

31 August 2009

**PERMANENT INVESTMENT  
MANAGEMENT LIMITED**

ABN 45 003 278 831

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Company Announcements Office  
Australian Stock Exchange

Alternative Investment Trust  
Half Year Results for the period 30 June 2009

Attached are the following half year results for the period ended 30 June 2009:

- Appendix 4D
- Financial Statements including Independent Review Report from Ernst & Young.

Yours faithfully



Adrian Lucchese  
Secretary

Attachment

**APPENDIX 4D**

**Half Year Report**

**For the half-year ended 30 June 2009**

<b>Name of entity:</b>	<b>Alternative Investment Trust (Formerly Everest Babcock &amp; Brown Alternative Investment Trust)</b>
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**1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD**

<b>Current Reporting Period:</b>	<b>6 months to 30 June 2009</b>
<b>Previous Corresponding Period:</b>	<b>6 months to 30 June 2008</b>

**2 RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	<b>2009 A\$'000</b>	<b>2008 A\$'000</b>
<b>2.1</b> Investment loss	up 12% to (34,974)	(31,195)
<b>2.2</b> Change in net assets attributable to unitholders *	up 15% to (45,230)	(52,918)
<b>2.3</b> Loss attributable to unitholders *	down 15% to (45,230)	(52,918)

\* excludes loss attributable to minority interest

	<b>Amount per security</b>	<b>Tax deferred</b>	<b>Amount per security</b>	<b>Tax deferred</b>
<b>2.4</b> Distributions:				
Final distribution	-	-	6.5	-
Interim distribution	-	-	-	-

**2.5** Record date for determining entitlements to the final 2009 distribution - 30 June 2009

No distribution was declared or paid for the half-year ended 30 June 2009.

**3 NET TANGIBLE ASSETS PER SECURITY**

NTA per security as at 30 June 2009 (Ex distribution) **\$2.03**

NTA per security as at 30 June 2008 (Ex distribution) **\$3.80**

Additional Appendix 4D disclosure requirements can be found in the notes to the half year financial report.

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

**Alternative Investment Trust (Formerly  
Everest Babcock & Brown Alternative  
Investment Trust)**

ARSN 112 129 218

Interim financial report for the half-year ended 30 June 2009

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

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## Interim Financial Report For the half-year ended 30 June 2009

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# **Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)**

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## **Interim Financial Report for the half-year ended 30 June 2009**

### **DIRECTORS' REPORT**

The Directors of Permanent Investment Management Limited (PIML), the Responsible Entity of Alternative Investment Trust (formerly Everest Babcock & Brown Alternative Investment Trust) (AIT), present their report together with the consolidated financial report of AIT and its controlled entities (the consolidated entity or the Trust) for the half-year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### **RESPONSIBLE ENTITY**

As of 5 February 2009 the Responsible Entity of AIT is Permanent Investment Management Limited (ABN 45 003 278 831; AFSL 233150). Prior to this date the Responsible Entity was Everest Capital Investment Management Limited (ECIML or the Former Responsible Entity).

The registered office and principal place of business of the Responsible Entity is Level 4, 35 Clarence Street, Sydney, NSW 2000.

### **Appointment of new Investment Manager**

Laxey Partners (UK) Ltd (Laxey) was appointed as the new investment manager effective on and from 24 February 2009 by Permanent Investment Management Limited, replacing Everest Capital Limited (the former investment manager).

### **PRINCIPAL ACTIVITIES**

AIT is a registered management investment scheme domiciled in Australia.

The principal activities of the consolidated entity during the half-year were to achieve a combined exposure to:

- a diversified portfolio of leading international absolute return funds (the Underlying Investment Portfolio); and
- direct investments in subordinated debt and equity co-investments which AIT invested in directly or through its sub-trusts, the EBI Income Fund and EBI Opportunities Fund.

The exposure to the Underlying Investment Portfolio and direct investments are together referred to as the Investment Portfolio.

AIT uses leverage to enhance capital management and increase diversification, but is no longer permitted to obtain additional leverage for the purpose of increasing the value of the underlying portfolio. Leverage is achieved notionally via a total return equity swap (Leverage Facility) and previously through a loan facility provided to AIT's subsidiary, EBI Income Fund (Loan Facility) which was closed out during the period.

# **Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)**

**Interim Financial Report for the half-year ended 30 June 2009**

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## **DIRECTORS' REPORT (continued)**

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

#### **In-Specie Transfer**

On 29 January 2009 implementation of the AIT Exchange offer took place. Under the offer, AIT unitholders who preferred to maintain their exposure to the continuing AIT investment portfolio and investment strategy elected to exchange their AIT Units for units in a new unlisted trust, the Everest Alternative Investment Trust (EAIT).

The total number of units exchanged under the Exchange Offer was 48,499,951 units, representing approximately 27% of AIT's total units on issue.

#### **Leverage Facility**

On 29 January 2009 Everest Capital Investment Management Limited, the former Responsible Entity, renegotiated the terms of the Swap and Leverage Facility with Macquarie Bank Limited (the "Leverage Facility Provider"), for the purpose of facilitating the close out of the Swap and the orderly realisation of the assets comprising the Underlying Investment Portfolio.

Prior to the renegotiation, the Leverage Facility was subject to certain investment guidelines governing the composition of the Underlying Investment Portfolio. The Former Responsible Entity was only permitted to alter the Underlying Investment Portfolio outside these guidelines with the consent of the Leverage Facility Provider.

As a result of the renegotiation of the Swap and Leverage Facility, and the intention of the parties to wind down the Swap, no investment guidelines are specified; however, AIT is no longer permitted to:

- add any new investments to the Underlying Investment Portfolio (irrespective of whether such investments are within or outside the scope of the former investment guidelines);
- increase the amount invested in investments that already form part of the Underlying Investment Portfolio;
- obtain additional leverage for the purpose of increasing the value of the Underlying Investment Portfolio.

The terms of the renegotiated Swap and Leverage Facility generally only permit AIT to wind down the Swap and reduce the amount of leverage provided by the Leverage Facility Provider under the Leverage Facility by repaying any amounts borrowed from the Leverage Facility Provider as a cash payment or from the proceeds of realising the Underlying Investment Portfolio. AIT can also request the removal of an investment from the Underlying Investment Portfolio, provided the Leverage Facility Provider agrees to this request.

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Interim Financial Report for the half-year ended 30 June 2009

### DIRECTORS' REPORT (continued)

#### Amended Swap Arrangements

On 29 January 2009 the Swap arrangements with the Leverage Facility Provider (Macquarie Bank Limited) were revised. The terms were set out in the notice of meeting circulated to unitholders on 23 December 2008 for the 30 January 2009 unitholders meeting and were as follows:

- The Former Responsible Entity was required (or deemed) to submit irrevocable redemption requests for all of the AIT Swap Portfolio. No additional investments would be permitted.
- The Swap Leverage Provider would be entitled to apply any notional cash balances to reduce the leverage in the facility at any time it determined appropriate. This application could also occur automatically on at least a monthly basis.
- The RE would not be permitted to increase the leverage in the facility other than in very limited circumstances (for example, to meet fees and other payment obligations to the Swap Leverage Provider).
- There would not be any foreign exchange hedging positions permitted in the AIT Swap Portfolio. All existing foreign exchange hedging positions would be closed out and settled to or from US\$ notional cash or increased leverage (as applicable).
- The RE would be required to pay a base fee to the Swap Leverage Provider monthly calculated at 0.50% per annum of the net asset value of the AIT Swap Portfolio, subject to a minimum fee of US\$8,000 per month.
- The interest rate on any leverage would be the US dollar interest rate at which the Swap Leverage Provider is able to borrow that leverage for the relevant interest period plus a margin of at least 120 basis points (and may be higher). The margin is currently between 110 and 120 basis points (depending on the total leverage).
- On the last business day of each calendar quarter any increase or decrease in the value of the AIT Swap Portfolio would be crystallised and applied to the AIT Swap Portfolio. In the existing Swap Leverage Facility these resets occurred annually and applied only in respect of increases but not decreases in the value of the AIT Swap Portfolio.
- A minimum notional cash balance (in an amount to be agreed with the Swap Leverage Provider) would be required to be maintained in the AIT Swap Portfolio.
- Either party could terminate the Swap Leverage Facility early upon 6 months' written notice to the other party.
- The notice of meeting stated that the Leverage Facility Provider is entitled to apply any notional cash balances to reduce the leverage in the facility at any time determined by the Leverage Facility Provider (but no less frequently than monthly). However, it was subsequently agreed that the exercise of this right was subject to the minimum notional cash balance requirement described in the notice of meeting.
- The notice of meeting stated that the Leverage Facility Provider would allow redemptions to be fast-tracked at a discount with the underlying fund manager if leverage was reduced to zero. However, it was subsequently agreed that the Leverage Facility Provider is only required to use its reasonable endeavours to fast-track redemptions in this circumstance and the Leverage Facility Provider can refuse such a request acting commercially, reasonably and in good faith.

# **Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)**

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## **Interim Financial Report for the half-year ended 30 June 2009**

### **DIRECTORS' REPORT (continued)**

- The notice of meeting stated that the right to elect physical settlement will only be available on termination of the facility and the relevant assets will be transferred to one party only (subject to certain exceptions). However, it was subsequently agreed that the right of the Responsible Entity to elect physical settlement on termination would be subject to the agreement of the Leverage Facility Provider (in its absolute discretion) and that the Leverage Facility Provider may deem physical settlement to apply to those assets determined by the Leverage Facility Provider to be incapable of being liquidated (ie due to lock-ups or suspensions) prior to the scheduled termination date of 31 December 2010.

### **Reduction of Leverage**

During the half-year ended 30 June 2009 AIT repaid USD180,986,753 of the debt owing to the Leverage Facility Provider.

### **Swap Maturity Profile**

Going forward, as a result of the amendments to the Swap, a portion of debt owing to the Leverage Facility Provider will be a current liability where it can be determined that redemption proceeds from underlying assets will be received by AIT and payable to the Leverage Facility Provider within a 12 month period.

### **Distribution to unitholders**

Since the change of Investment Manager and Responsible Entity, AIT announced details of its first distribution to unitholders on 5<sup>th</sup> August 2009. A distribution of \$0.47 per unit being a total of \$61.5m was paid to unitholders on 18<sup>th</sup> August 2009.

The distribution is expected to be a tax deferred amount for Australian income tax purposes (i.e that is a return of capital to unitholders). The final characterisation of the Distribution will be communicated to unitholders in the tax statements for the year ending 30 June 2010.

The distribution represented 23% of the 30<sup>th</sup> June 2009 NTA and 41% of the 4<sup>th</sup> August 2009 closing unit price.



# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Interim Financial Report for the half-year ended 30 June 2009

### DIRECTORS' REPORT (continued)

#### REVIEW AND RESULTS OF OPERATIONS

During the half-year, the consolidated entity continued to engage in its principal activities, the results of which are disclosed in the attached half-year financial statements.

The results of the consolidated entity, as represented by the results of its operations, were as follows:

	Consolidated Half-year ended	
	30 June 2009	30 June 2008
	\$'000	\$'000
Net operating loss	(47,200)	(52,918)

#### EARNINGS PER UNIT

The basic and diluted loss per unit is 33.96 cents (2008: loss of 29.43 cents).

#### VALUE OF ASSETS AND UNITS ISSUED

The total value of AIT's assets at 30 June 2009 is \$417,971,000 [2008: \$1,002,803,000]. The total number of units issued as at 30 June 2009 is 130,692,470 [2008: 179,192,421].

#### DISTRIBUTION

No distribution was declared or paid for the half-year ended 30 June 2009.

#### 2008 Final

AIT announced a distribution of \$11,699,473 which was equal to 6.5 cents per unit for the 6 month period to 30 June 2008. This distribution represented a payment of 100% of taxable income to unitholders. The taxable income arises from net foreign exchange gains from hedging the Investment Portfolio. The Distribution Reinvestment Plan (DRP) was not available for this distribution.

# **Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)**

## **Interim Financial Report for the half-year ended 30 June 2009**

### **DIRECTORS' REPORT (continued)**

#### **DIRECTORS AND OFFICERS**

The Directors and officers of the Former Responsible Entity during the period and until the date of removal of the Responsible Entity on 5 February 2009:

<b>Name</b>	<b>Title</b>
Trevor Gerber	Non-Executive Chairman (Resigned 6 February 2009)
Marea Laszok	Independent Director (Resigned 6 February 2009)
Jeremy Reid	Executive Director
Gary Kalmin	Company Secretary and Head of Corporate Development (Appointed Executive Director 5 February 2009)
Aaron Budai	Chief Financial Officer (Appointed Executive Director 5 February 2009)

The Directors and officers of the new Responsible Entity, Permanent Investment Management Limited, from 5 February 2009 and until the date of this report are:

<b>Name</b>	<b>Title</b>
John Atkin	Executive Director (Appointed 27 January 2009)
Vicki Allen	Executive Director
David Grbin	Executive Director
Michael Britton	Executive Director
Eugene Quass	Executive Director (Resigned 13 February 2009)
Adrian Lucchese	Company Secretary

#### **MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR**

Other than the return of capital distribution paid to unitholders on 18 August 2009, no matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

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

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

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**Interim Financial Report for the half-year ended 30 June 2009**

**DIRECTORS' REPORT (continued)**

**ROUNDING**

The consolidated entity is an entity of the kind referred to in Class Order 98/0100 (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 15.

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



Michael Britton  
Director  
On behalf of the Board  
Sydney, 28 August 2009

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Interim Financial Report for the half-year ended 30 June 2009

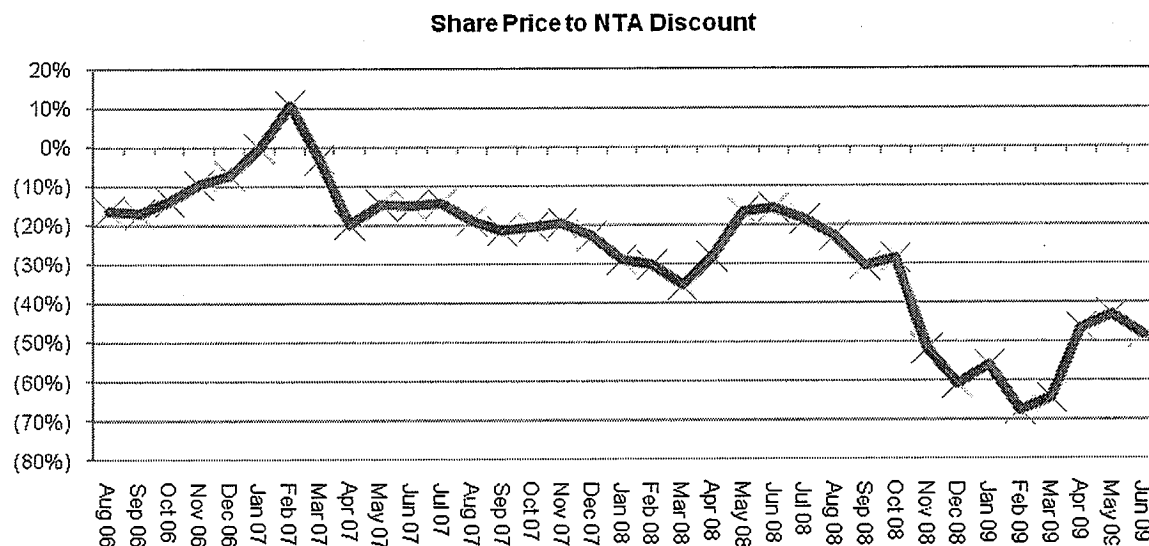
### INVESTMENT MANAGER'S REPORT

#### Overview

Alternative Investment Trust (AIT) has exposure to a portfolio of leading absolute return funds and a single direct investment. Formerly Everest Babcock & Brown Alternative Investment Trust (EBI), following a vote by unit holders at a meeting held on the 30<sup>th</sup> January, 2009, it was agreed that an orderly realization of the EBI portfolio would occur and that EBI would be renamed AIT. Laxey Partners (UK) Ltd (Laxey) proposed a revised investment strategy to undertake an orderly wind down of the AIT portfolio and was duly appointed Manager. Laxey is part of Laxey Partners Limited. Based on the Isle of Man and founded in 1998 as a globally active management company, Laxey Partners manages a range of assets and funds for institutional investors, including the wind down of AIT.

AIT's exposure to its portfolio of absolute return funds is via a Swap with Macquarie Bank Ltd. Under the terms of the realization of the AIT assets, the leverage from the Swap facility must be paid down before unit holders may receive distributions from assets sold or redeemed.

Period under review: 1<sup>st</sup> January – 30<sup>th</sup> June, 2009



The above chart shows a widening of AIT's Share Price to NTA discount from mid 2008 as global markets faltered. The period under review has seen a recovery with the discount of share price to NTA narrowing from 60.5% to 48.2%. On the 19<sup>th</sup> August, 2009 this had narrowed further to 30.6%.<sup>1</sup> Over the period, the NTA of AIT fell 14.8%. Despite this decline, the share price of AIT rose 11.7%.

The decline in the NTA is due primarily to the strengthening over the period of the AUD against the USD; the AUD strengthened against the USD by 14%, with one Australian dollar worth 0.71 US dollars on the 1<sup>st</sup> January, 2009, and worth 0.81 US dollars on the 30<sup>th</sup> June, 2009.

<sup>1</sup> This figure is calculated using AIT's closing share price on 19 August 2009 (AUD 1.05) and the unaudited NTA figure for 31 July 2009 (AUD 1.9836), less the announced Return of Capital per share (AUD 0.47).

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

**Interim Financial Report for the half-year ended 30 June 2009**

## INVESTMENT MANAGER'S REPORT (continued)

### Distribution to unit holders

On the 5<sup>th</sup> August, 2009 AIT announced details of its first distribution to unit holders. A distribution of AUD0.47 per unit – a total of AUD61.5m – was paid to unit holders on the 18<sup>th</sup> August, 2009. The distribution is expected to be a tax deferred amount for Australian income tax purposes (i.e that is a return of capital to unitholders). The final characterisation of the Distribution will be communicated to unitholders in the tax statements for the year ending 30 June 2010. The distribution represented 23% of the 30<sup>th</sup> June, 2009 NTA and 41% of the 4<sup>th</sup> August, 2009 closing unit price.

### AIT Portfolio

The majority of AIT's assets (cash and investments) and liabilities (Swap debt) are USD denominated; net assets denominated in USD accounted for approximately 83.7% of total net assets at the end of June. AIT's AUD exposure comes primarily through two of its investments. Firstly, EBI Income Fund invests in mainly mezzanine debt to a variety of companies, and is undergoing an orderly liquidation of assets. Proceeds from this process were a significant contributor to the funds used in AIT's August 2009 Return of Capital. The assets currently held by this fund are extremely illiquid, and while efforts are being made to sell assets, it may be that a significant number will be held to maturity – up to four years. EBI Income Fund has recently undergone a significant revaluation of its assets that has resulted in large writedowns across the portfolio, and as such the fund has had a negative impact on AIT's NTA performance for the period under review. There has been positive news with a successful restructuring and collateralisation of a major loan that was in danger of being written off.

Secondly, Everest Absolute Return Fund (EARF) is held within the Swap and also reports in AUD; it is invested in a diversified portfolio of absolute return funds. It too is undergoing orderly liquidation; as with AIT, it is required to repay its leverage before it can make distributions to shareholders.

The major holdings of AIT as at 30<sup>th</sup> June, 2009 are as follows:

Fund Name	Strategy	% Gross Assets
TPG-Axon Partners Offshore Ltd	Multi-Strategy	13.27%
Everest Babcock & Brown Income	Income Producing	8.51%
Drawbridge Special Opportunities	Asset Based Lending	8.21%
Eton Park Overseas Fund Ltd	Multi-Strategy	4.33%
ESL Investments	Long/short Equity	3.99%
Silver Point Capital Partnership LP	Credit Investments	3.93%
Marathon Special Opportunity Fund	Distressed Securities	3.78%
Everest Absolute Return Fund	Multi-Strategy	2.18%
Och-Ziff Global Special Investments	Multi-Strategy	2.05%
Perry Partners International	Multi-Strategy	1.95%
<b>Total</b>		<b>52.20%</b>

The absolute return funds in which AIT is invested use a variety of investment strategies and instruments to achieve their objectives. The pie chart below gives a breakdown of AIT's exposure to the sorts of investment strategy adopted by the various funds, as at 30<sup>th</sup> June 2009.

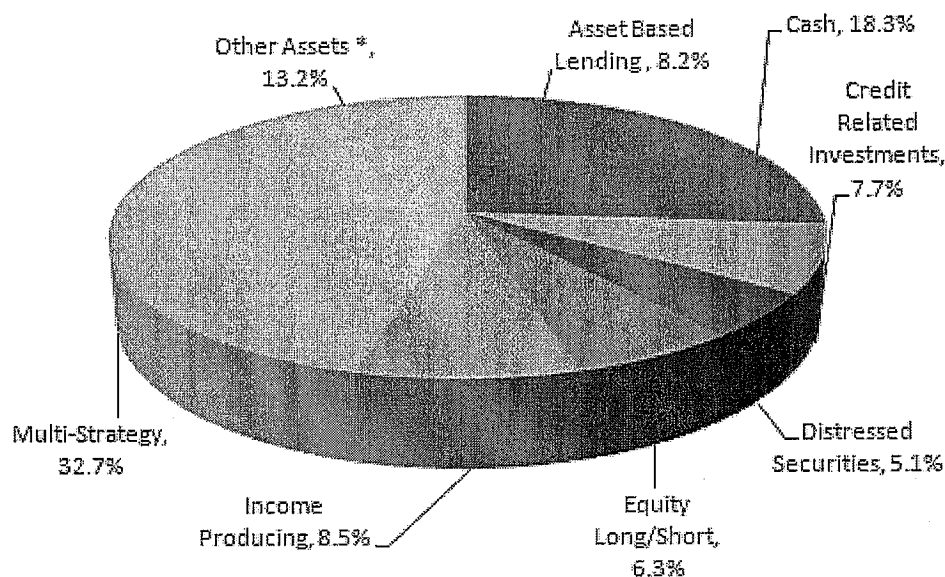
# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Interim Financial Report for the half-year ended 30 June 2009

### INVESTMENT MANAGER'S REPORT (continued)

Note that as a result of the Return of Capital in August 2009, the cash proportion of AIT's assets has substantially decreased. Of the 18.3% cash in the below chart, approximately 14.1% was utilised in the distribution, with the difference made up by redemption proceeds received post-June.

### AIT Strategy Exposure at 30 June 2009



\* 'Other Assets' includes Collateral, Receivables for investments sold, etc.

The range of strategies in which AIT is ultimately invested is very broad; it extends from funds with a long bias towards equities – often concentrating on just a few investments in order to actively engage with the management of the companies – to funds which engage in short term lending to small to mid size companies who cannot access immediate bank lending. Though, as many of the managers are quite large in size, funds may be invested in a range of different asset classes as suits the expertise of the manager. This has allowed many of AIT's funds to switch their focus to take account of the rapidly changing market conditions of the last twelve months. For instance, as markets continued to deteriorate at the start of 2009, one fund switched part of its focus away from making new investments in particularly illiquid Private Equity credit, as it saw good opportunities in investment grade credit due to what it considered to be an overly risk averse market. This fund has shown steady returns over the period under review.

Because of the diverse nature of the underlying assets, AIT's NTA will not necessarily track movements in the world's major stock indices. This has been illustrated recently, as global markets have endured a significant rally. Many of AIT's multi-strategy managers have been wary of this rally, and they continue to focus their efforts on the credit space of investments as well as in distressed opportunities, where they still see many good opportunities to invest – though these investments will not necessarily lead to immediate, short term gains in valuation. AIT's Long/Short equity specialists are also wary of the equity rally, and many have allocated their exposure to defensive stocks, including 'moated' investments where there is a significant barrier to entry for competition, either due to the size of initial investment required – such as in utilities – or the sheer presence and dominance of the company – such as in consumer branded products and staples.

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Interim Financial Report for the half-year ended 30 June 2009

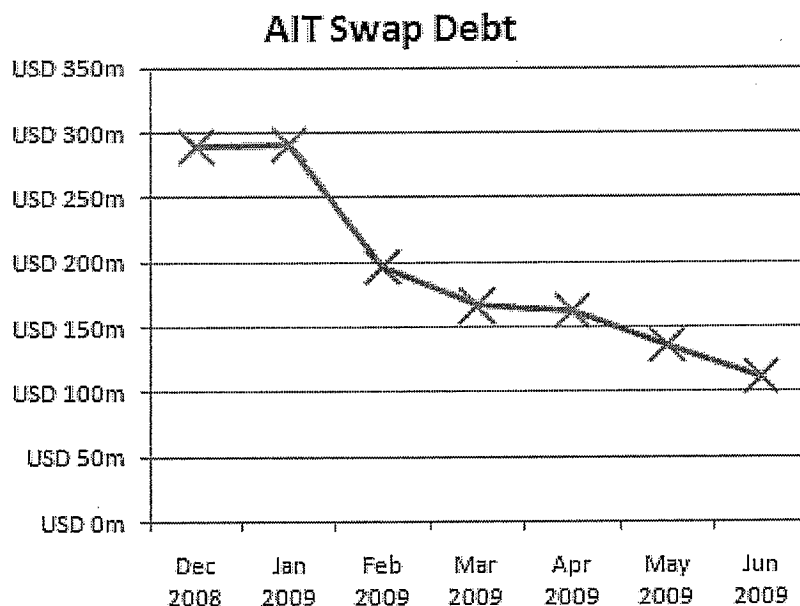
### INVESTMENT MANAGER'S REPORT (continued)

#### Market environment

The unprecedented events and resulting market conditions of late 2008, which continued into 2009, hit the valuations of many funds hard, and many were put under pressure by investors to release cash. In an environment such as this, it was difficult to attain fair prices for many of the often esoteric assets held by some of the funds. This resulted in many of the managers of the underlying funds to which AIT is exposed 'gating' these funds to limit the amount of withdrawals paid (and available) to investors. As well as this, some funds adopted liquidation strategies, effectively committing to winding up their funds and returning cash to holders as it became available. In so doing, the original liquidity terms of many of the underlying funds to which AIT is exposed changed, with capital now being gradually returned to shareholders over an extended period of time – often 2-4 years. Despite these developments, many of AIT's top holdings have retained their old redemption policies and significant amounts of cash have been returned to the fund during the period under review, as detailed below.

#### Debt Repayment and Liquidity Expectations

The below graph illustrates AIT's progress in paying off its debt. At the end of December 2008, the debt associated with the Macquarie Swap facility stood at USD290m.<sup>2</sup> By the end of June 2009 this had been reduced to USD111m, a reduction of 62%. This debt was paid down entirely from the redemption proceeds received from investments within the Swap facility.



<sup>2</sup> As the split between AIT and EAIT occurred on 30 January 2009, this figure is derived from EBI's Swap debt at 31 December 2008, according to AIT's share of the split.

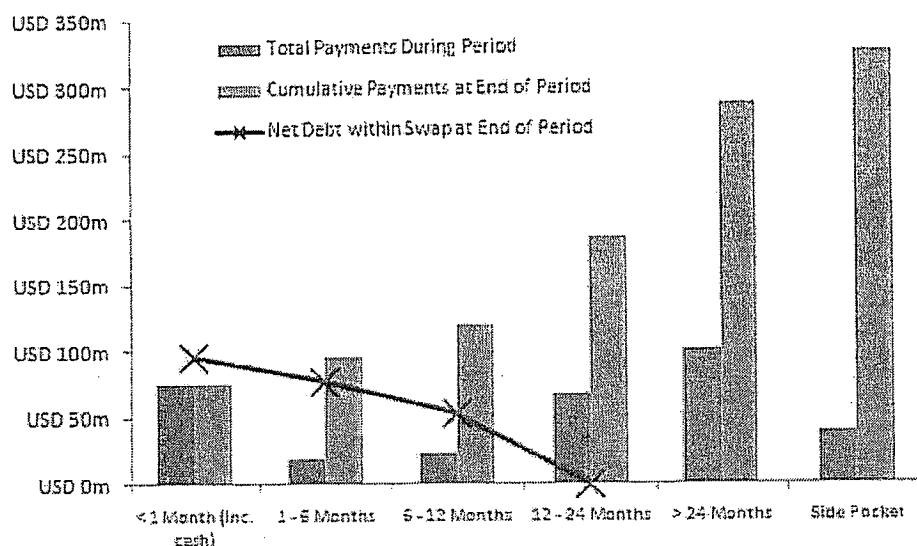
# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

Interim Financial Report for the half-year ended 30 June 2009

## INVESTMENT MANAGER'S REPORT (continued)

The liquidity profile – as illustrated in the chart below – shows a significant proportion (approximately 12% of AIT's Gross Assets at 30<sup>th</sup> June, 2009) of AIT's investments as 'Side Pocketed'. These consist of particular investments made by AIT's underlying managers from their main funds; these investments are usually highly specific and esoteric and as such highly illiquid. Given that the funds cannot be easily liquidated, and that there may also be some doubt as to the exact date of maturity, these funds are held separately until realisation, and cannot be redeemed at the request of the investor. For this reason, Laxey treats these investments separately to the main funds in determining the liquidity of AIT, and brackets them as Side Pocketed pockets that are illiquid.

**Liquidity Expectations of AIT's Assets at 30 June 2009**



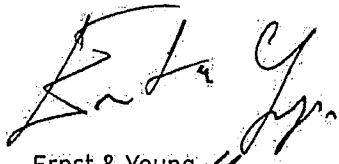
Although good progress has been made on paying off the Swap debt, Laxey expects this progress to slow. Based on current information and expectations, Laxey expects the debt associated with the Swap to be largely paid off by the end of 2010. This date is subject to change should funds in which AIT is invested initiate new locks or gates on their funds, or transfer assets to Side Pocket investments. The expected date of full repayment may also be reduced in the event of an unexpected early receipt of capital. Laxey considers there to be a number of specific events which could occur allowing for this date to come forwards, and Laxey is pursuing these options where possible. The repayment of the debt will open the way to further repayments of cash to shareholders of AIT. In addition to this, Laxey does expect further payments from EBI Income Fund; as with all funds undergoing liquidation, Laxey expects future payments to be received in instalments as cash becomes available in the fund, rather than by a large single payment.

Signed by Colin Kingsnorth  
Laxey Partners (UK) Ltd



## Auditor's Independence Declaration to the Directors of Permanent Investment Management Limited

In relation to our review of the financial report of Alternative Investment Trust for the half-year ended 30 June 2009, 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



Elliott Shadforth  
Partner

28 August 2009

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Statement of Comprehensive Income  
For the half-year ended 30 June 2009**

		<b>Consolidated Half-year ended</b>	
		<b>30 June 2009 \$'000</b>	<b>30 June 2008 \$'000</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Investment loss</b>			
Net losses on financial instruments held at fair value through profit or loss	3	(38,926)	(40,369)
Interest income		2,479	9,647
Foreign exchange gain/(loss) on loans and receivables		1,150	(4,161)
Other investment income		266	259
Dividend/distribution income		57	3,429
<b>Total investment loss</b>		<b>(34,974)</b>	<b>(31,195)</b>
<b>Expenses</b>			
Management fees	11	3,380	8,130
Impairment expense		1,753	-
Other operating expenses	2	3,041	710
<b>Total operating expenses</b>		<b>8,174</b>	<b>8,840</b>
<b>Operating loss</b>		<b>(43,148)</b>	<b>(40,035)</b>
<b>Financing costs</b>			
Interest expense		(4,052)	(1,184)
Distributions to unitholders		-	(11,699)
<b>Change in net assets attributable to unitholders</b>		<b>(47,200)</b>	<b>(52,918)</b>
Loss attributable to:			
Unitholders		(45,230)	(52,918)
Minority interest		(1,970)	-
		<b>(47,200)</b>	<b>(52,918)</b>
		<b>Consolidated Half-year ended</b>	
		<b>30 June 2009 Cents</b>	<b>30 June 2008 Cents</b>
Basic and diluted loss per unit in cents	4	<b>(33.96)</b>	<b>(29.43)</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Statement of Financial Position  
As at 30 June 2009**

		Consolidated As at	
		30 June 2009 \$'000	31 December 2008 \$'000
	Notes		
<b>ASSETS</b>			
Cash and cash equivalents		83,399	81,977
Receivables	8	1,828	3,118
Financial assets at fair value through profit and loss	6	315,916	867,916
Loans and receivables	5	16,828	49,792
<b>Total assets</b>		417,971	1,002,803
<b>LIABILITIES</b>			
Payables	9	2,299	7,059
Financial liabilities held for trading:	7		
-Foreign currency contracts		-	8,083
-Swap payable (Leverage)		137,712	565,542
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		140,011	580,684
<b>Net assets attributable to unitholders</b>	10	277,960	422,119
<b>Represented by:</b>			
Units on issue		622,973	734,683
Undistributed income to unitholders		(357,794)	(312,564)
Minority interest		12,781	-
		277,960	422,119

The above statement of financial position should be read in conjunction with the accompanying notes.

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Statement of changes in net assets attributable to unitholders  
For the half-year ended 30 June 2009**

	<b>Consolidated</b>			
	<b>Units on Issue \$'000</b>	<b>Undistributed income \$'000</b>	<b>Minority Interest \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2009</b>	734,683	(312,564)	-	422,119
In-specie transfer (note 16)	(111,710)	-	14,751	(96,959)
Change in net assets attributable to unitholders	-	(45,230)	(1,970)	(47,200)
<b>As at 30 June 2009</b>	<u>622,973</u>	<u>(357,794)</u>	<u>12,781</u>	<u>277,960</u>
<b>At 1 January 2008</b>	743,877	(908)	-	742,969
Distributions paid/payable	-	(11,699)	-	(11,699)
Units cancelled through buy-back	(9,194)	-	-	(9,194)
Change in net assets attributable to unitholders	-	(41,219)	-	(41,219)
<b>As at 30 June 2008</b>	<u>734,683</u>	<u>(53,826)</u>	<u>-</u>	<u>680,857</u>

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Statement of Cash Flows  
For the half-year ended 30 June 2009**

	<u>Notes</u>	<b>Consolidated Half-year ended</b>	
		<b>30 June 2009 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Cash flows from operating activities</b>			
Dividends received		57	570
Interest received		3,605	9,474
Other income received		351	173
Payment of expenses		(11,181)	(9,115)
Interest paid		(4,052)	(1,775)
GST received		79	80
<b>Net cash outflow from operating activities</b>		<b>(11,141)</b>	<b>(593)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		453,471	155,954
Purchase of investments		-	(84,954)
<b>Net cash inflow from investing activities</b>		<b>453,471</b>	<b>71,000</b>
<b>Cash flows from financing activities</b>			
Units cancelled through buy-back		-	(9,512)
Cash outflow through in-specie transfer	16	(13,078)	-
Proceeds from borrowings		-	13,779
Repayments of borrowings		(427,830)	(50,860)
<b>Net cash outflow from financing activities</b>		<b>(440,908)</b>	<b>(46,593)</b>
<b>Net increase in cash and cash equivalents</b>		1,422	23,814
Cash and cash equivalents at beginning of the half-year		81,977	10,831
Effects of foreign currency exchange rate changes on cash and cash equivalents		-	(4)
<b>Cash and cash equivalents at the end of the half-year</b>		<b>83,399</b>	<b>34,641</b>

The above Statement of cash flows should be read in conjunction with the accompanying notes.

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Notes to the Financial Statements For the Half Year Ended 30 June 2009

### General Information

The consolidated entity consists of Alternative Investment Trust (the Trust) (formerly Everest Babcock & Brown Alternative Investment Trust), an Australian registered managed investment scheme and its subsidiaries. AIT is listed on the ASX. AIT was constituted on 7 April 2005.

As of 5 February 2009 the Responsible Entity of AIT is Permanent Investment Management Limited. Prior to this date the Responsible Entity was Everest Capital Investment Management Limited (ECIML or Former Responsible Entity).

The registered office of Permanent Investment Management Limited is level 4, 35 Clarence Street, Sydney, NSW 2000.

Laxey Partners (UK) Ltd was appointed as the new investment manager effective from 24 February 2009 by Permanent Investment Management Limited, replacing Everest Capital Limited.

The financial statements were authorised for issue by the Directors on [Day] [Month] 2009.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

### 1. Summary of significant accounting policies

#### (a) Basis of preparation

This general purpose financial report for the half-year ended 30 June 2009 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 liquidation basis as the Investment Manager has announced its intention to liquidate the Trust as quickly as possible.

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 the consolidated entity 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 27 March 2009 and considered together with any public announcements made by the Trust during the half-year ended 30 June 2009 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 the Trust under ASIC Class Order 98/0100.

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Notes to the Financial Statements  
For the Half Year Ended 30 June 2009**

**1. Summary of significant accounting policies (continued)**

**(b) New accounting standards and interpretations**

Since 1 January 2009, the Trust has adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards and interpretations has not had any effect on the financial position or performance of the Trust.

	<b>Consolidated Half –year ended</b>	
	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2. Other expenses</b>		
Professional fees	1,858	85
Directors' remuneration	-	125
Fund administration and custody expenses	198	164
Other general and administrative expenses	945	291
Auditor's remuneration	40	45
<b>Total other operating expenses</b>	<b>3,041</b>	<b>710</b>

**3. Net loss on financial instruments held at fair value through profit and loss**

	<b>Consolidated Half –year ended</b>	
	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial instruments</b>		
Fair value losses on Leverage Facility	35,711	39,738
Net loss on direct investments designated as fair value through profit and loss	3,286	6,311
Fair value gain on derivatives (foreign currency contracts and interest rate swap)	(71)	(3,151)
Foreign exchange gain on the Loan Facility	-	(2,529)
	<b>38,926</b>	<b>40,369</b>

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Notes to the Financial Statements  
For the Half Year Ended 30 June 2009**

**4. Earnings per unit**

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

	<b>Consolidated Half-year ended</b>	
	<b>30 June 2009</b>	<b>30 June 2008</b>
Loss attributable to unitholders (\$'000)	(47,200)	(52,918)
Basic and diluted earnings per unit in cents	(33.96)	(29.43)
Weighted average number of units on issue ('000)	138,999	179,814

**5. Loans and receivables**

Loans and receivables consist of subordinated debt assets.

	<b>Consolidated As at</b>	
	<b>30 June 2009 \$'000</b>	<b>31 December 2008 \$'000</b>
Loans and receivables	28,862	60,073
Less provision for impairment	(12,034)	(10,281)
<b>Total Loans and receivables</b>	<b>16,828</b>	<b>49,792</b>

**6. Financial assets designated as fair value through profit or loss**

**At Fair Value**

Listed equities	-	2,446
Unlisted managed fund	12,228	34,131
Underlying investment portfolio	303,688	831,339
<b>Total financial assets designated as fair value through profit and loss</b>	<b>315,916</b>	<b>867,916</b>

The Responsible Entity, on behalf of the Trust, has entered into a total return equity swap, referred to in this Report as the Leverage Facility. The Leverage Facility is denominated in US dollars and provides the Trust with an exposure to a leverage portfolio of leading international absolute return funds and cash (Underlying Investment Portfolio).

Investments in unlisted managed funds (including investments in unlisted managed funds that have suspended daily redemptions) are recorded at the redemption value per unit as reported by the managers of such funds.



**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

**Notes to the Financial Statements  
For the Half Year Ended 30 June 2009**

**7. Financial liabilities at fair value through profit or loss**

	Consolidated	
	As at	
	30 June 2009	31 December 2008
	Fair value \$'000	Fair value \$'000
<b>Held for trading:</b>		
Derivatives (foreign currency contracts) <sup>1</sup>	-	8,083
Swap payable (Leverage) <sup>2</sup>	137,712	565,542
Total held for trading	137,712	573,625
<b>Total financial liabilities at fair value through profit and loss</b>	137,712	573,625

<sup>1</sup> Foreign currency contracts were used by the Trust to economically hedge against foreign currency exchange risks.

<sup>2</sup> The Swap payable reflects the fair value of the leverage provided under the Leverage Facility.

**8. Receivables**

	Consolidated	
	As at	
	30 June 2009	31 December 2008
	\$'000	\$'000
Interest receivable	1,666	2,792
GST recoverable	111	190
Other receivables	51	136
<b>Total receivables</b>	1,828	3,118

No loss has been recognised in respect of receivables during the half-year ended 30 June 2009 (2008: nil).

**9. Payables**

	Consolidated	
	As at	
	30 June 2009	31 December 2008
	\$'000	\$'000
Amounts owing to Responsible Entity	185	3,703
Investment manager's fees	1,121	-
Fund administration and custody expenses	117	84
Legal expenses	54	875
Swap termination expenses	183	1,034
Other payables	639	1,363
<b>Total payables</b>	2,299	7,059

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Notes to the Financial Statements For the Half Year Ended 30 June 2009

### 10. Units on issue

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

	Consolidated Half –year ended			
	30 June 2009 No.	30 June 2008 No.	30 June 2009 \$'000	30 June 2008 \$'000
Opening balance	179,192,421	182,550,857	422,119	742,969
Units cancelled through buyback	-	(3,358,436)	-	(9,195)
In-specie transfer (note 16)	(48,499,951)	-	(111,710)	-
Change in net assets attributable to unitholders	-	-	(45,230)	(52,918)
Closing balance	130,692,470	179,192,421	265,179	680,856

### 11. Related party transactions

The Responsible Entity of Alternative Investment Trust is Permanent Investment Management Limited.

#### (a) Responsible Entity's / Manager's fees

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

Laxey Partners (UK) Ltd, the new investment manager, will charge 0.75% per annum (excluding GST) of gross assets and 1% of distribution paid to investors (excluding GST). The new Responsible Entity's Fees and new Investment Manager's Fees in total are not to exceed 1.25% per annum of gross assets.

All related party transactions are conducted on commercial terms and conditions. The transactions during the half-year and amounts payable at half-year between the consolidated entity and the new Responsible Entity were as follows:

	Consolidated	
	30 June 2009 \$'000	30 June 2008 \$'000
New investment manager fees paid/payable for the half-year	1,121	-
Management fees paid/payable for the half-year to the Former Responsible Entity	2,074	8,130
Management fees paid/payable for the half-year to the new Responsible Entity	185	-

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Notes to the Financial Statements For the Half Year Ended 30 June 2009

### 11. Related party transactions (continued)

#### (b) Investments in unlisted funds managed by Everest Capital Limited

AIT has invested 45,508,511 (2008: 45,508,511) units valued at \$12,228,137 (2008: \$34,131,384) within a zero fee paying class in the Everest Babcock & Brown Income Fund (EBBIF) at 30 June 2009. The Trustee of EBBIF is Everest Capital Limited. This investment allows AIT to achieve its intention of accessing a diversified portfolio of assets and gaining exposure to direct investments in subordinated debt.

### 12. Segment information

AIT has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of AIT that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

The following is an analysis of AIT's investment revenue/(losses) by reportable operating segment:

	<b>Consolidated Half -year ended 30 June 2009 \$'000</b>
<b>Operating segment</b>	
Investment management:	
Attributable to Australia	2,613
Attributable to all foreign countries	(37,587)
Total investment loss	(34,974)

# Alternative Investment Trust (Formerly Everest Babcock & Brown Alternative Investment Trust)

## Notes to the Financial Statements For the Half Year Ended 30 June 2009

### 13. Events occurring after the balance sheet date

On 5<sup>th</sup> August 2009, AIT announced details of its first distribution to unitholders. A distribution of \$0.47 per unit, being a total of \$61.5m, was paid to unitholders on 18<sup>th</sup> August 2009.

Other than this, no significant events have occurred since the half-year ended 30 June 2009 which would impact on the financial position of the consolidated entity as at 30 June 2009 or on the results and cash flows of the consolidated entity for the half-year ended on that date.

### 14. Contingent assets and liabilities and commitments

There are no commitments or contingencies as at 30 June 2009 (2008: \$nil).

### 15. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		30 June 2009	31 December 2008
EBI Income Fund	Australia	73%	100%
EBI Opportunities Fund	Australia	73%	100%

### 16. In-Specie Transfer

On 29<sup>th</sup> January 2009 implementation of the AIT Exchange offer took place. Under the offer, AIT unitholders who preferred to maintain their exposure to the continuing AIT investment portfolio and investment strategy elected to exchange their AIT Units for units in a new unlisted trust, the Everest Alternative Investment Trust (EAIT).

The total number of units exchanged under the Exchange Offer was 48,499,951 units being an amount of \$111,710,000 transferred to EAIT, representing approximately 27% of AIT's total units on issue. The in-specie transfer included a cash payment of \$13,078,000 to EAIT.

Also transferred were 27% of the underlying investment portfolio of \$226,113,000, \$28,495,000 of units in the EBI Income Fund, \$153,068,000 of swap payable and \$2,908,000 of other liabilities.

**Alternative Investment Trust (Formerly Everest Babcock & Brown  
Alternative Investment Trust)**

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**Directors' Declaration  
For the Half Year Ended 30 June 2009**

**DIRECTORS' DECLARATION**

The Directors of the Responsible Entity declare that:

- a) In the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and
- b) In the Directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with AASB 134 Interim Financial Reporting and giving a true and fair view of the Trust's and consolidated entity's financial position and performance.

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



Michael Britton  
Director  
On behalf of the Board

Sydney, 28 August 2009

To the unitholders of Alternative Investment Trust

## Report on the Condensed 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 2009, and 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, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 Interim and Other Financial Reports 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 consolidated entity's financial position as at 30 June 2009 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 Alternative Investment Trust and the entities it controlled during the half-year, 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.

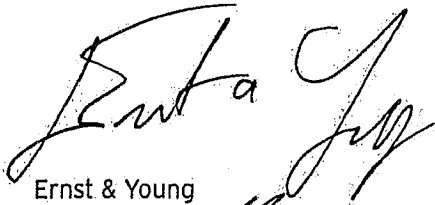
### Independence

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

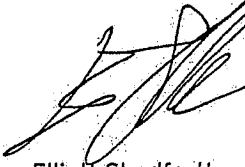
## Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Elliott Shadforth  
Partner  
Sydney  
28 August 2009