ALTERNATIVE INVESTMENT TRUST-APPENDIX 4D

Half Year Report
For the period ended 30 June 2010

1 **REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD**

Current Reporting Period:	**6 months to 30 June 2010**
Previous Corresponding Period:	6 months to 30 June 2009

2 **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

						2009 A$ '000
				2010 A$ '000		
2.1	Investment income /(loss)	up	134%	to	12,333	(36,727)
2.2	Change in net assets attributable to unitholders	up	120%	to	9,367	(47,200)
2.3	Profit /(loss) attributable to unitholders	up	122%	to	10,129	(45,230)

		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 2010 distribution - 30 June 2010**

No distribution was declared or paid for the half-year ended 30 June 2010.

3 **NET TANGIBLE ASSETS PER SECURITY**

NTA per security as at 30 June 2010 (Ex distribution)	**$**	**1.57**
NTA per security as at 30 June 2009 (Ex distribution)	$	2.13

Alternative Investment Trust

ARSN 112 129 218

Interim financial report for the half-year ended 30 June 2010

Alternative Investment Trust

Interim Financial Report
For the Half-Year Ended 30 June 2010

DIRECTORS' REPORT

The Directors of The Trust Company (RE Services) Limited (formerly known as Permanent Investment Management Limited), the Responsible Entity of Alternative Investment Trust (AIT), present their report together with the consolidated financial report of AIT and its controlled entities (the Consolidated Entity) for the half-year ended 30 June 2010. 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). During the half-year the Responsible Entity changed its name from Permanent Investment Management Limited on 22 June 2010 in line with the new branding and visual identity of its parent entity, The Trust Company Limited. The registered office and principal place of business of the Responsible Entity is Level 4, 35 Clarence Street, Sydney, NSW 2000.

INVESTMENT MANAGER

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

PRINCIPAL ACTIVITIES

AIT is a registered managed investment scheme domiciled in Australia. AIT has exposure to a portfolio of leading absolute return funds via a swap agreement with Macquarie Bank Limited ("the Swap") and a single investment held outside the Swap, a 73% (2009: 73%) holding in the EBI Income Fund (EBIIF).

Under the terms of the realisation of AIT's assets, the leverage from the Swap facility must be paid down before unitholders may receive distributions from indirect assets which are assets held within the Swap that are sold or redeemed.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Consolidated Entity is currently in a process of asset realisation. During the half-year ended 30 June 2010, there were no returns of capital to investors. To date, a return of capital of $61.5 million (December 2009: $61.5 million) has been distributed to the unitholders.

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.

DIRECTORS' REPORT (continued)

LEVERAGE FACILITY (continued)

Prior to the renegotiation, the leverage facility contained certain investment guidelines governing the composition of the underlying investment portfolio and the Responsible Entity could only 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 were specified, however, the Consolidated Entity 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 the Consolidated Entity 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 proceeds of realising the underlying investment portfolio. The Consolidated Entity can also request the removal of an investment from the underlying investment portfolio, provided the leverage facility Provider agrees to this request.

The leverage facility was reduced from a balance of USD 37.1 million at the end of December 2009 to USD 0.9 million at the end of June 2010. Post 30 June 2010 the outstanding USD 0.9 million balance has been repaid in full.

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 2010 $'000	30 June 2009 $'000
Change in net assets attributable to unitholders	9,367	(47,200)

DIRECTORS' REPORT (continued)

VALUE OF ASSETS AND UNITS ISSUED

The total value of the Consolidated Entity's assets at 30 June 2010 is $207,871,000 (31 December 2009: $240,017,000). The total number of units issued as at 30 June 2010 is 130,692,470 (31 December 2009: 130,692,470).

DIRECTORS AND OFFICERS

The Directors and officers of the Responsible Entity, The Trust Company (RE Services) Limited, are:

Name	Title
John Atkin	Executive Director
Vicki Allen	Executive Director
David Grbin	Executive Director
Michael Britton	Executive Director
Adrian Lucchese	Joint Company Secretary
Sally Ascroft	Joint Company Secretary (Appointed 02 November 2009)

Sally Ascroft acted as an Alternate Director for David Grbin for the period 24 June 2010 to 1 August 2010.

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

Other than the repayment of the leverage facility disclosed above no matters or circumstances have arisen since 30 June 2010 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.

ROUNDING

The Consolidated Entity 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 17.

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

Director
Sydney, 30 August 2010

INVESTMENT MANAGER'S REPORT

Background

The investment portfolio of Alternative Investment Trust ("AIT") consists of leveraged exposure to a basket of absolute return funds via a Swap Agreement with Macquarie Bank ("the Swap"), as well as a single investment – held outside the Swap – in EBI Income Fund. 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. Laxey is a part of Isle of Man based Laxey Partners Limited. Laxey Partners 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.

Trust Facts

(as at 30 June 2010)

• Gross Assets (GA):	AUD 201m
• Net Assets (NA):	AUD 199m
• Market Cap:	AUD 137m
• Units in Issue:	131m
• NTA / unit:	1.52 AUD
• Leverage Ratio (GA / NA):	1.01
• Debt Repaid in H1 2010:	USD 36.2m
• Debt Remaining at 30 June:	USD 0.9m
• % of GA in 'Side Pockets'	23%
• (Post Balance Sheet Event) Gross Debt at 6 August:	USD 0

Under the revised terms of the Swap agreement for the realisation of AIT's assets, the leverage associated with the Swap must be fully paid down before any cash realised from assets held within the Swap can be released to AIT for distributions to unitholders. These terms only cover assets within the Swap, and AIT is free to use realisations from its directly held investments – currently the single holding of EBI Income Fund ("EBIIF") – for distributions. Realisations in 2009 from EBIIF allowed for a substantial distribution to AIT's unitholders, but the remaining positions within EBIIF are relatively illiquid meaning far less cash has come through to AIT in H1 2010 and a distribution was not possible for the period under review. Laxey anticipate that the next distribution to unitholders will come from redemptions of positions held within the Swap. Under the terms of the Swap, cash from realisations within the Swap cannot be released to AIT until the Swap is debt-free. AIT has reduced its debt significantly, with just USD 0.9m remaining at the end of June. Indeed AIT now has a net cash position of USD 29.6m if cash held within the secondary BNP swap is included – see later in the report for more detail.

Post 30 June, AIT has repaid the outstanding USD 0.9m debt and is now debt free. As mentioned in previous reports, cash is held within this swap until its expiry on 31 December 2010. Following negotiations with all related parties, Laxey still expects that this agreement can be terminated early - allowing the cash to come through to AIT before the year end.

INVESTMENT MANAGER'S REPORT (continued)

Fund Performance

The underlying portfolio of AIT was designed to deliver an absolute return, and as a result, AIT's NAV does not track movements in global equity markets. But, a number of AIT's underlying funds do have a large exposure to equity markets. As a result, these funds participated in the up and down swings of the equity markets in 2010. ESL in particular saw major swings in its valuation over the six months to June 2010, as its portfolio is largely long equity positions. Otherwise, AIT's underlying portfolio was on average stable in terms of its USD valuation. Notably however, a number of side pocketed investments saw valuation increases in line with increased global optimism towards such illiquid type assets.

Compared to the turmoil of early 2009, investment markets have quietened down significantly. As a result, AIT's underlying funds have not been forced to introduce any new gates on their funds or otherwise reduce or postpone redemption requests. AIT still has exposure to a number of funds that were forced to liquidate last year following large numbers of requests from investors for redemptions. These funds return cash to shareholders as it becomes available, and a full return must await the disposal of the funds' most illiquid assets. Some funds have been able to give and keep to rough timetables for returns to shareholders (for example returning a certain percentage per financial quarter), but others, especially small funds or those with large exposures to single esoteric investments cannot make such commitments, and cash can only be returned when an appropriate opportunity to dispose arises for the fund.

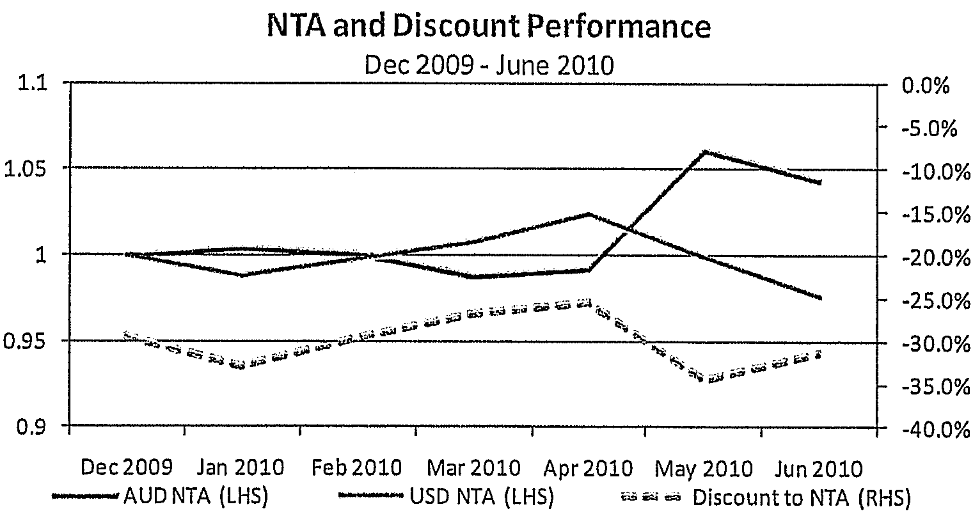
AIT's NTA rose from AUD 1.45 on 31 December 2009 to AUD 1.52 on 30 June 2010. As the majority of AIT's underlying funds report in USD, and AIT's debt is USD denominated, one of the most prominent factors in AIT's NAV performance is the USD-AUD exchange rate. For the first few months of 2010, the rate moved against AIT resulting in negative NAV performance. More recently however, the rate has turned in AIT's favour with the USD strengthening against the AUD by nearly 7% between the end of December 2009 and the end of June 2010.

AIT's net currency exposure is 86% to USD reporting funds, assets and liabilities, and 14% to AUD reporting funds, assets and liabilities. Note that the NAVs of these funds may be affected by exchange rate movements in their underlying investments; of the two funds that do report in AUD – Everest Absolute Return Fund ("EARF") and EBIIF – neither has a very large net currency exposure to the AUD and so on a see through basis AIT has an even lower net currency exposure to the AUD. The improved performance of the USD had a positive effect on AIT's NTA for the period under review as USD reporting funds increased in value in AUD terms even if they stayed at similar levels in USD terms.

AIT's share price to NTA discount has been relatively stable during the period under review – remaining between 25% and 35%. This compares favourably to the lows of over 50% at the end of 2008 and early 2009.

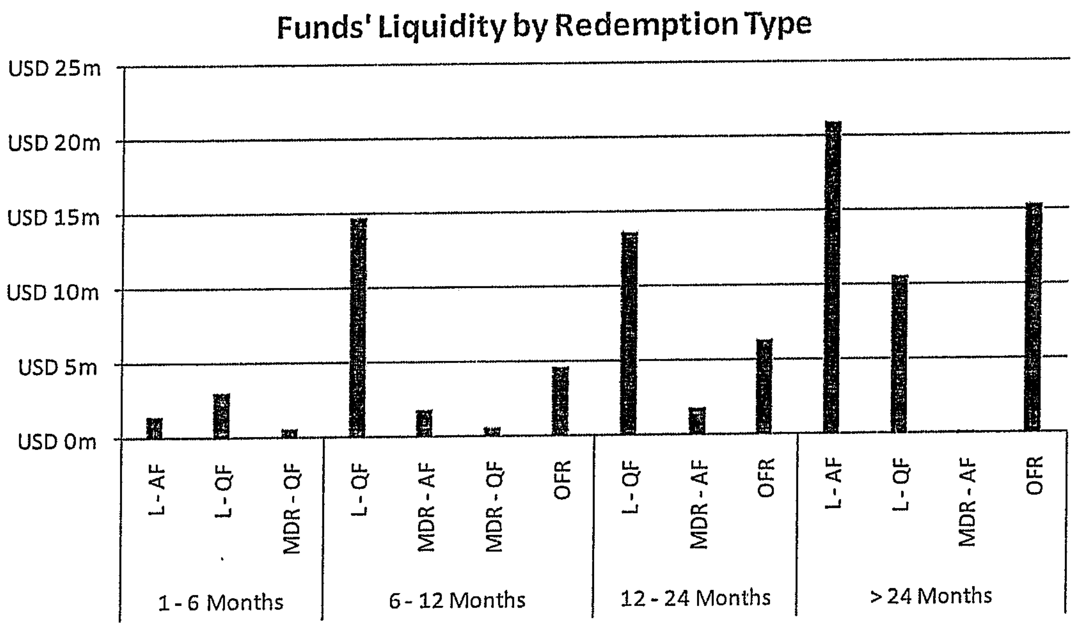
INVESTMENT MANAGER'S REPORT (continued)

The AUD and USD NTA performance (NTA's rebased to 1 at 31 December 2009), together with the discount performance of AIT from 31 December 2009 to 30 June 2010 is given below (unaudited NTA's are used for January to May).



The below graph illustrates the redemption profile of AIT's underlying funds (excluding side pocketed investments – see later in this report – and cash and other non-investment assets), according to whether the funds are undergoing liquidation, or are proceeding according to the original redemption terms together with the expected timeframe for redemption. Liquidating funds that have not been able to give a timetable for distributions are classed as '> 24 Months' unless AIT receives notice of an expected payment. The graph represents approximately 57% of AIT's total gross assets. (The chart uses the best information available to Laxey, but given the nature of fund redemptions, the liquidity profiles may be subject to change in light of new information or events.)

INVESTMENT MANAGER'S REPORT (continued)



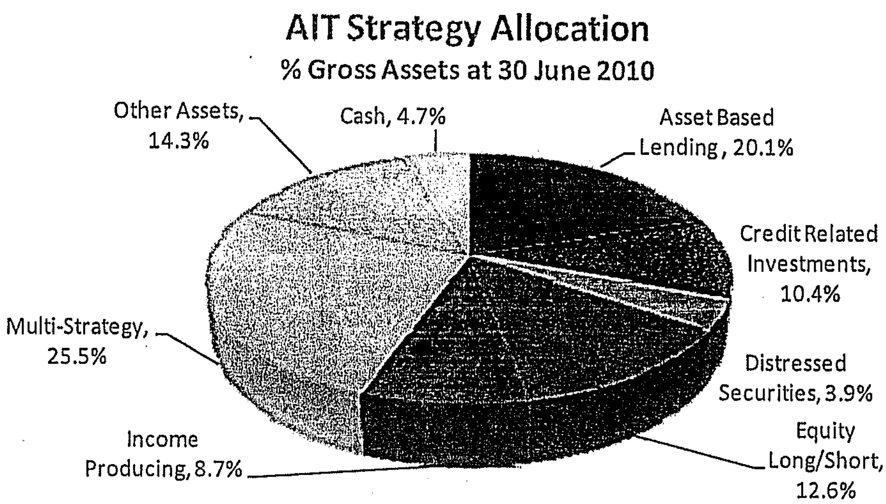
Glossary:

OFR	Once-off Full Redemption
MDR - AF	Multi-date Redemption - Annual Flow
MDR - QF	Multi-date Redemption - Quarterly Flow
L - QF	Liquidating Funds - Quarterly Flow
L - AF	Liquidating Funds - Ad Hoc Flow

INVESTMENT MANAGER'S REPORT (continued)

Portfolio Review

The chart below shows AIT's asset exposure as at 30 June 2010. An explanation of non-investment assets is given below that, followed by descriptions of AIT's major underlying funds and pertinent fund updates.



Cash and Other Assets:

The above graph gives AIT's cash position as 4.7% of gross assets. This represents a combination of cash held directly by AIT – i.e. outside the Swap – and by Macquarie Bank as part of the assets of the Swap. However, a further amount of cash is held within the secondary BNP swap and is classed within 'Other Assets'. This is cash received from redeeming investments in the BNP swap. As has been previously mentioned, cash held within the BNP swap cannot be utilised by AIT for debt repayment or distributions to unitholders until the swap expires.

Given that AIT is no longer making investments, Laxey had sought a renegotiation of the BNP swap agreement amongst the various counterparties with a view to terminating the swap early. These negotiations are now almost complete. Once the new agreement is signed, the cash held within the BNP swap will come through to the main Macquarie Swap. As mentioned above, as AIT debt free as of 6 August 2010, this cash may be used to make a distribution to unitholders.

The BNP cash accounts for 93% of the Other Assets category, or USD 22.5 million, giving AIT a net cash position (all cash less all debt) of USD 29.6 million.

INVESTMENT MANAGER'S REPORT (continued)

AIT's Top Holdings as at 30 June 2010:

FUND NAME	STRATEGY	% OF GROSS ASSETS
Drawbridge Special Opportunities	Asset Based Lending	20.06%
ESL Investments	Equity Long/Short	9.16%
EBIIF	Income Producing	8.67%
Marathon Special Opportunity Fund	Credit Related Investments	5.76%
TPG-Axon Partners Offshore Ltd	Multi-Strategy	4.36%
Eton Park Overseas Fund Ltd	Multi-Strategy	4.10%
Och-Ziff Overseas Fund II	Multi-Strategy	3.72%
Everest Absolute Return Fund	Multi-Strategy	3.61%
[Undisclosed Holding]	Equity Long/Short	3.40%
GSO Special Situations Oversea	Credit Related Investments	2.70%
TOTAL		65.54%

The above Top Portfolio Holdings constitute 66% of AIT's portfolio and all but EBIIF are held within the Macquarie Swap. The remainder of the portfolio consists of numerous smaller investments with varying degrees of liquidity. On behalf of AIT, 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:

Drawbridge (20.06% 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. AIT's funds are in liquidation, and AIT receive regular payments from Drawbridge as the portfolio is wound down.

ESL Investments (9.16% of Gross Assets): ESL has a number of large equity investments in retail companies, all primarily based in North America. These investments include AutoZone, a retailer of automotive parts and accessories, Sears, the department store, and AutoNation, which sells, finances and services new and used vehicles.

INVESTMENT MANAGER'S REPORT (continued)

EBI Income Fund (8.67% of Gross Assets): EBI Income Fund (EBIIF) has exposure to a range of direct investments and indirect investments via its investment in the Everest Babcock & Brown Income Fund (EBBIF). These investments are primarily mezzanine and subordinated loans to infrastructure related assets including ports, rail and car parking. The largest investment is in loans used to finance the acquisition of two European ports. These have been restructured in order to avoid a default on the loans (and hence maximise returns to EBII) but the timeframe for repayment has been extended, meaning a full return to AIT is not possible in the short term. This fund is in liquidation mode and returns cash to AIT as it becomes available; EBIIF returned AUD 2.3m in February 2010.

Marathon Special Opportunity Fund (5.76% of Gross Assets); Marathon Special Opportunities Fund is a multibillion dollar fund aiming to maximise total risk adjusted returns primarily through investment in credit-related strategies – including distressed credit. The fund invests predominantly on an opportunistic basis, to include longer term special situation type investments. Its primary region of investment is North America, although it will invest in any sector where it has sufficient expertise and where it sees opportunity. This fund was able to make investments in under priced assets during the height of the financial crisis and is now seeing significant returns for so doing.

TPG-Axon (4.36% of Gross Assets): TPG is a multi-strategy fund. Their current focus is on investments in long/short equity positions, credit investments and structured products (such as patents) with no particular geographic or sector focus. TPG-Axon returned just over USD 12 million to AIT in February 2010, this was in line with Laxey's expectations and the fund's original liquidity terms.

Eton Park Overseas Fund (4.1% of Gross Assets): Eton Park Overseas Fund's objective is to deliver superior risk-adjusted returns over a multi-year period with an absolute return orientation. Equity long/short and credit-related strategies are the two main areas of investment for this fund; although it also has exposure to event orientated investments, as well as investments in derivatives and special investments. The fund invests globally and has no set allocation to any region; though North America is a significant area of investment currently.

Och-Ziff Overseas Fund II (3.72% of Gross Assets): OZ Overseas Fund II is a multi strategy fund with investments including long / short equity, credit related and various arbitrage strategies. The fund operates globally, with the U.S. having the largest allocation while strategies in Europe and Asia both represent significant portions of the portfolio. This fund moved into AIT's top holdings following a share swap from one of AIT's other Och-Ziff holdings - Och-Ziff Global Special Investments – allowing AIT to take advantage of the Overseas fund's much better liquidity profile.

INVESTMENT MANAGER'S REPORT (continued)

Everest Absolute Return Fund (3.61% 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. It is currently being managed with a view to returning cash to shareholders. Between January and June 2010, EARF has returned approximately AUD 0.09 per unit to unitholders (AIT received approximately AUD 1.6m in total).

[Undisclosed Holding] (3.4% of Gross Assets): Primarily a long/short equities manager, this manager's current investment strategy is towards fundamental, passive value based investments – investments that should grow their businesses and outperform competitors, for example because of powerful brands or marketplaces that have high barriers to entry for new competitors. This fund does not allow Laxey to disclose further details – including its name.

GSO Special Situations (2.7% of Gross Assets): GSO is an alternative asset manager specializing in credit related investment. It manages a multi-strategy credit hedge fund, a mezzanine fund, a senior debt fund and various CLO vehicles. In March 2008, Blackstone acquired GSO Capital Partners LP and merged its own Credit Investment operation into GSO. AIT's investment in the Special Situations fund sits in the multi-strategy hedge fund; the main investment has now been redeemed, and the remaining investments are side-pocketed – largely in Private Equity investments; these may not be redeemed until GSO realise the specific investments.

In addition to changes detailed above, a number of AIT's funds underwent some changes. These were largely minor, but notably, the former manager and responsible entity of AIT, Everest Capital Management, declared that it would wind up operations and seek to return all capital to shareholders. Everest still manages two of AIT's underlying funds – EBIIF and EARF. Both funds are already in liquidation mode and are not making any new investments. Everest has announced that One Investment Group ("OIG") has entered into arrangements to take over as investment manager, responsible entity and trustee of both EARF and EBIIF. Laxey has met with OIG to discuss the funds' liquidation, which should continue as planned.

INVESTMENT MANAGER'S REPORT (continued)

Debt Repayment and Liquidity Profile

During the six months under review, AIT's gross debt has reduced from USD 37.1 million at the end of December 2009 to USD 0.9 million at the end of June. This reduction was entirely due to redemption proceeds received from funds held within the Swap. AIT's debt reached its peak of USD 289m in January 2009. Following the decision to wind up the fund, it was required of AIT to repay all of its debt before Macquarie would agree to transfer cash out of the Swap for AIT to use for distributions to shareholders.

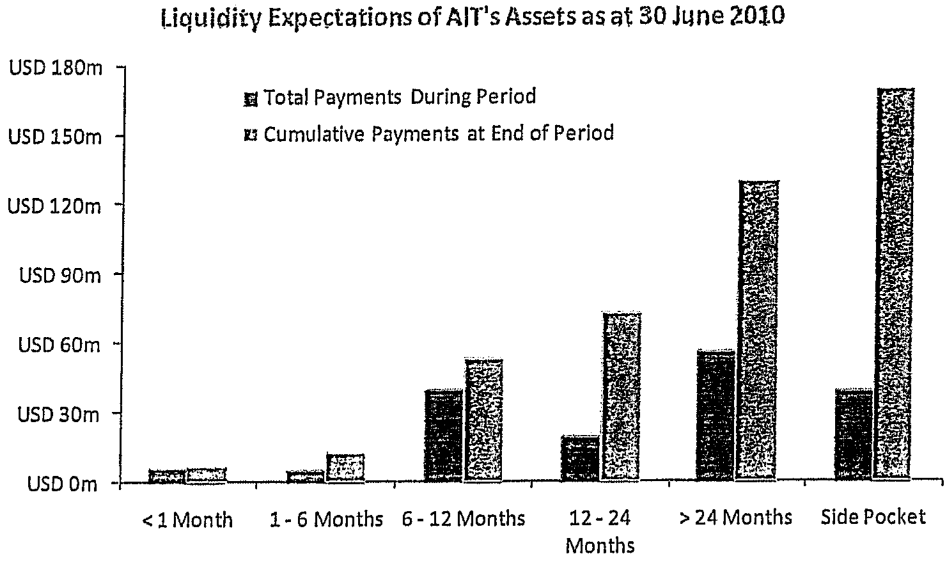
As noted earlier, AIT now has a positive net cash position. Once the BNP swap is terminated, Laxey expects the cash held therein (detailed above) to come through to the Macquarie Swap. As AIT is fully deleveraged as of 6 August 2010, this cash will be free to pass through to AIT - making it available to be used in line with AIT's current mandate of returning cash to unitholders.

With proceeds from the relatively liquid holdings already received and used to pay down the Swap debt, the liquidity profile of the remaining investments is less certain. This is largely because as funds enter liquidation, their ability to pay out proceeds is entirely dependent on the realisation of assets. The extent to which AIT is exposed to such liquidating funds is highlighted above.

In addition to AIT's exposure to liquidating funds, 23% of AIT's gross assets are now classed as side pocket investments. This is an increase on the 19% as at end December 2009. This increase is largely due to valuation increases of the pre-existing side pocket investments as well as the uplift from the exchange rate movement (all side pockets report in USD). As previously highlighted, these consist of particular investments made by AIT's underlying managers that are predominantly very specific and esoteric and as such, highly illiquid. Given that these side pocket assets cannot be easily liquidated, and that there is often some doubt as to the exact date of their realisation, these funds are held separately from main funds until realisation, and may not be redeemed at the request of the investor. For this reason, Laxey treats these investments separately to the main funds in determining the liquidity profile of AIT. During 2009, many side pocket investments were severely marked down in value as markets for such assets evaporated. But 2010 has seen many of these investments re-valued upwards as the prospects of divestment increase and market activity allows for meaningful comparisons to be made for valuation.

The below chart indicates broadly when Laxey expects cash to be returned to AIT. Where there is some uncertainty in the realisation date, more cautious or even pessimistic assumptions are used. One such assumption concerns the BNP secondary swap that was detailed earlier. The significant cash holding that AIT cannot currently access continues to be categorised as a liquidity event in six months time (31 December 2010).

INVESTMENT MANAGER'S REPORT (continued)



Outlook

With AIT's debt gone, Laxey's priority is now to return cash to AIT unitholders by way of a distribution - in line with AIT's current mandate. Laxey is also now free to explore alternative exits for positions should there be appropriate opportunities to do so.

Signed by Colin Kingsnorth
Laxey Partners (UK) Limited

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of The 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 2010, 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
30 August 2010

Alternative Investment Trust

Statement of Comprehensive Income
For the Half-Year Ended 30 June 2010

	Note	Consolidated Half-Year ended 30 June 2010 $'000	Consolidated Half-Year ended 30 June 2009 $'000
Investment income			
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	13,665	(38,926)
Interest income		481	2,479
Foreign exchange (loss)/gain on loans and receivables		(1,276)	1,150
Other foreign exchange gains and losses		389	-
Other investment expense	4	(926)	(1,487)
Dividend/distribution income		-	57
Total investment income/(loss)		12,333	(36,727)
Expenses			
Responsible entity fees	11	178	185
Management fees	11	1,018	3,195
Other operating expenses	2	1,546	3,041
Total operating expenses		2,742	6,421
Operating profit/(loss) attributable to unitholders		9,591	(43,148)
Financing costs			
Interest expense		(224)	(4,052)
Change in net assets attributable to unitholders		9,367	(47,200)
Other comprehensive income		-	-
Total comprehensive income		9,367	(47,200)
Total comprehensive income attributable to:			
Unitholders		10,129	(45,230)
Minority interest		(762)	(1,970)
		9,367	(47,200)

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 2010

	Note	Consolidated As at 30 June 2010 $'000	31 December 2009 $'000
Assets			
Cash and cash equivalents		11,112	14,161
Receivables	8	103	1,475
Financial assets at fair value through profit or loss	6	184,654	211,466
Loans and receivables	5	12,002	12,915
Total assets		207,871	240,017
Liabilities			
Payables	9	1,242	1,612
Financial liabilities held for trading	7	1,040	41,330
Total liabilities (excluding net assets attributable to unitholders)		2,282	42,942
Net assets attributable to unitholders		205,589	197,075
Represented by:			
Units on issue		561,548	561,548
Undistributed income to unitholders		(362,436)	(372,565)
Minority interest		6,477	8,092
		205,589	197,075

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 2010

	Consolidated Half-Year ended			
	Units on issue $'000	Undistributed income $'000	Minority interest $'000	Total $'000
At 1 January 2010	561,548	(372,565)	8,092	197,075
Return of capital	-	-	(853)	(853)
Total comprehensive income	-	10,129	(762)	9,367
As at 30 June 2010	561,548	(362,436)	6,477	205,589
At 1 January 2009	734,683	(312,564)	-	422,119
In-specie transfer (note 10)	(111,710)	-	14,751	(96,959)
Total comprehensive income	-	(45,230)	(1,970)	(47,200)
As at 30 June 2009	622,973	(357,794)	12,781	277,960

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

Statement of Cash Flows
For the Half-Year Ended 30 June 2010

	Note	Consolidated Half-Year Ended 30 June 2010 $'000	Consolidated Half-Year Ended 30 June 2009 $'000
Cash flows from operating activities			
Dividends received		-	57
Interest received		1,760	3,605
Other income received		-	351
Payment of management, Responsible Entity and other fees		(3,117)	(11,181)
Interest paid		(224)	(4,052)
GST received		100	79
Net cash used in operating activities		(1,481)	(11,141)
Cash flows from investing activities			
Proceeds from sale of investments		39,575	453,471
Net cash provided by investing activities		39,575	453,471
Cash flows from financing activities			
Cash outflow through in-specie transfer	10	-	(13,078)
Return of capital		(853)	-
Repayment of borrowings		(40,290)	(427,830)
Net cash used in financing activities		(41,143)	(440,908)
Net (decrease)/increase in cash and cash equivalents		(3,049)	1,422
Cash and cash equivalents at beginning of the half-year		14,161	81,977
Cash and cash equivalents at the end of the half-year		11,112	83,399

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

General Information

Alternative Investment Trust (AIT) is an Australian registered managed investment scheme which comprises the entities controlled by AIT (known as the Consolidated Entity) and is also listed on the Australian Stock Exchange (ASX). AIT was constituted on 7 April 2005.

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (formerly known as Permanent Investment Management Limited). The registered office of The Trust Company (RE Services) Limited is Level 4, 35 Clarence Street, Sydney, NSW 2000.

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

The financial statements were authorised for issue by the Directors on 23 August 2010.

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.

(a) Basis of preparation

This general purpose financial report for the half-year ended 30 June 2010 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 AIT 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 26 February 2010 and considered together with any public announcements made by AIT during the half-year ended 30 June 2010 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.

2. Other operating expenses

	Consolidated Half-Year ended 30 June 2010 $'000	Consolidated Half-Year ended 30 June 2009 $'000
Professional fees	1,252	1,858
Fund administration and custody expenses	181	198
Other general and administrative expenses	113	985
Total other operating expenses	1,546	3,041

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

	Consolidated Half-Year ended 30 June 2010 $'000	Consolidated Half-Year ended 30 June 2009 $'000
Financial instruments		
Fair value gains/(losses) on leverage facility	15,674	(35,711)
Net loss on direct investments designated as fair value through profit or loss	(537)	(3,286)
Fair value (loss)/gain on derivatives (foreign currency contracts and interest rate swap)	(1,472)	71
Total net gains/(losses) on financial instruments held at fair value through profit or loss	13,665	(38,926)

4. Other investment expense

	Consolidated Half-Year ended 30 June 2010 $'000	Consolidated Half-Year ended 30 June 2009 $'000
Impairment expense	(926)	(1,753)
Other investment income	-	266
Total other investment expense	(926)	(1,487)

5. Loans and receivables

Loans and receivables consist of subordinated debt assets.

	Consolidated As at 30 June 2010 $'000	Consolidated As at 31 December 2009 $'000
Loans and receivables	25,615	25,602
Less provision for impairment	(13,613)	(12,687)
Total loans and receivables	12,002	12,915

6. Financial assets at fair value through profit or loss

	Consolidated As at 30 June 2010 $'000	Consolidated As at 31 December 2009 $'000
At fair value		
Unlisted managed fund	9,234	9,771
Underlying investment portfolio	175,420	201,695
Total financial assets designated as fair value through profit or loss	184,654	211,466

The leverage facility is denominated in US dollars and provides the Consolidated Entity 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.

7. Financial liabilities held for trading

	Consolidated As at 30 June 2010 Fair value $'000	Consolidated As at 31 December 2009 Fair value $'000
Held for trading:		
Swap payable (Leverage)[1]	1,040	41,330
Total financial liabilities held for trading	1,040	41,330

[1] The Swap payable reflects the fair value of the leverage provided under the leverage facility.

8. Receivables

	Consolidated As at 30 June 2010 $'000	Consolidated As at 31 December 2009 $'000
Interest receivable	8	1,287
GST recoverable	76	176
Other receivables	19	12
Total receivables	103	1,475

No loss has been recognised in respect of receivables during the half-year ended 30 June 2010 (31 December 2009: nil).

9. Payables

	Consolidated As at 30 June 2010 $'000	Consolidated As at 31 December 2009 $'000
Amounts owing to Responsible Entity	39	93
Management fees	562	740
Fund administration and custody expenses	58	84
Legal expenses	107	165
Other payables	476	530
Total payables	1,242	1,612

10. Net assets attributable to unitholders

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

	Parent Half-Year ended 30 June 2010 No.	Parent Half-Year ended 30 June 2009 No.
Opening balance	130,692,470	179,192,421
In-specie transfer	-	(48,499,951)
Total comprehensive income	-	-
Closing balance	130,692,470	130,692,470

10. Net assets attributable to unitholders (continued)

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 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.

11. Related party transactions

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

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

The Trust Company (RE Services) Limited, will charge $1million for year 1 (excluding GST) paid monthly in arrears and thereafter 0.1% of gross assets per annum, subject to a minimum of $80,000 per annum. For the half-year ended 30 June 2010 The Trust Company (RE Services) Limited received $177,893 (30 June 2009: $185,000) for services rendered to AIT.

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

Laxey Partners (UK) Ltd, the Investment Manager, will charge 0.75% per annum (excluding GST) of gross assets and 1% of distribution 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 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 Responsible Entity and Investment Manager were as follows:

11. Related party transactions (continued)

(a) Responsible Entity's/Investment Manager's fees (continued)

	Consolidated	
	30 June 2010	30 June 2009
Fees paid to the Responsible Entity	178	185
Fees paid to the Responsible Entity	**178**	**185**
Fees paid to the Investment Manager	861	1,121
Fees paid to the Former Responsible Entity	-	1,684
Fees paid to the Investment Manager of EBIIF	157	390
Total fees paid to related parties	**1,018**	**3,195**

(b) Investments in unlisted funds

AIT has invested 91,942,695 units (31 December 2009: 91,942,695 units) valued at $17,459,918 (31 December 2009: $21,799,613) within a zero fee paying class in the EBI Income Fund (EBIIF) at 30 June 2010. With effect from 30 June 2010, One Investment Group has assumed the Trustee responsibilities of EBIIF. Until this date the Trustee was Everest Capital Limited. This investment allows AIT to achieve its intention of accessing a diversified portfolio of assets and gaining exposure to direct investment in subordinated debt.

Through its investment in EBIIF, AIT indirectly holds 45,508,511 (31 December 2009: 33,191,195) units valued at $9,233,677 (31 December 2009: $ 9,770,677) in EBB Income Fund (EBBIF).

Everest Capital Limited is an entity that is part of the same wholly owned group as Everest Capital Investment Management Limited, the former responsible entity of AIT.

12. Events occurring after end of the reporting period

Post 30 June 2010 the outstanding USD 0.9 million balance of the leverage facility has been repaid in full. Apart from the above no significant events have occurred since the half-year ended 30 June 2010 which would impact on the financial position of the Consolidated Entity as at 30 June 2010 or on the results and cash flows of the Consolidated Entity for the half-year ended on that date.

13. Contingent assets and liabilities and commitments

There are no commitments or contingencies as at 30 June 2010 (2009: $nil).

14. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 30 June 2010	Ownership interest 31 December 2009
EBI Income Fund	Australia	73%	73%

15. Segment Information

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

Directors' Declaration
For the Half-Year ended 30 June 2010

DIRECTORS' DECLARATION

The Directors of the Responsible Entity declare that:

a) In the Directors' opinion, there are reasonable grounds to believe that the Consolidated Entity 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 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.

On behalf of the Board
Michael Britton
Director
Sydney, 30 August 2010

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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 2010, 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 of the consolidated entity comprising the Trust and the entities it controlled at the half-year end.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity 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 control as the directors determine is 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 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 2010 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 included in 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 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 consolidated entity's financial position as at 30 June 2010 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*.

Ernst & Young

Elliott Shadforth
Partner
Sydney
30 August 2010