

APPENDIX 4D

**Half Year Report
For the half-year ended 30 June 2015**

Name of entity: Alternative Investment Trust

1 REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD

Current Reporting Period:	6 months to 30 June 2015
Previous Corresponding Period:	6 months to 30 June 2014

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2015 \$'000	2014 \$'000
2.1 Investment (loss) / income	Up >100% to 830	(566)
2.2 Change in net assets attributable to unitholders (excluding capital returns)	Up >100% to 327	(998)
2.3 (loss) / profit attributable to unitholders	Up >100% to 327	(998)

	2014		2013	
	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 2015 distribution - 30 June 2015
No distribution was declared or paid for the half-year ended 30 June 2015 (30 June 2014: \$nil).

2.6 An explanation of results is indicated on page 4 of the interim financial report.

3 NET TANGIBLE ASSETS PER SECURITY

NTA per security as at 30 June 2015 (Ex distribution)	\$0.14
NTA per security as at 30 June 2014 (Ex distribution)	\$0.16

4 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Not applicable

5 DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS OR DISTRIBUTIONS AND DIVIDEND OR DISTRIBUTION PAYMENTS

No distribution was declared or paid for the half-year ended 30 June 2015 (30 June 2014: \$nil).

6 DETAILS OF ANY DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION

Not applicable

7 DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable

8 FOR FOREIGN ENTITIES, WHICH SET OF ACCOUNTING STANDARDS IS USED IN COMPILING THE REPORT

Not applicable

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

Alternative Investment Trust

ARSN 112 129 218

Interim Financial Report for the Half-Year Ended 30 June 2015

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DIRECTORS' REPORT

The Directors of The Trust Company (RE Services) Limited (the "Responsible Entity"), the Responsible Entity of Alternative Investment Trust ("AIT"), present their report together with the financial report of AIT for the half-year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

RESPONSIBLE ENTITY

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 12, 123 Pitt Street, Sydney, NSW 2000. The Responsible Entity is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT).

Investment Manager

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

Directors of the Responsible Entity

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

Name

Andrew Cannane

Christopher Green

Gillian Larkins (resigned as a Director on 31 July 2015)

Michael Vainauskas (appointed as a Director on 02 March 2015)

Joanne Hawkins (resigned as an Alternate Director for Gillian Larkins on 26 June 2015)

Glenn Foster (resigned as an Alternate Director for Gillian Larkins on 31 July 2015, appointed as a Director on 31 July 2015)

Anna O' Sullivan (Alternate Director for each of Andrew Cannane and Christopher Green)

PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

AIT is currently in a process of asset realisation. During the half-year ended 30 June 2015, the Responsible Entity made one capital return totalling \$5.2 million (2014: \$11.8 million). Since the appointment of Laxey and the Responsible Entity, capital of \$230.1 million has been returned to the unitholders of AIT up to 30 June 2015 (2014: \$224.9 million).

Other than as noted above in the opinion of the Directors of the Responsible Entity, there were no significant changes in the state of affairs of AIT that occurred during the half-year.

REVIEW AND RESULTS OF OPERATIONS

During the half-year, AIT continued to engage in its principal activities being asset realisation, the results of which are disclosed in the attached half-year financial statements.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

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

	Half-year ended	
	30 June	30 June
	2015	2014
	\$'000	\$'000
Change in net assets attributable to unitholders (before impact of capital returns)	327	(998)

A more detailed review of AIT's performance and of its operations is included in its Investment Manager's Report starting on page 3.

As announced to the ASX on 29 May 2015, the Responsible Entity has initiated a process designed to identify opportunities to ensure that the value of AIT is available to its unitholders. Once the review process is finalised Perpetual will update the market.

VALUE OF ASSETS AND UNITS ISSUED

The total value of AIT's assets at 30 June 2015 is \$18,410,000 (31 December 2014: \$23,339,000). The total number of units on issue as at 30 June 2015 is 130,692,470 (31 December 2014: 130,692,470).

DISTRIBUTION/RETURN OF CAPITAL

There was one return of capital during the half-year ended 30 June 2015, with total capital returned totalling \$5.2 million (2014: \$11.8 million).

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

There has not been any matter or circumstance that has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 10.

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



Andrew Cannane
Director
Sydney, 26 August 2015

Investment Manager's Report

Background

The investment portfolio of Alternative Investment Trust ("AIT") primarily consists of exposure to a basket of absolute return funds via a swap agreement with Macquarie Bank ("the Swap"). In January 2009, a unitholder vote determined that the fund should pursue an orderly wind up under a new Investment Manager, Laxey Partners (UK) Ltd ("Laxey") – formally appointed manager on 23 February 2009 – and a new Responsible Entity, The Trust Company (RE Services) Limited, part of Perpetual Limited. Since that date, adding back the AUD 1.76 per unit or AUD 230m of distributions paid, AIT's share price has risen by 108% (23 February 2009 to 30 June 2015). Laxey is a part of Isle of Man based Laxey Partners Ltd. Laxey Partners Ltd was founded in 1998 as a globally active management company and manages a range of assets and funds for institutional investors. As part of the new mandate, the name of the fund was changed from Everest, Babcock & Brown Alternative Investment Trust to Alternative

Investment Trust. In order to make distributions from investments redeemed within the Swap, AIT was first required to repay the Swap related debt. This repayment was completed in August 2010, and AIT has since been free to make distributions to unitholders once sufficient cash has built up.

Distributions to Unitholders:

AIT made one distribution in the first half of 2015: AUD 0.04 per unit was paid in April 2015 totalling AUD 5.2m. This brings the total distributions made to unitholders since the change of mandate to AUD 230m (or AUD 1.76 per unit) – representing approximately 172% of AIT's market value as at 31 January 2009 (or 77% of its unaudited net assets at that date).

AIT's distribution in the six months under review was made using redemption proceeds from its underlying funds. These underlying funds – the majority of which are now side pockets or liquidating investments – continued to gradually realise their underlying investments and return the proceeds to AIT. Distributions remain a priority for the fund and will continue to be paid as soon as future redemption proceeds allow. The liquidity of AIT is discussed below.

Trust Facts

(As at 30 June 2015)

• Gross Assets (GA):	AUD 18m
• Net Assets (NA):	AUD 18m
• Market Cap:	AUD 16m
• Units in Issue:	131m
• NTA / unit:	AUD 0.139
• Leverage Ratio (GA / NA):	1.01
• Debt outstanding:	USD 0
• % of GA in 'Side Pockets'	62%

Capital Returns per unit:

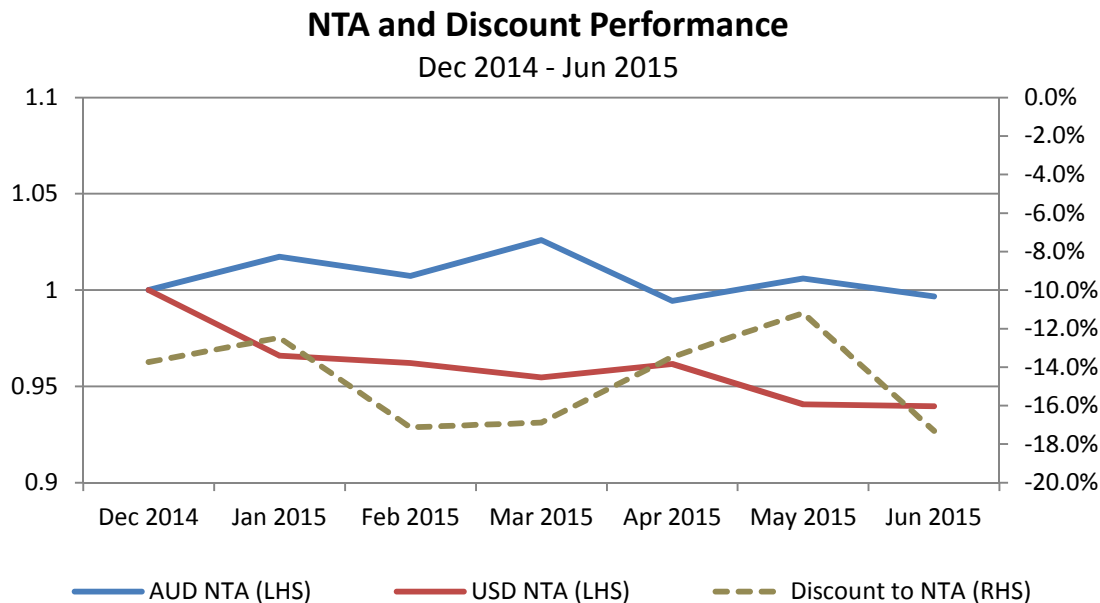
• 1H2015 Returns:	AUD 0.04
• Total Returns since Feb 2009:	AUD 1.76

Fund Performance

Over the period under review, adding back any distributions paid (AUD 0.04 per unit), AIT’s NTA fell by 0.3%. (Allowing for the distribution made in 1H2015, the NTA decreased by 23%). Over the six months, the AUD weakened by 5.7% against the USD. As the majority of AIT’s net assets are USD denominated, this had a positive effect on AIT’s NTA – as can be seen from the performance comparison of NTA in USD and AUD terms.

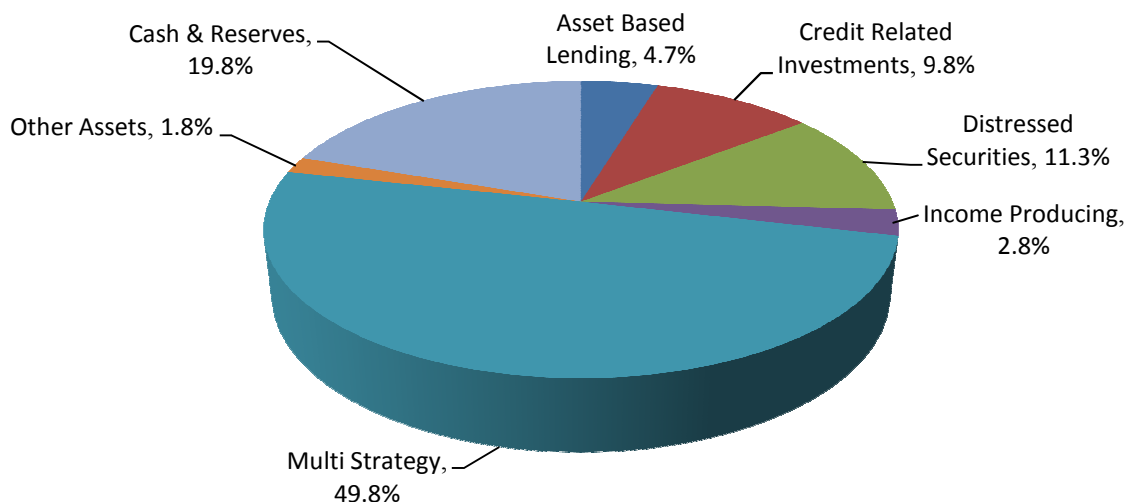
At June end, AIT’s net currency exposure was 80% to USD reporting funds, assets and liabilities, and 20% to AUD. Note that on a ‘look through’ basis, AIT’s exposure to both the USD and AUD may be overstated as there is no general policy amongst AIT’s underlying managers to hedge currency exposures of their investments to their reporting currency.

The AUD NTA and USD NTA performance (NTAs rebased to 1 at 30 June 2015, and adjusted for the April 2015 return of capital, unaudited NTAs used for January to June), together with the discount performance of AIT from 31 December 2014 to 30 June 2015 is given below. AIT’s unit price to NTA discount remained between 10% and 18% for 1H2015. By way of comparison, AIT was trading at a discount of over 50% in late 2008 / early 2009.



Portfolio Review

AIT Strategy Allocation at 30 June 2015



Cash and Other Assets:

With the completion of debt repayment, AIT has free use of its cash (less reserves). The above graph gives AIT's cash and reserves position as 19.8% of gross assets. 'Other Assets' largely consists of receivables; this is cash from redeemed funds that has yet to come through to AIT's accounts.

AIT's Top Holdings as at 30 June 2015:

FUND NAME	STRATEGY	% OF GROSS ASSETS
TPG-Axon Partners Offshore Ltd	Multi-Strategy	10.5%
Cerberus International Ltd	Distressed Securities	9.4%
Eton Park Overseas Fund Ltd	Multi-Strategy	8.4%
Fortress Partners Fund LP	Multi-Strategy	7.8%
Canyon Value Realization Fund	Multi-Strategy	6.6%
Marathon Special Opportunity Fund	Credit Related Investments	6.2%
Drawbridge Special Opportunities	Asset Based Lending	4.7%
Och-Ziff Asia Overseas Fund	Multi-Strategy	4.1%
Fallaron II Holdings LP	Multi-Strategy	3.4%
EBBIF	Income Producing	2.8%
TOTAL		63.9%

Laxey maintains contact with the fund managers of underlying AIT investments in order to better understand AIT's underlying exposure and its liquidity and risk profiles.

Details of AIT's Top Holdings:

TPG-Axon (10.5% of Gross Assets): TPG is a multi-strategy fund. It has returned the full amount of non-side pocketed positions to AIT and the remaining exposure is to four separate side pocket investments including real estate related investments and an investment in an iron ore development company in Brazil. During the six months under review, TPG-Axon returned approximately USD 0.05m to AIT.

Cerberus International (9.4% of Gross Assets): Cerberus predominantly makes investments in distressed securities, including those facing financial and operating difficulties and it has also made investments in secured debt, bank debt and mortgage related securities. Due to large volumes of redemption requests in 2008, Cerberus held back the majority of AIT's position as a liquidating investment, and AIT currently receives small payments on a regular basis. Cerberus returned approximately USD 0.2m to AIT during the period under review.

Eton Park Overseas Fund (8.4% of Gross Assets): AIT no longer has exposure to Eton Park's main funds; the only exposure is to side pocket positions. Eton Park returned a small amount of cash to AIT in the period under review.

Fortress Partners (7.8% of Gross Assets): AIT's exposure here is to a broad range of side pocket type investments. During the period under review, Fortress returned approximately USD 0.1m to AIT.

Canyon Value Realization Fund (6.6% of Gross Assets): This position consists of a number of side pocket type investments. The fund will officially begin winding down in June 2017 however AIT will continue to receive distributions as liquidity events appear in their portfolio. Canyon Value did not return any cash to AIT in the period under review.

Marathon Special Opportunity Fund (6.2% of Gross Assets): Redemption proceeds for the majority of Marathon Special Opportunity Fund were received at the beginning of 2011 and AIT is now solely exposed to a number of side pocket positions. A small amount of cash was paid to AIT in the period under review.

Drawbridge (4.7% of Gross Assets): An opportunistic diversified portfolio of investments primarily made in the United States, Western Europe and the Pacific region, focusing on asset-based transactions, loans and corporate securities. This fund has been in liquidation for some time and in 2013, the final portion of the main fund was distributed to AIT. AIT's remaining exposure is to a number of side pocket positions which will take longer to fully liquidate. AIT still has exposure to one Drawbridge position – held with Macquarie – from which AIT received USD 0.2m in redemption proceeds during the period under review.

Och-Ziff Asia Overseas Fund (4.1% of Gross Assets): The majority of AIT's exposure to Och-Ziff is held in four investments with exposure to Real Estate, private equity, and IT services in India. Och-Ziff returned USD 0.1m to AIT in the period under review.

EBBIF (2.8% of Gross Assets): EBBIF, held outside the swap, is a cash only holding currently unavailable for distribution due to ongoing legal claims. EBBIF did not return any cash to AIT in the period under review.

Further Updates:

As previously disclosed, Redleaf Capital Limited (“Redleaf”), formerly known as Everest Capital Limited, the former trustee of EBBIF, has an outstanding indemnity claim against EBBIF. The current EBBIF Trustee (“EBBIF Trustee”) has advised that Redleaf commenced legal proceedings in July 2015 against the EBBIF Trustee in relation to this claim. Redleaf are claiming approximately \$1.5mn plus interest in relation to the ASIC’s (Australian Securities and Investments Commission) investigations into the activities of EBBIF. It is too early to comment on the likely outcome of the claim. It should be noted that the claim is made against the assets of EBBIF, not AIT itself. The claim is likely to impact the time taken by the EBBIF Trustee to liquidate EBBIF.

Liquidity Profile and Side Pocket Positions

AIT is debt free. With all of the fixed redemption date funds having redeemed, AIT is solely exposed to funds undergoing full or significant liquidation and/or side pocket positions. This means that redemption estimates follow indicative rather than firm timeframes and are dependent on the underlying managers realising individual illiquid investments.

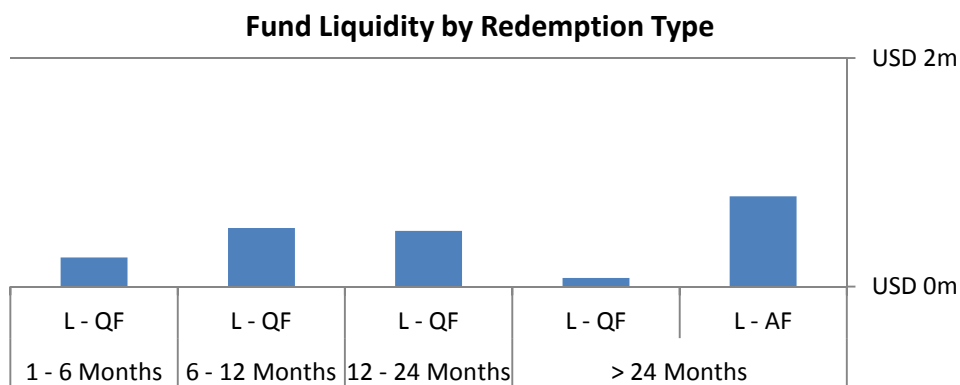
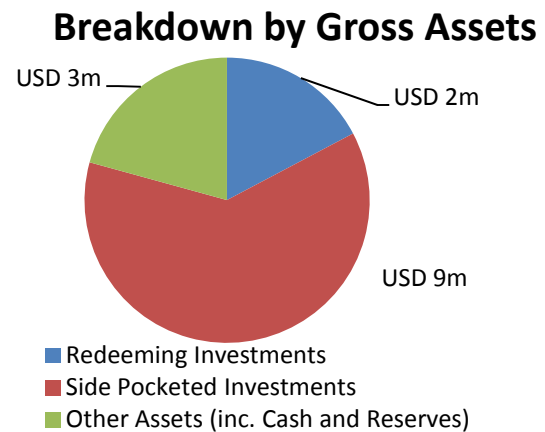
Liquidating funds are those which, because of large volumes of redemption requests, were forced to close, and realise assets, distributing proceeds to investors as they become available. This dependence on the realisation of assets such as these makes distributions less certain. Laxey classifies these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

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

As with all fund positions, Laxey monitors and speaks to the underlying investment funds in order to better understand the portfolio’s risk and its liquidity profile.

AIT’s current side pocket exposure is 62% of gross assets by value. Given the nature of their liquidity they are classed separately to the main funds for liquidity purposes. The opposite chart illustrates this division.

The remainder of AIT’s non-cash exposure is broken down in the following graph:



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

The above 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.

6% of AIT’s gross assets (versus 4% at December 2014) are classed as liquidating with an ad hoc flow of distributions – bringing AIT’s total exposure to assets whose liquidity is difficult to determine to 68% of gross assets.

This leaves 17% of current gross assets exposed to funds with a – relatively – predictable liquidity timetable.

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

Outlook

Distributions remain a priority for the AIT; further announcements will be made as soon as redemption proceeds allow.



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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 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rita Da Silva
Partner
26 August 2015

**Alternative Investment Trust
Statement of Comprehensive Income
For the half-year ended 30 June 2015**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Half-year ended 30 June 2015 \$'000	30 June 2014 \$'000
Investment income			
Net gains/(losses) on financial instruments held at fair value through profit or loss	2	773	(623)
Interest income		51	56
Other foreign exchange gains		6	1
Total investment income/(loss)		830	(566)
Expenses			
Responsible Entity fees	9	42	42
Laxey Management fees	9	82	96
Other operating expenses	3	379	294
Total operating expenses		503	432
Operating profit/(loss) attributable to unitholders		327	(998)
Change in net assets attributable to unitholders		(327)	998
Total comprehensive income		–	–
		Cents	Cents
Earnings/(loss) per unit for profit/(loss) from continuing operations			
Basic and diluted earnings/(loss) per unit	8	0.25	(0.76)

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 2015**

STATEMENT OF FINANCIAL POSITION

		As at	
	Notes	30 June 2015 \$'000	31 December 2014 \$'000
Assets			
Cash and cash equivalents		2,906	5,469
Receivables	4	21	33
Financial assets held at fair value through profit or loss	5	15,483	17,837
Total assets		18,410	23,339
Liabilities			
Payables	6	232	261
Total liabilities (excluding net assets attributable to unitholders)		232	261
Net assets attributable to unitholders		18,178	23,078
Represented by:			
Units on issue		392,961	398,188
Undistributed losses to unitholders		(374,783)	(375,110)
		18,178	23,078

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 2015

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Units on issue \$'000	Undistributed income/(loss) \$'000	Total \$'000
At 1 January 2015	398,188	(375,110)	23,078
Return of capital	(5,227)	–	(5,227)
Change in net assets attributable to unitholders	–	327	327
As at 30 June 2015	392,961	(374,783)	18,178
	Units on issue \$'000	Undistributed income/(loss) \$'000	Total \$'000
At 1 January 2014	409,950	(375,865)	34,085
Return of capital	(11,762)	–	(11,762)
Change in net assets attributable to unitholders	–	(998)	(998)
As at 30 June 2014	398,188	(376,863)	21,325

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

**Alternative Investment Trust
Statement of Cash Flows
For the half-year ended 30 June 2015**

STATEMENT OF CASH FLOWS

	Half-year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
<i>Cash flows from operating activities</i>		
Interest received	51	56
Other income received	–	9
Payment of Management and Responsible Entity fees	(140)	(137)
Other expenses paid	(384)	(302)
GST received/(paid)	4	(6)
Net cash used in operating activities	(469)	(380)
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	3,125	10,478
Net cash provided by investing activities	3,125	10,478
<i>Cash flows from financing activities</i>		
Cash outflow through returns of capital	(5,227)	(11,762)
Net cash used in financing activities	(5,227)	(11,762)
Net decrease in cash and cash equivalents	(2,571)	(1,664)
Cash and cash equivalents at beginning of the half-year	5,469	4,857
Effects of foreign currency exchange rate changes on cash and cash equivalents	8	1
Cash and cash equivalents at the end of the half-year	2,906	3,194

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

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Alternative Investment Trust (the “Trust” or “AIT”) is an Australian registered managed investment scheme. AIT is quoted on the Australian Securities Exchange (ASX code AIQ). AIT was constituted on 7 April 2005. AIT is a for-profit entity for financial reporting purposes.

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 12, 123 Pitt Street, Sydney, NSW 2000.

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

The financial statements were authorised for issue by the Directors on 26 August 2015. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

This interim financial report for the half-year ended 30 June 2015 has been prepared in accordance with accounting standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss that have been measured at fair value. This is consistent with the intention of the Responsible Entity and the Investment Manager to wind-up AIT in an orderly manner.

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

It is recommended that the half-year financial report be read in conjunction with the 2014 Annual Report released to unitholders on 25 February 2015 and considered together with any public announcements made by the Responsible Entity during the half-year ended 30 June 2015 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.

Compliance with International Financial Reporting Standards (IFRS)

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board (‘AASB’) and International Financial Reporting Standards (‘IFRS’) applicable to interim reporting as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

Accounting standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Trust for the interim reporting period ended 30 June 2015:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New accounting standards and interpretations (continued)

AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – Part C and related amendment to AASB 2010-7 and AASB 2014-1 Amendments to Accounting Standards – AASB 9 Financial Instruments requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Trust’s current financial instruments, however, AASB 9 Financial Instruments allows the Trust to elect to present gains and losses on financial instruments held at fair value through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Trust’s activities or investments changes prior to initial application. AASB 9 Financial Instruments applies to annual reporting period beginning on or after 1 January 2018. The Responsible Entity is continuing to assess the full impact of adopting AASB 9 Financial Instruments on the Trust’s financial statements.

New standards and interpretations mandatory for annual reporting periods beginning 1 January 2015 though not impacting the Trust are not disclosed in these financial statements.

New standards and interpretations mandatory for the annual reporting periods beginning 1 January 2015 impacting the Trust have been adopted and reflected in these financial statements. The adoption has no impact on the financial position or disclosures.

2. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Half-year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Financial instruments		
Fair value gains/(losses) on Total Return Swap	771	(617)
Net losses on direct investments designated as fair value through profit or loss	–	(3)
Net foreign exchange losses on investments designated as fair value through profit or loss	2	(3)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	773	(623)

3. OTHER OPERATING EXPENSES

	Half-year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Other operating expenses		
Professional fees	176	84
Fund administration and custody expenses	111	129
Other general and administrative expenses	58	44
Auditor’s remuneration	34	37
Total other operating expenses	379	294

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. RECEIVABLES

	As at	
	30 June 2015 \$'000	31 December 2014 \$'000
GST recoverable	12	16
Other receivables	9	17
Total receivables	21	33

No loss has been recognised in respect of receivables during the half-year ended 30 June 2015 (31 December 2014: nil).

5. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2015 \$'000	31 December 2014 \$'000
Financial assets		
Underlying Investment Portfolio	14,965	17,208
Unlisted Managed Fund	–	111
Direct Investment in Portfolio Fund (EBBIF New Class C)	518	518
Total financial assets held at fair value through profit or loss	15,483	17,837

The Underlying Investment Portfolio represents AIT's exposure to the Total Return Swap. Fair value of the swap is calculated with reference to the fair value of the absolute return funds held within the Swap. The fair value of these assets is based on the net asset value information received from the underlying fund's administrator, and, where appropriate, estimated performance data from the underlying fund's manager. These fair values are reconciled monthly by AIT's third party administrator and any changes in fair value reviewed for reasonableness by Laxey. Fair values are also checked against the official swap valuation provided by Macquarie Bank Limited. In addition, the Underlying Investment Portfolio also includes cash and cash equivalents held within the Swap. This includes cash in hand, unsettled trades, accrued interest on cash balances and any relevant fees in relation to the administration and custody of the Swap and its underlying portfolio. These cash and cash equivalents are carried at amortised cost. Neither Laxey nor the Responsible Entity has direct input into the valuation methodologies applied by the underlying investment administrators in determining net asset values. However, Laxey on behalf of the Responsible Entity is in regular contact with both the underlying investment administrators and investment managers and enquires where there are unexpected valuation changes.

Direct Investment in Portfolio Fund (EBBIF New Class C) is fair valued based on the administrator released net asset value information, which is subsequently confirmed by the fund manager, confirming the holding and closing value as at the reporting date. All direct investments are carried at their net asset value and no estimates/judgements have been made by the management on valuation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The following fair value hierarchy table presents information about AIT's financial assets measured at fair value on a recurring basis as at 30 June 2015.

	As at 30 June 2015			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Underlying Investment Portfolio	–	–	14,965	14,965
Direct Investment in Portfolio Fund (EBBIF New Class C)	–	–	518	518
Total financial assets held at fair value through profit or loss	–	–	15,483	15,483

The following fair value hierarchy table presents information about AIT's financial assets measured at fair value on a recurring basis as at 31 December 2014.

	As at 31 December 2014			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Underlying Investment Portfolio	–	–	17,208	17,208
Unlisted Managed Fund	–	–	111	111
Direct Investment in Portfolio Fund (EBBIF New Class C)	–	–	518	518
Total financial assets held at fair value through profit or loss	–	–	17,837	17,837

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Period	
	30 June 2015 \$'000	31 December 2014 \$'000
Opening balance at 1 January	17,837	29,416
Net realised gain	480	744
Net change in unrealised gain	291	816
Sales	(3,125)	(13,139)
Closing balance at 30 June/31 December	15,483	17,837

In addition to the financial assets held at fair value through profit or loss disclosed above, AIT historically held 365 Class A2 Notes in a Babcock and Brown CDO Fund. Proceeds amounting to \$112,524 were received on 2 February 2015 which represents the full claim AIT has in respect of this position. This position is classified as Level 3 as at 31 December 2014 due to the illiquid nature of the underlying investments within the CDO.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

There were no transfers between levels during the period (2014: \$nil).

All financial assets at fair value through profit or loss are not valued based on observable market data and are subject to liquidity restrictions and as such they have been determined to be Level 3 assets. The valuation of the Underlying Investment Portfolio is based on published redemption prices and as such a meaningful sensitivity is not available on the valuation inputs and resulting impact on the valuation of the Underlying Investment Portfolio. The values have not been adjusted for liquidity as the Investment Manager is in regular contact with underlying investment managers and deem the current values as reasonable.

The following sensitivity analysis of AIT's operating profit and net assets attributable to unitholders shows the effect a reasonably possible movement in the value of the Underlying Investment Portfolio and Direct Investment in Portfolio Fund would have on the Trust's operating profit/net assets attributable to unitholders. If the value of Underlying Investment Portfolio and Direct Investment in Portfolio Fund at 30 June 2015 had increased by 5% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately \$774,143 (2014: 5%; \$915,802). Conversely, if the value of Underlying Investment Portfolio and Direct Investment in Portfolio Fund at 30 June 2015 had decreased by 5% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately \$774,143 (2014: 5%; \$915,802).

EBBIF and EARF update

As previously disclosed, Redleaf Capital Limited ("Redleaf"), formerly known as Everest Capital Limited, the former trustee of EBBIF, has an outstanding indemnity claim against EBBIF. The current EBBIF Trustee ("EBBIF Trustee"), has advised that Redleaf commenced legal proceedings in July 2015 against the EBBIF Trustee in relation to this claim. Redleaf are claiming approximately \$1.5m plus interest in relation to the ASIC's (Australian Securities and Investments Commission) investigations into the activities of EBBIF. It is too early to comment on the likely outcome of the claim. It should be noted that the claim is made against the assets of EBBIF, not AIT itself. The claim is likely to impact the time taken by the EBBIF Trustee to liquidate EBBIF.

6. PAYABLES

	As at	
	30 June 2015 \$'000	31 December 2014 \$'000
Amounts owing to Responsible Entity	7	15
Management fees	56	64
Fund administration and custody expenses payable	31	54
Other payables	138	128
Total payables	232	261

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

	Half-year ended			
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	No. of units	No. of units	\$'000	\$'000
Opening balance	130,692,470	130,692,470	23,078	34,085
Return of capital	–	–	(5,227)	(11,762)
Change in net assets attributable to unitholders	–	–	327	(998)
Closing balance	130,692,470	130,692,470	18,178	21,325

8. EARNINGS PER UNIT

Basic earnings per unit is calculated as net (loss)/profit attributable to unitholders of AIT divided by the weighted average number of units on issue.

	Half-year ended	
	30 June 2015	30 June 2014
Profit/(loss) attributable to unitholders (\$'000)	327	(998)
Weighted average number of units in issue ('000)	130,692	130,692
Basic and diluted earnings/(loss) per unit in cents	0.25	(0.76)

9. RELATED PARTY TRANSACTIONS

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

Responsible Entity's fees

The Trust Company (RE Services) Limited charges 0.1% per annum (excluding GST) of average gross assets, subject to a minimum of \$80,000 (excluding GST) per annum. For the half-year ended 30 June 2015, The Trust Company (RE Services) Limited received \$41,800 (30 June 2014: \$41,800) which includes non-refundable GST, for services rendered to AIT.

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

Investment Manager's fees

Laxy receives fees equal to the lower of AUD200,000 or 0.75% of the average value of gross assets of AIT with no distribution fees. These fee arrangements are subject to both the overall fee cap of 1.25% per annum of the average value of gross assets of AIT and the Responsible Entity fee of AUD80,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. RELATED PARTY TRANSACTIONS (Continued)

	Half-year ended	
	30 June 2015	30 June 2014
	\$	\$
Fees paid and payable to the Responsible Entity	41,800	41,800
Fees paid and payable to Laxey	81,876	96,145
Custody fees paid and payable to The Trust Company Limited	15,000	15,000
	138,676	152,945

As of 30 June 2015, AIT had a total of \$77,992 (31 December 2014: \$93,411) payable to the related parties.

10. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There are no commitments or contingencies as at 30 June 2015 (31 December 2014: nil).

11. SEGMENT INFORMATION

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

12. SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes, set out on pages 11 to 21, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of AIT as at 30 June 2015 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that AIT will be able to pay its debts as and when they become due and payable; and
- (c) the financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the AASB and IFRS applicable to interim reporting as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



Andrew Cannane
Director
Sydney, 26 August 2015



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the 'Trust'), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Alternative Investment Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

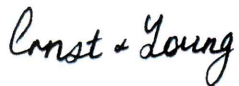
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached 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 half-year financial report of Alternative Investment Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 30 June 2015 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



Rita Da Silva
Partner
Sydney
26 August 2015