.5 Record date for determining entitlements to the final 2013 distribution - 30 June 2013
No distribution was declared or paid for the half-year ended 30 June 2013 (30 June 2012: $nil).

During the half year there were two returns of capital totalling $26.1 million (2012: $39.2 million)
An explanation of results is indicated on page 4 of the interim financial report.

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2013 (Ex distribution)	**$0.38**
NTA per security as at 30 June 2012 (Ex distribution)	$0.55**

** Excludes NTA attributable to minority interests. The minority interest holding ceased when AIT's holding in EBI was redeemed in 2012.

4 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD
Not applicable

5 DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS OR DISTRIBUTIONS AND DIVIDEND OR DISTRIBUTION PAYMENTS
No distribution was declared or paid for the half-year ended 30 June 2013 (30 June 2012: $nil).

6 DETAILS OF ANY DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION
Not applicable

7 DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES
Not applicable

8 FOR FOREIGN ENTITIES, WHICH SET OF ACCOUNTING STANDARDS IS USED IN COMPILING THE REPORT
Not applicable

9 This report is based on the half year report which has been subject to a review by Ernst & Young.

Alternative Investment Trust

ARSN 112 129 218

Interim financial report for the half-year ended 30 June 2013

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DIRECTORS' REPORT

The Directors of The Trust Company (RE Services) Limited (the "Responsible Entity"), the Responsible Entity of the Alternative Investment Trust ("AIT"), present their report together with the financial report of AIT for the half-year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

RESPONSIBLE ENTITY

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 15, 20 Bond Street, Sydney, NSW 2000.

INVESTMENT MANAGER

Laxey Partners (UK) Ltd ("Laxey" or the "Investment Manager") is the Investment Manager of AIT.

PRINCIPAL ACTIVITIES

AIT is a registered managed investment scheme domiciled and registered in Australia. AIT has exposure to a portfolio of absolute return funds via a swap agreement with Macquarie Bank Limited (the "Swap") and a number of small investments held outside the swap, being units in Everest Babcock & Brown Income Fund ("EBBIF") and Class A2 Notes in Babcock and Brown CDO Fund.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

AIT is currently in a process of asset realisation. During the half-year ended 30 June 2013, the Responsible Entity made two capital returns totalling to $26.1 million (2012: $39.2 million). Since the appointment of Laxey and the Responsible Entity, capital of $196.1 million has been returned to the unitholders of AIT as at 30 June 2013 (2012: $170.0 million).

As noted in the December 2012 Annual Report, during the year ended 31 December 2012, the trustee of the EBI Income Fund ("EBIIF" – former subsidiary) terminated EBIIF and made a prorated in-specie distribution of the remaining assets to its unitholders. Following the payment of the in-specie distribution, AIT's holding in EBIIF was redeemed in full and as a result at 31 December 2012, AIT no longer had an investment in EBIIF.

All references to the Consolidated Entity (AIT and its previously controlled entities) are made for comparative purposes only.

DIRECTORS' REPORT (continued)

DIRECTORS AND OFFICERS

The Directors of the Responsible Entity, The Trust Company (RE Services) Limited, during the half-year and until the date of this report (unless otherwise noted) were:

Name
John Atkin
David Grbin
Andrew Cannane
Rupert Smoker (Alternate Director for John Atkin, David Grbin, and Andrew Cannane)

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

On 26 June 2013, the Responsible Entity announced a distribution of $5.2 million at a rate of 4 cents per unit, which was paid subsequent to half-year end.

Other than the events disclosed above or elsewhere in the Directors' Report, there have been no matters or circumstances which have arisen since 30 June 2013 that have significantly affected, or may significantly affect:

(i) the operations of AIT in future financial periods, or
(ii) the results of those operations in future financial periods, or
(iii) the state of affairs of AIT in future financial periods.

ROUNDING

AIT is an entity of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off' of amounts in the Directors' Report and Half-Year Financial Report. Amounts in the Directors' Report and Half-Year Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the Directors of the Responsible Entity.

David Grbin
Sydney, 26 August 2013

Investment Manager's Report

Background

The investment portfolio of Alternative Investment Trust ("AIT") primarily consists of exposure to a basket of absolute return funds via a swap agreement with Macquarie Bank ("the Swap"). In January 2009, a unitholder vote determined that the fund should pursue an orderly wind up under a new Investment Manager, Laxey Partners (UK) Ltd ("Laxey") – formally appointed manager on 23 February 2009 – and a new Responsible Entity, The Trust Company (RE Services) Limited. Laxey is a part of Isle of Man based Laxey Partners Ltd. Laxey Partners Ltd was founded in 1998 as a globally active management company and manages a range of assets and funds for institutional investors. As part of the new mandate, the name of the fund was changed from Everest, Babcock & Brown Alternative Investment Trust to Alternative Investment Trust. In order to make distributions from investments redeemed within the Swap, AIT was required to repay the Swap related debt. This repayment was completed in August 2010, and AIT has since been free to make distributions to unitholders once sufficient cash has built up.

Trust Facts

(As at 30 June 2013)

• Gross Assets (GA):	AUD 50m
• Net Assets (NA):	AUD 50m
• Market Cap:	AUD 42m
• Units in Issue:	131m
• NTA / unit:	AUD 0.3828
• Leverage Ratio (GA / NA):	1.01
• Debt outstanding:	USD 0
• % of GA in 'Side Pockets'	37%

Capital Returns per unit:

• Total H1 2013 Returns:	AUD 0.20
• Post Balance Sheet Return – July 2013	AUD 0.04
• Total Returns since Feb 2009:	AUD 1.54

Distributions to Unitholders:

Three distributions to unitholders were announced during the six months under review. The first, for AUD 0.13 per unit was paid in February, the second for AUD 0.07 per unit was paid in May and the third, for AUD 0.04 per unit, was announced in June and paid in July. Including the third distribution, AUD 31.4m was returned to unitholders. This brings the total distributions made to unitholders since the change of mandate to AUD 201.3m (or AUD 1.54 per unit) – representing approximately 150% of AIT's market value as at 31 January 2009 (or 67% of its unaudited net assets at that date).

The payments made during the six months utilised cash from a number of special situations and corporate actions that occurred on AIT's underlying portfolio, including the cash settlement of a number of positions held with BNP Paribas at 100% of their Net Asset Value and a partial early redemption of AIT's position in ESL. Further details of these actions can be found in the Portfolio Review, below. As well as this, AIT's underlying funds – the majority of which are now side pockets or liquidating investments – continued to gradually realise their underlying investments and return the proceeds to AIT. Distributions remain a priority for the fund and will continue to be made as soon as these future redemption proceeds allow. The liquidity of AIT is discussed below.

Running Costs:

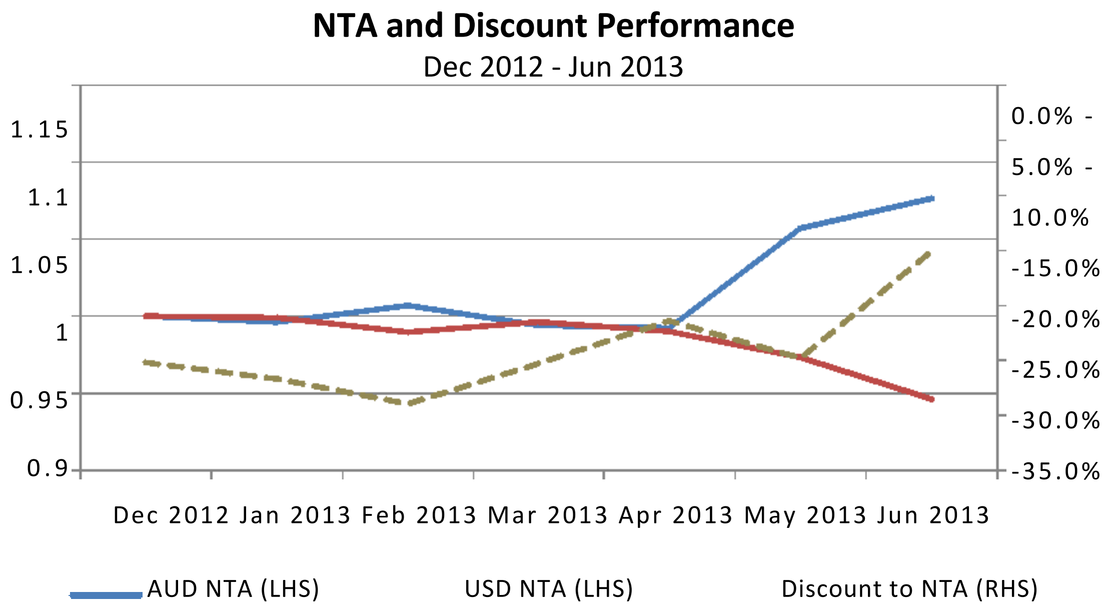
Together with the Responsible Entity, Laxey continues to pursue ways of cutting the running costs of the fund. As part of this exercise, Laxey has agreed to reduce its fees for and from 2014 (for further details see the ASX announcement on 26 June 2013).

Fund Performance

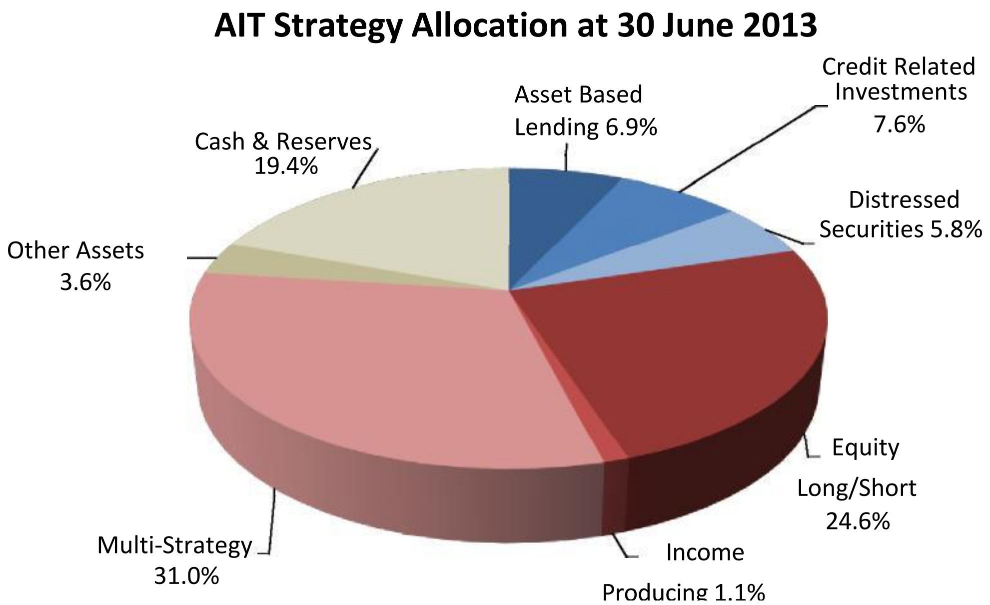
AIT's NTA fell from AUD 0.5414 on 31 December 2012 to AUD 0.3828 on 30 June 2013. Adjusting for the two returns of capital during the six months, AIT's NTA performance was +7.6% for H1 2013. Over the six months, the AUD weakened by -12.1% against the USD. As the majority of AIT's net assets are USD denominated, this had a positive effect on AIT's NTA – as can be seen from the performance comparison of NTA in USD and AUD terms.

At June end, AIT's net currency exposure was 83% to USD reporting funds, assets and liabilities, and 17% to AUD reporting funds, assets and liabilities (including the AUD 5.2m cash for the July 2013 distribution). Note that on a 'look through' basis, AIT's exposure to both the USD and AUD is overstated as there is no general policy amongst AIT's underlying managers to hedge currency exposures of their investments to their reporting currency.

The AUD and USD NTA performance (NTAs rebased to 1 at 31 December 2012, and adjusted for February and May 2013 returns of capital, unaudited NTAs used for January to June), together with the discount performance of AIT from 31 December 2012 to 30 June 2013 is given below. AIT's unit price to NTA discount remained between 20% and 30% before tightening to 15% at the end of June. By way of comparison, AIT was trading at discounts of over 50% in late 2008 / early 2009.



Portfolio Review



Cash and Other Assets:

With the completion of debt repayment and the termination of the secondary BNP swap, AIT now has free use of its cash (less reserves). The above graph gives AIT's cash position as 19.4% of gross assets. This includes the AUD 5.2m for the July 2013 distribution. 'Other Assets' largely consists of receivables; this is cash from redeemed funds that has yet to come through to AIT's accounts.

AIT's Top Holdings as at 30 June 2013:

FUND NAME	STRATEGY	% OF GROSS ASSETS
ESL Investments	Equity Long/Short	24.6%
Drawbridge Special Opportunities	Asset Based Lending	6.9%
TPG-Axon Partners Offshore Ltd	Multi-Strategy	6.4%
Eton Park Overseas Fund Ltd	Multi-Strategy	5.1%
Cerberus International Ltd	Distressed Securities	3.8%
Fortress Partners Fund LP	Multi-Strategy	3.7%
Everest Absolute Return Fund	Multi-Strategy	3.6%
Och-Ziff Global Special Investments	Multi-Strategy	3.2%
Marathon Special Opportunity Fund	Credit Related Investments	3.1%
Canyon Value Realization Fund	Multi-Strategy	2.4%
TOTAL		62.8%

All the above positions are held within the Macquarie Swap. Laxey maintains contact with the fund managers of each of the investments in order to better understand AIT's underlying exposure and its liquidity and risk profiles.

Details of AIT's Top Holdings:

ESL Investments (24.6% of Gross Assets): ESL has a number of large equity investments all primarily based in North America. These investments include Sears, the department store, and AutoNation, which sells, finances and services new and used vehicles as well as smaller holdings in Gap, Autozone and Capital One. During the six months under review, ESL amended its terms and allowed for investors awaiting redemption to receive proceeds ahead of schedule (at ESL's discretion). 25% of AIT's position was redeemed at the end of 2012, with the remaining amount gated for one year. ESL's terms have since changed to allow for the gated amount to be repaid early (at ESL's discretion) and AIT has so far since received approximately 25% of its remainder position – largely by way of stock distributions. These have been liquidated with approximately USD 3.6m of cash proceeds for AIT. ESL have advised that they expect to make a similar level of distributions in Q3 2013 but these are not guaranteed; USD 0.6m was received in cash in July 2013 but AIT may not receive further distributions until the end of the year.

Drawbridge (6.9% of Gross Assets): An opportunistic diversified portfolio of investments primarily made in the United States, Western Europe and the Pacific region, focusing on asset-based transactions, loans and corporate securities. This fund is in liquidation. The majority of the assets are or were held to maturity and Drawbridge has been making regular payments to AIT in line with expectations. The fund also has exposure to a number of side pocket positions which will take longer to fully liquidate, and as such these make up a larger proportion of the fund as the main fund liquidates. During the six months under review, AIT received an offer at 100% of NAV from BNP Paribas for Drawbridge positions held with them. This offer was accepted and AIT received proceeds of approximately USD 3.7m. AIT still has exposure to one Drawbridge position – held with Macquarie – from which AIT received USD 0.6m in redemption proceeds during the period under review.

TPG-Axon (6.4% of Gross Assets): TPG is a multi-strategy fund. It has returned the full amount of non-side pocketed positions to AIT and the remaining exposure is to six separate side pocket investments in a range of sectors and countries. During the six months under review, TPG returned the majority of one of the positions, representing approximately USD 0.7m.

Eton Park Overseas Fund (5.1% of Gross Assets): AIT no longer has exposure to Eton Park's main funds; the only exposure is to side pocket positions Across AIT's holdings there are 18 separate side pocket positions. During the period under review, Eton Park returned USD 0.2m to AIT.

Cerberus International (3.8% of Gross Assets): Cerberus predominantly makes investments in distressed securities, including those facing financial and operating difficulties and it has also made investments in secured debt, bank debt and mortgage related securities. Due to large volumes of redemption requests in 2008, Cerberus held back the majority of AIT's position as a liquidating investment, and AIT currently receives small payments on a regular basis. Cerberus returned approximately USD 1.1m to AIT during the period under review.

Fortress Partners (3.7% of Gross Assets): AIT's exposure here is to a broad range side pocket type investments. During the period under review, Fortress returned approximately USD 0.2m to AIT.

Everest Absolute Return Fund (3.6% of Gross Assets): The Everest Absolute Return Fund is invested in a diversified portfolio of absolute return funds. As with AIT itself, the funds held by EARF are spread across a range of investment managers and EARF's strategy exposure includes long/short equity, distressed securities, multi-strategy, managed futures, global macro and arbitrage. The fund was restructured towards the end of 2008. No payment was made to AIT in the six months under review.

Och-Ziff Global Special Investments (3.2% of Gross Assets): OZ Global Special Investments is a multi-strategy fund with a bias toward making so-called 'special investments' – taking investment positions that may be highly illiquid with a view to medium to long term returns. This fund's geographic focus is primarily though not exclusively toward developed markets and it invests across a variety of sectors. The liquid portion of the fund has already been returned to AIT, and the remaining exposure is to a large range of these special investments. This fund returned approximately USD 1.5m to AIT during the period under review.

Marathon Special Opportunity Fund (3.1% of Gross Assets): Redemption proceeds for the majority of Marathon Special Opportunity Fund were received at the beginning of 2011 and AIT is now solely exposed to a number of side pocket positions of which three represent the vast majority of current value. USD 0.4m was returned to AIT in the six months to June 2013.

Canyon Value Realization Fund (2.4% of Gross Assets): This position consists of a number of side pocket type investments. A small amount of cash was paid to AIT in the period under review.

Further Updates:

As previously disclosed, as former Everest funds, **EBBIF** and **EARF** have advised AIT that Everest Capital Limited ("ECL", now known as Redleaf Capital Limited) has notified both funds that it may seek to exercise certain indemnity rights against the funds' assets that it has in relation to liabilities properly incurred by it arising out of events that took place during the period in which it was trustee of the funds. The current trustee of these funds, One Managed Investment Funds Limited ("One") has a fiduciary obligation toward ECL in relation to those rights, which if they do arise, rank ahead of unitholders' claims. With regard to EBBIF, one claim has now been settled but a further claim remains outstanding. With regard to EARF, ECL's claim continues to be assessed by One. Laxey keep in regular contact with One to monitor the situation.

The claims are limited to the assets of EBBIF and EARF and are not against AIT itself. As such, the impact of the claims made is limited by the assets of EARF and EBBIF – which together account for 4.7% of AIT's net assets. The claims are likely to impact on the time taken by One to liquidate EBBIF and EARF.

GSO Special Situations which was listed in the Top 10 at end 2012 returned USD 1.7m to AIT during the six months under review.

As part of the BNP Paribas offer mentioned above, part of AIT's exposure to **Perry Partners** (a Top 10 position at end 2012) was sold at NAV with proceeds of USD 2.2m for AIT.

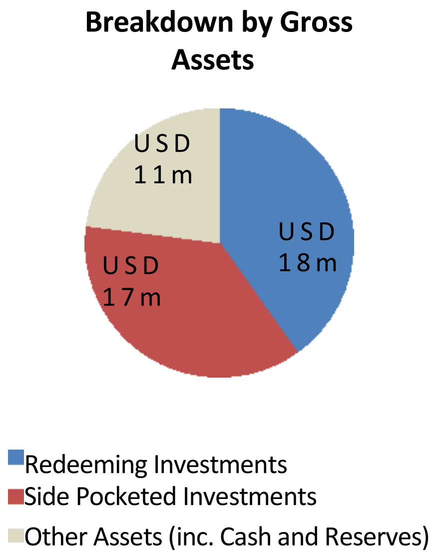
Liquidity Profile and Side Pocket Positions

AIT is debt free and all of the underlying funds have received redemption requests. As mentioned above, distributions were made from sales and redemption proceeds in February and May and a further distribution was paid out in July 2013. AIT has only one position remaining with a fixed redemption date – ESL. This is currently gated with any remaining proceeds to be paid in full at year end. During 2013, ESL changed the terms applicable to AIT's redemption to allow for partial early redemptions at ESL's discretion and approximately 25% of the remaining position has been received since then. As well as scheduled redemptions, Laxey has worked with funds to achieve additional liquidity, including the sale of Drawbridge and Perry Partners position to BNP Paribas. With the majority of fixed redemption date funds redeemed, AIT is increasingly exposed to funds undergoing full or significant liquidation and side pocket positions. This means that redemption proceeds follow indicative rather than firm timeframes and are dependent on the underlying managers realising individual illiquid investments.

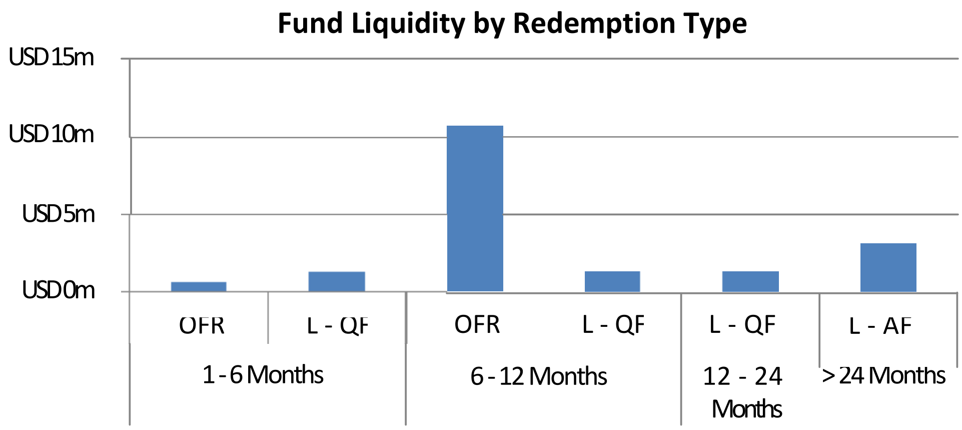
Liquidating funds are those which, because of large volumes of redemption requests, were forced to close, and realise assets, distributing proceeds to investors as they become available. This dependence on the realisation of assets such as these makes distributions less certain. Laxey classifies these assets into those which make regular (but not guaranteed) distributions – usually on a quarterly basis – and those which only make ad hoc distributions as cash becomes available to them.

Side pocket positions are esoteric and extremely illiquid investments that are made by an underlying investment manager from within an underlying fund and are treated as a separate account to the main fund. When a side pocket investment is made, all current investors in the main fund receive a pro rata share of the side pocket. Investors in the fund thereafter will not have exposure to that side pocket. Similarly, once an investor redeems their main fund position, they retain their side pocket exposure (until its realisation) but they do not gain exposure to any new side pocket positions. The liquidity of a side pocket position is tied to a particular investment and as such, shareholders must wait for the manager to realise this asset before receiving cash back. The liquidity date is often highly unpredictable; they tend to have 2-4 year horizons on initial investment, though in practice these positions can take significantly longer to reach full completion. In most cases, managers will not give specific liquidity dates for positions unless they are very close to realisation. AIT's exposure to side pockets has increased during AIT's realisation process as they have been slower to liquidate than the main funds, and because they have risen in value more substantially than the main funds following severe writedowns during 2008 and 2009. Given that these side pocket assets cannot be easily liquidated, that there is often some doubt as to the exact date of their realisation, and that they may not be redeemed at the request of the investor, Laxey treats these investments separately to the main funds in determining the liquidity profile of AIT. As with all fund positions, Laxey monitor and speak to the underlying investment funds on a regular basis in order to better understand the portfolio's risk and its liquidity profile.

37% of AIT's assets are in side pocket investments. If the AUD 5.2m July 2013 distribution is excluded, that number rises to 42% excluding any redemptions post year end. Given the nature of their liquidity they are classed separately to the main funds for liquidity purposes. The opposite chart illustrates this division.



The remainder of AIT's non-cash exposure (40% of gross assets or 46% excluding the July distribution payment) is broken down in the following graph:



Glossary MDR - AF: Multi date redemption - Annual flow; MDR - QF: Multi date redemption - Quarterly flow; OFR: Once-off full redemption;

L - AF: Liquidating Fund - Ad hoc flow;
L - QF: Liquidating Fund - Quarterly flow

The above chart uses the best information available to Laxey, but given the nature of fund redemptions – there is only one scheduled redemption – the liquidity profiles may be subject to change in light of new information or events.

7% of AIT's gross assets (versus 5% at December 2012) are classed as liquidating with an ad hoc flow of distributions - bringing AIT's total exposure to assets with difficult to determine liquidity to 44% of gross assets (or 50% excluding the July 2013 distribution payment).

This leaves 33% of current gross assets exposed to funds with a – relatively – predictable liquidity timetable (38% excluding the July 2013 distribution payment); the most significant event expected for 2013 is the final redemption of ESL which represents 25% of AIT's gross assets as at June end

(28% excluding the July 2013 distribution payment). As mentioned above, ESL may distribute proceeds (in part or full, in cash or stock) prior to year end. They have advised that they expect to make further distributions in Q3 2013; however, other than USD 0.6m of cash, no distribution has yet been confirmed.

Note none of these figures take account for possible early exits or delays to managers' expectations; there is a chance that some positions may be redeemed at an earlier (or later) than expected date.

Outlook

Distributions remain a priority for the trust; further announcements will be made as soon as redemption proceeds allow. Together with the Responsible Entity, Laxey will continue to pursue cost efficiences in order to reduce the running costs of the trust – in line with its reducing size.

Signed by Colin Kingsnorth
Laxey Partners (UK) Limited

Building a better
working world

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Auditor's Independence Declaration to the Directors of Trust Company (RE Services) Limited

In relation to our review of the financial report of Alternative Investment Trust for the half-year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rita Da Silva
Partner
26 August 2013

Alternative Investment Trust

Statement of Comprehensive Income
For the Half-Year Ended 30 June 2013

	Notes	Half-Year ended 30 June 2013 $'000 (Consolidated)	30 June 2012 $'000
Investment income			
Net gains on financial instruments held at fair value through profit or loss	2	6,174	3,811
Interest income		61	367
Other foreign exchange gains		24	21
Total investment income		6,259	4,199
Expenses			
Responsible entity fees	9	42	46
Management fees	9	460	733
Other operating expenses	3	352	582
Total operating expenses		854	1,361
Operating profit attributable to unitholders		5,405	2,838
Change in net assets attributable to:			
Unitholders of AIT		(5,405)	(2,848)
Non controlled minority interest		-	10
Total comprehensive income		-	-
Basic and diluted earnings per unit in cents	8	4.14	2.18

The above Statement of Comprehensive Income for the half-year ended 30 June 2012 covered the Consolidated Entity for the period 1 January 2012 to 30 June 2012. The half-year ended 30 June 2013 results represent those of AIT only.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Alternative Investment Trust

Statement of Financial Position
As at 30 June 2013

	Notes	As at 30 June 2013 $'000	31 December 2012 $'000
Assets			
Cash and cash equivalents		5,328	6,319
Receivables	4	31	50
Financial assets at fair value through profit or loss	5	45,013	64,883
Total assets		50,372	71,252
Liabilities			
Payables	6	346	493
Total liabilities (excluding net assets attributable to unitholders)		346	493
Net assets attributable to unitholders		50,026	70,759
Represented by:			
Units on issue		426,940	453,078
Undistributed loss to unitholders		(376,914)	(382,319)
		50,026	70,759

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Alternative Investment Trust

Statement of Changes in Net Assets Attributable to Unitholders
For the Half-Year Ended 30 June 2013

	Half-Year ended			
	Units on issue	Undistributed loss	Non controlled minority interest	Total
	$'000	$'000	$'000	$'000
At 1 January 2013	453,078	(382,319)	-	70,759
Return of capital	(26,138)	-	-	(26,138)
Profit/(loss) for the half-year attributable to unitholders	-	5,405	-	5,405
As at 30 June 2013	426,940	(376,914)	-	50,026

	Consolidated Half-Year ended			
At 1 January 2012	492,286	(384,272)	374	108,388
Return of capital	(39,208)	-	-	(39,208)
Profit/(loss) for the half-year attributable to unitholders	-	2,848	(10)	2,838
As at 30 June 2012	453,078	(381,424)	364	72,018

The above Statement of Changes in Net Assets Attributable to Unitholders for the half-year ended 30 June 2012 covered the Consolidated Entity for the period 1 January 2012 to 30 June 2012. The half-year ended 30 June 2013 results represent those of AIT only.

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes.

Alternative Investment Trust

Statement of Cash Flows
For the Half-Year Ended 30 June 2013

	Half-Year Ended	
	30 June 2013	**30 June 2012**
	$'000	**$'000**
		(Consolidated)
Cash flows from operating activities		
Interest received	61	367
Other income received	12	17
Payment of Management fees, Responsible Entity fees and other expenses	(1,001)	(1,200)
GST received/(paid)	7	(13)
Net cash used in operating activities	(921)	(829)
Cash flows from investing activities		
Proceeds from sale of investments	26,068	22,767
Net cash provided by investing activities	26,068	22,767
Cash flows from financing activities		
Return of capital to unitholders of AIT	(26,138)	(39,208)
Net cash used in financing activities	(26,138)	(39,208)
Net decrease in cash and cash equivalents	(991)	(17,270)
Cash and cash equivalents at beginning of the half-year	6,319	19,983
Cash and cash equivalents at the end of the half-year	5,328	2,713

The above Statement of Cash Flows for the half-year ended 30 June 2012 covered the Consolidated Entity for the period 1 January 2012 to 30 June 2012. The half-year ended 30 June 2013 results represent those of AIT only.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

General Information

Alternative Investment Trust (the “Trust” or “AIT”) is an Australian registered managed investment scheme constituted on 7 April 2005. AIT formerly had a controlling interest in EBI Income Fund (EBIIF) (known as the “Consolidated Entity”) up until 20 December 2012. AIT is listed on the Australian Securities Exchange (ASX code AIQ).

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (the “Responsible Entity”). The registered office of The Trust Company (RE Services) Limited is Level 15, 20 Bond Street, Sydney, NSW 2000.

Laxey Partners (UK) Ltd (“Laxey” or the “Investment Manager”) is the Investment Manager of AIT.

The financial statements were authorised for issue by the Directors on 26 August 2013.

1. Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period, other than as noted below.

Basis of preparation

This interim financial report for the half-year ended 30 June 2013 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss that have been measured at fair value. This is consistent with the intention of the Investment Manager to liquidate AIT on an orderly basis.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of AIT as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the Annual Report released to unitholders on 26 February 2013 and considered together with any public announcements made by the Responsible Entity during the half-year ended 30 June 2013 and up to the date of signing of these financial statements.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($’000) unless otherwise stated under the option available to AIT under ASIC Class Order 98/100.

1. Summary of significant accounting policies (continued)

Accounting standards not previously applied

The following new and revised Standards and Interpretations have been adopted by the Trust in this half-year financial report. Their adoption has not had any significant impact on the amounts reported in the financial report.

AASB 13 'Fair Value Measurement' and 'AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13'

AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Trust adopted the amended standard on 1 January 2013 and this adoption had no effect other than requiring additional disclosures be included on the Trust's financial report for the half-year ended 30 June 2013.

New standards and interpretations mandatory for annual reporting periods beginning 1 January 2013 though not impacting the Trust are not disclosed in these financial statements.

2. Net gains/(losses) on financial instruments held at fair value through profit or loss

	Half-Year ended	
	30 June 2013 $'000	30 June 2012 $'000 (Consolidated)
Financial instruments		
Fair value gains/(losses) on Total Return Swap	6,250	3,817
Net gains/(losses) on direct investments designated as fair value through profit or loss	(3)	9
Net foreign exchange gains/(losses) on investments designated as fair value through profit or loss	(73)	(15)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	6,174	3,811

3. Other operating expenses

	Half-Year ended	
	30 June 2013 $'000	30 June 2012 $'000 (Consolidated)
Professional fees	109	254
Fund administration and custody expenses	138	185
Other general and administrative expenses	105	143
Total other operating expenses	352	582

4. Receivables

	As at 30 June 2013 $'000	As at 31 December 2012 $'000
GST recoverable	22	29
Other receivables	9	21
Total receivables	31	50

No loss has been recognised in respect of receivables during the half-year ended 30 June 2013 (31 December 2012: nil).

5. Financial assets at fair value through profit or loss

	As at 30 June 2013 $'000	As at 31 December 2012 $'000
Financial assets at fair value through profit or loss		
Underlying Investment Portfolio (Total Return Swap)	44,469	64,336
Direct Investment in Portfolio Fund (EBBIF New Class C)	544	547
Total financial assets designated as fair value through profit or loss	45,013	64,883

Fair value of the Total Return Swap is calculated with reference to the fair value of the Underlying Investment Portfolio at the reporting date.

Direct Investment in Portfolio Fund (EBBIF New Class C) is fair valued based on the administrator released net asset value information. All direct investments are carried at their net asset value and no estimates/judgements were made by the management on valuation.

In addition to the financial assets held at fair value through profit or loss disclosed above, AIT holds 365 Class A2 Notes in a Babcock and Brown CDO Fund, which are currently valued at $nil (31 December 2012: $nil). The Investment Manager has assessed the recoverable value and given AIT is not expected to receive any proceeds from the CDO, it is held at nil in the financial statements.

The following fair value hierarchy table presents information about AIT's financial assets measured at fair value on a recurring basis as at 30 June 2013 and 31 December 2012.

As at 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Underlying Investment Portfolio	-	-	44,469	44,469
Direct Investment in Portfolio Fund (EBBIF New Class C)	-	-	544	544
Total financial assets held at fair value through profit or loss	-	-	45,013	45,013

5. Financial assets at fair value through profit or loss (continued)

	As at 31 December 2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Underlying Investment Portfolio	-	-	64,336	64,336
Direct Investment in Portfolio Fund (EBBIF New Class C)	-	-	547	547
Total financial assets held at fair value through profit or loss	-	-	64,883	64,883

The table below presents the movement in level 3 financial assets for the half-year ended 30 June 2013 and year ended 31 December 2012.

	2013 $'000	2012 $'000
Opening Balance at 1 January	64,883	88,884
Net gain/(loss)	6,198	3,578
Transfers (In-specie distribution)	-	(507)
Sales	(26,068)	(27,072)
Closing Balance at 30 June/31 December	45,013	64,883

There were no transfers between levels during the period (2012: $ nil).

EBBIF and EARF update

As disclosed in annual financial report for the year ended 31 December 2012, former Everest funds, EBBIF and EARF have advised AIT that Everest Capital Limited ("ECL", now known as Redleaf Capital Limited) has notified both funds that it may seek to exercise certain indemnity rights against the funds' assets that it has in relation to liabilities properly incurred by it arising out of events that took place during the period in which it was trustee of the funds. The current trustee of these funds, One Managed Investment Funds Limited ("One") has a fiduciary obligation toward ECL in relation to those rights, which if they do arise, rank ahead of unitholders' claims. With regard to EBBIF, One has confirmed that one of the claims has now been settled but a further claim remains outstanding. With regard to EARF, ECL's claim continues to be assessed by One. Laxey and the Responsible Entity keep in regular contact with One to monitor the situation.

The claims are limited to the assets of EBBIF and EARF and are not against AIT itself. As such, the impact of the claims made is limited by the assets of EARF and EBBIF – which together account for 4.7% of AIT's net assets as at 30 June 2013. The claims are likely to impact on the time taken by One to liquidate EBBIF and EARF.

6. Payables

	As at 30 June 2013 $'000	As at 31 December 2012 $'000
Amounts owing to Responsible Entity	7	7
Management fees	115	84
Fund administration and custody expenses	52	51
Legal expenses	-	56
Other payables	172	295
Total payables	346	493

7. Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	Half-Year ended			
	30 June 2013 No.	30 June 2012 No.	30 June 2013 $'000	30 June 2012 $'000
Opening balance at 1 January	130,692,470	130,692,470	70,759	108,014
Return of Capital	-	-	(26,138)	(39,208)
Change in net assets attributable to unitholders	-	-	5,405	2,848
Closing balance at 30 June	130,692,470	130,692,470	50,026	71,654

8. Earnings per unit

Basic earnings per unit is calculated as income attributable to unitholders in AIT divided by the weighted average number of units on issue.

	Half-Year ended	
	30 June 2013	30 June 2012 (Consolidated)
Income attributable to unitholders ($'000)	5,405	2,848
Basic and diluted earnings per unit in cents	4.14	2.18
Weighted average number of units in issue ('000)	130,692	130,692

9. Related party transactions

The Responsible Entity of Alternative Investment Trust is The Trust Company (RE Services) Limited.

Responsible Entity's fees
The Trust Company (RE Services) Limited, charges 0.1% per annum (excluding GST) of average gross assets, subject to a minimum of $80,000 (excluding GST) per annum. For the half-year ended 30 June 2013, The Trust Company (RE Services) Limited received $41,800 (30 June 2012: $45,638) which includes non-refundable GST, for services rendered to AIT.

Directors of the Responsible Entity do not receive any fees directly from AIT.

Investment Manager's fees
Laxey Partners (UK) Ltd, the Investment Manager, charges 0.75% per annum (excluding GST) of average gross assets and 1% of distributions paid to investors (excluding GST). The Responsible Entity's Fees and Investment Manager's Fees in total are not to exceed 1.25% per annum of average gross assets.

As announced to the ASX on 26 June 2013, the Responsible Entity as part of its ongoing cost reduction process has reached an agreement with Laxey in regards to Laxey's ongoing management arrangements.

Effective 1 January 2014, the following terms have been agreed with Laxey:

- Laxey will receive fees equal to the lower of AUD 200,000 or 0.75% of the average gross assets of AIQ subject to an overall fee cap of 1.25% which is inclusive of the Responsible Entity's fee of $80,000;
- No distribution fees will be payable; and
- All other terms of the Investment Management Agreement dated 20 February 2009 will continue and are in force.

Custodian fees
The Trust Company Limited, the Custodian, charges 0.025% per annum (excluding GST) of average gross assets excluding the swap assets, payable quarterly in arrears, subject to a minimum annual fee of $25,000 and subject to a CPI adjustment annually in arrears. For the half-year ended 30 June 2013, The Trust Company Limited received $14,850 (30 June 2012: $14,713) for services rendered to AIT.

9. Related party transactions (continued)

All related party transactions are conducted on commercial terms and conditions. The transactions during the half-year between AIT and the Responsible Entity and Investment Manager were as follows:

	Half-Year ended	
	30 June 2013 $	**30 June 2012 $ (Consolidated)**
Fees paid to the Responsible Entity (including non-refundable GST)	41,800	45,638
Fees paid to the Responsible Entity (including nonrefundable GST)	**41,800**	**45,638**
Fees paid to Laxey	459,853	733,711
Total Management Fees	**459,853**	**733,711**
Fees paid to the Custodian	14,850	14,713
Fees paid to the Custodian (included in other operating expenses)	**14,850**	**14,713**

As of 30 June 2013, AIT had a total of $130,208 (31 December 2012: $99,328) payable to the related parties.

10. Events occurring after end of the reporting period

On 26 June 2013, the Responsible Entity announced a distribution of $5.2 million at a rate of 4 cents per unit, which was paid subsequent to half-year end.

There has not been any other matter or circumstances, other than referred to in the financial statements or notes thereto that has arisen since the end of the financial period, that has significantly affected, or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

11. Contingent assets and liabilities and commitments

There are no commitments or contingencies as at 30 June 2013 (31 December 2012: nil).

12. Subsidiaries

As noted in the December 2012 Annual Report, formerly, AIT had a single directly held investment in EBI Income Fund ("EBIIF"), of which AIT held 73%. EBIIF was consolidated from the date (6 December 2006) on which control was obtained by AIT and all intra-group transactions, balances, income and expenses were eliminated in full on consolidation.

During the year ended 31 December 2012, the trustee of EBIIF terminated EBIIF and made a pro-rated in-specie distribution of the remaining assets to its unitholders. The in-specie distribution was made on 20 December 2012 and as part of this distribution AIT received:

- $409,933.15 in cash;
- 33,191,268.7861 EBBIF New Class C units, valued at approximately $544,337; and
- 365 Class A2 Notes in a Babcock and Brown CDO Fund, which are currently valued at $nil.

Following the payment of the in-specie distribution, AIT's 73% holding in EBIIF was redeemed in full and as a result at 31 December 2012, AIT no longer had an investment in EBIIF.

As of 30 June 2013, AIT did not retain any non-controlling interest in EBIIF (31 December 2012: no non-controlling interest).

13. Segment Information

AIT engages in one business activity from which it earns revenue being investment management and its results are analysed as a whole by the chief operating decision maker, Laxey. As such AIT has only one reportable operating segment.

Directors' Declaration
For the Half-Year ended 30 June 2013

DIRECTORS' DECLARATION

In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Alternative Investment Trust:

(a) the financial statements and notes, set out on pages 15 to 26, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Alternative Investment Trust as at 30 June 2013 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Alternative Investment Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

David Grbin
Director
Sydney 26
August 2013

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Independent auditor's report to the unitholders of Alternative Investment Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the 'Trust'), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Responsible Entity's responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of the Alternative Investment Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.* We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached in the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alternative Investment Trust is not in accordance with the *Corporations Act 2001,* including:

a) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Youty

Ernst & Young

Z a / V e i

Rita Da Silva
Partner
Sydney
26 August 2013