



30 August 2017

Company Announcements Platform
Australian Securities Exchange

The directors of Columbus Investment Services Limited, the responsible entity of the Alternative Investment Trust (the "Trust"), release the attached Appendix 4D together with the Half Yearly Report for the Trust for the period ended 30 June 2017.

The Appendix 4D and Half Yearly Report should be read in conjunction with the Trust's Annual Report for the financial year ended 31 December 2016 together with all public announcements made by the Trust during the period ended 30 June 2017 and up until the date of this release.

For further information please contact:

Justin Epstein
Director (02) 8277 0000



Alternative Investment Trust

ARSN 112 129 218

Half Yearly Report

Results for Announcement to the Market

Appendix 4D

30 June 2017

	% change	6 months ended 30 June 2017 \$'000	6 months ended 30 June 2016 \$'000
Results			
Investment (loss) / income	Down 8.6%	(1,015)	(1,111)
Change in net assets attributable to unit holders (excluding capital returns)	Down 23.6%	(1,290)	(1,688)
(loss) / profit attributable to unit holders	Down 23.6%	(1,290)	(1,688)
Commentary on Results			
Discussion and analysis of the Trust's results is contained in the Half Yearly Report.			
The Trust does not propose to pay an Interim distribution for the period			
Interim distribution payable (\$'000)		0	0
Interim distribution payable (cents per unit)		0	0
Basic and diluted earnings (cents per unit)		(0.99)	(1.29)
Distribution reinvestment plan price (cents per unit)		0	0

	30 June 2017	30 June 2016
Net tangible assets		
Total net tangible assets attributable to unit holders (\$'000)	\$12,691	\$16,456
Units on issue (\$'000)	130,692	130,692
Net tangible assets attributable to unit holders per unit	\$0.10	\$0.13

Alternative Investment Trust

ARSN 112 129 218

Interim Financial Report for the Half-Year Ended 30 June 2017

Contents

	Page
DIRECTORS' REPORT	1
INVESTMENT MANAGER'S REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	8
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	11
STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13
DIRECTORS' DECLARATION	20
INDEPENDENT AUDITOR'S REPORT	21

DIRECTORS' REPORT

The directors of Columbus Investment Services Ltd (ABN 69 095 162 931; AFSL 221183) ("CISL" or the "Responsible Entity"), the responsible entity of Alternative Investment Trust (ARSN 112 129 218) ("AIT" or the "Trust"), submit their report for the Trust for the half-year ended 30 June 2017.

RESPONSIBLE ENTITY – from 25 May 2017 to date

The responsible entity of the Trust is CISL. The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

FORMER RESPONSIBLE ENTITY – 1 January 2017 to 24 May 2017

The former responsible entity of the Trust was The Trust Company (RE Services) Limited (ABN 45 003 278 831 AFSL 235150) ("Former Responsible Entity"). The registered office and principal place of business of the Former Responsible Entity is Level 18, 123 Pitt Street, Sydney NSW 2000.

INVESTMENT MANAGER

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

INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

The names of the directors and company secretaries of the Responsible Entity from 25 May 2017 to the date of this report are:

<i>Name</i>	<i>Title</i>
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-Executive Director
Sarah Wiesener	Company Secretary

The names of the directors and company secretaries of the Former Responsible Entity from 1 January 2017 to 24 May 2017:

<i>Name</i>
Andrew Cannane
Christopher Green
Michael Vainauskas
Glenn Foster
Rodney Garth Ellwood (Alternate Director for Christopher Green; resigned as Alternate Director for Andrew Cannane on 3 April 2017)
Vikki Riggio (Appointed Alternate Director for Andrew Cannane on 1 November 2016)
Neil Wesley (Appointed Alternate Director for Glenn Foster on 13 January 2017)
Andrew Mclver (Appointed Alternate Director for Michael Vainauskas on 13 January 2017)

PRINCIPAL ACTIVITIES

AIT is a registered managed investment scheme domiciled and registered in Australia and listed on the Australian Securities Exchange (ASX code AIQ). AIT has exposure to a portfolio of absolute return funds via a swap agreement with Macquarie Bank Limited (the "Macquarie Swap" or "Swap").

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

AIT is currently in a process of asset realisation. During the half-year ended 30 June 2017, the Trust has not made any capital return (2016: \$Nil). From the date of appointment of Laxey in 2009 the Trust has returned \$232.1 million to unitholders.

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.

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

	Half-year ended	
	30 June	30 June
	2017	2016
	\$'000	\$'000
Change in net assets attributable to unitholders (before impact of capital returns)	(1,290)	(1,688)

VALUE OF ASSETS AND UNITS ISSUED

The total value of AIT's assets at 30 June 2017 is \$12,868,000 (31 December 2016: \$14,177,000). The total number of units on issue as at 30 June 2017 is 130,692,470 (31 December 2016: 130,692,470).

The Former Responsible Entity initiated a process to consider a range of corporate initiatives to identify opportunities to take advantage of the inherent value of AIT. The process included seeking expressions of interest from prospective investment managers to manage and implement a new investment strategy for AIT going forward to ensure the value of AIT is available to unitholders. The Responsible Entity continues to explore this initiative.

DISTRIBUTION/RETURN OF CAPITAL

There was no return of capital during the half-year ended 30 June 2017 (2016: \$Nil).

MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

There has not been any matter or circumstance that has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

DIRECTORS' REPORT (CONTINUED)

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

AIT is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission. Amounts in the Directors' Report and Half-Year Financial Report have been rounded to the nearest thousand dollars in accordance with that legislative instrument, 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 8.

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



Director
Sydney, 30 August 2017

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 “Macquarie Swap” or “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 (“Former Responsible Entity”). Since that date, adding back the AUD 1.775 per unit or AUD 232m of distributions paid, AIT’s unit price has risen by 106% (23 February 2009 to 24 May 2017). The new Responsible Entity has not made any distributions between 25 May 2017 and 30 June 2017. 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. AIT is no longer permitted to add any new investments to the Underlying Investment Portfolio, increase the amount invested in investments that already form part of the Underlying Investment Portfolio; nor obtain additional leverage for the purpose of increasing the value of the Underlying Investment Portfolio. In order to make distributions from investments redeemed within the Macquarie Swap, AIT was required to repay the associated 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.

Unitholders voted to replace The Trust Company (RE Services) Ltd as the responsible entity with Columbus Investment Services Ltd (“Responsible Entity”) on 25 May 2017. No distributions have been made to unitholders in 2017 while the change of responsible entity took place.

Laxey Partners (UK) Ltd will cease to be the Investment Manager on 25 September 2017.

Total distributions made to unitholders since the 2009 change of mandate come to AUD 232m (or AUD 1.775 per unit) – representing approximately 173% of AIT’s market value as at 31 January 2009 (or 77% of its unaudited net assets at that date).

Trust Facts

(As at 30 June 2017)

• Gross Assets (GA):	AUD 13m
• Net Assets (NA):	AUD 13m
• Market Cap:	AUD 10m
• Units in Issue:	131m
• NTA / unit:	AUD 0.097
• Leverage Ratio (GA / NA):	1.01
• Debt outstanding:	USD 0
• % of GA in Illiquid Investments	46%

Capital Returns per unit:

- **Total Returns since Feb 2009: AUD 1.775**

Fund Performance

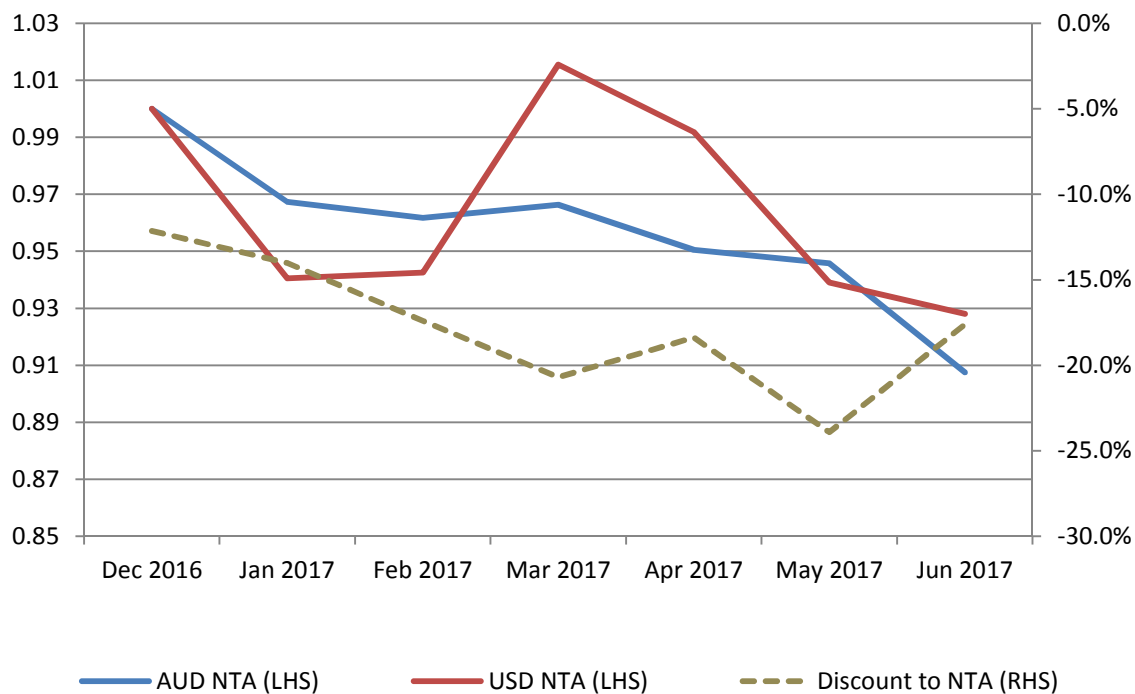
AIT's NTA was AUD 0.097 on 30 June 2017 (-9.2% vs 31 December 2016). Over the six months, the AUD strengthened by 6.7% against the USD. As the majority of AIT's net assets are USD denominated, this had a negative effect on AIT's NTA.

At June end, AIT's net currency exposure was 53% to USD reporting funds, assets and liabilities, and 47% to AUD reporting funds, assets and liabilities. 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 and USD NTA performance (NTAs rebased to 1 at 31 December 2016), together with the discount performance of AIT from 31 December 2016 to 30 June 2017 is given below. AIT's unit price to NTA discount remained between 12% and 25% for the period under review. By way of comparison, AIT was trading at discounts of over 50% in late 2008 / early 2009.

NTA and Discount Performance

Dec 2016 - Jun 2017



FUND NAME	STRATEGY	% OF GROSS ASSETS
TPG-Axon Partners Offshore Ltd	Multi-Strategy	14.1%
Eton Park Overseas Fund Ltd	Multi-Strategy	9.6%
Drawbridge Special Opportunities	Asset Based Lending	3.8%
Cerberus International Ltd	Distressed Securities	3.1%
Och-Ziff Asia Overseas Fund	Multi-Strategy	3.0%
Marathon Special Opportunity Fund	Credit Related Investments	2.7%
Everest Absolute Return Fund	Multi-Strategy	2.5%
Fallaron II Holdings LP	Multi-Strategy	1.7%
GSO Special Situations Overseas Fund	Credit Related Investments	1.6%
Och-Ziff Overseas Fund II	Multi-Strategy	1.6%
TOTAL		43.8%

All the above positions are held within the Macquarie Swap. In the period under review, the top 10 positions returned USD 0.3m to AIQ in total; Fortress Partners Fund, which featured in the Top 10 on 31 December 2016, returned USD 0.5m during the period under review.

Liquidity Profile and Side Pocket Positions

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

Liquidating funds are those which, because of large volumes of redemption requests, were forced to close, and realise assets, distributing proceeds to investors as they become available. This dependence on the realisation of assets such as these makes distributions less certain. The liquidating funds that had previously made regular returns of capital to AIT are now left with only the most illiquid of their holdings. The nature of these illiquid holdings makes distributions more ad hoc but the funds continue to pay out 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 unit of the side pocket. Investors in the fund thereafter will not have exposure to that side pocket. Similarly, once an investor redeems their main fund position, they retain their side pocket exposure (until its realisation) but they do not gain exposure to any new side pocket positions. The liquidity of a side pocket position is tied to a particular investment and as such, unitholders 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.

All of AIT's investments whether side pockets or liquidating funds should be considered highly illiquid; they are dependent upon specific underlying realisation of assets for any distribution to AIT. Together they represent 46% of gross assets.

The majority of AIT's gross assets are now in cash – approximately AUD 6.6m. Of this, AUD 5.8m is held outside of the Macquarie Swap – that is, directly held by AIT.

30 August 2017

The Directors
Columbus Investment Services Ltd
As Responsible Entity of Alternative Investment Trust
Level 11
20 Hunter Street
Sydney NSW 2000

Dear Directors

Alternative Investment Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Columbus Investment Services Ltd.

As lead audit partner for the review of the financial report of Alternative Investment Trust for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



CROWE HORWATH SYDNEY



JOHN HAYDON
Senior Partner

**Alternative Investment Trust
Statement of Comprehensive Income
For the half-year ended 30 June 2017**

STATEMENT OF COMPREHENSIVE INCOME

		Half-year ended	
	Notes	30 June 2017 \$'000	30 June 2016 \$'000
<i>Investment income</i>			
Net loss on financial instruments held at fair value through profit or loss	3	(969)	(1,154)
Interest income		39	45
Other foreign exchange loss		(85)	(2)
Total investment loss		(1,015)	(1,111)
<i>Expenses</i>			
Responsible entity fees	10	42	42
Laxey management fees	10	45	67
Other operating expenses	4	188	468
Total operating expenses		275	577
Operating loss attributable to unitholders		(1,290)	(1,688)
Change in net assets attributable to unitholders		1,290	1,688
Total comprehensive income		–	–
		Cents	Cents
<i>Loss per unit for loss from continuing operations</i>			
Basic and diluted loss per unit	9	(0.99)	(1.29)

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 2017**

STATEMENT OF FINANCIAL POSITION

		As at	
	Notes	30 June 2017 \$'000	31 December 2016 \$'000
Assets			
Cash and cash equivalents		5,825	3,418
Receivables	5	21	28
Financial assets held at fair value through profit or loss	6	7,022	10,731
Total assets		12,868	14,177
Liabilities			
Payables	7	177	196
Total liabilities (excluding net assets attributable to unitholders)		177	196
Net assets attributable to unitholders		12,691	13,981
Represented by:			
Units on issue		391,001	391,001
Undistributed losses to unitholders		(378,310)	(377,020)
		12,691	13,981

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 2017

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Units on issue \$'000	Undistributed loss \$'000	Total \$'000
At 1 January 2017	391,001	(377,020)	13,981
Return of capital	–	–	–
Change in net assets attributable to unitholders	–	(1,290)	(1,290)
As at 30 June 2017	<u>391,001</u>	<u>(378,310)</u>	<u>12,691</u>
	Units on issue \$'000	Undistributed loss \$'000	Total \$'000
At 1 January 2016	392,961	(374,817)	18,144
Return of capital	–	–	–
Change in net assets attributable to unitholders	–	(1,688)	(1,688)
As at 30 June 2016	<u>392,961</u>	<u>(376,505)</u>	<u>16,456</u>

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 2017**

STATEMENT OF CASH FLOWS

	Half-year ended	
	30 June	30 June
	2017	2016
	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Interest received	39	45
Payment of Management and Responsible Entity fees	(81)	(109)
Other expenses paid	(210)	(415)
GST received/(paid)	4	(5)
Net cash used in operating activities	(248)	(484)
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	2,740	1,928
Net cash provided by investing activities	2,740	1,928
Net increase in cash and cash equivalents	2,492	1,444
Cash and cash equivalents at the beginning of the half-year	3,418	3,759
Effects of foreign currency exchange rate changes on cash and cash equivalents	(85)	2
Cash and cash equivalents at the end of the half-year	5,825	5,205

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Alternative Investment Trust (ARSN 112 129 218) (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 from 25 May 2017 is Columbus Investment Services Ltd (ABN 69 095 162 931; AFSL 221183) (“Responsible Entity”). Prior to 25 May 2017 the responsible entity was The Trust Company (RE Services) Limited (ABN 45 003 278 831 AFSL 235150) (“Former Responsible Entity”). The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter 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 30 August 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. 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 2017 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 2016 Annual Report released to unitholders on 27 February 2017 and considered together with any public announcements made by the Responsible Entity and Former Responsible Entity during the half-year ended 30 June 2017 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2017:

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.

3. NET LOSS ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Half-year ended	
	30 June	30 June
	2017	2016
	\$'000	\$'000
Financial instruments		
Fair value loss on Underlying Investment Portfolio	(969)	(1,054)
Net loss on direct investments designated as fair value through profit or loss	–	(100)
Total net loss on financial instruments held at fair value through profit or loss	(969)	(1,154)

4. OTHER OPERATING EXPENSES

	Half-year ended	
	30 June	30 June
	2017	2016
	\$'000	\$'000
Other operating expenses		
Professional fees	31	277
Fund administration and custody expenses	64	106
Other general and administrative expenses	51	51
Auditor’s remuneration	42	34
Total other operating expenses	188	468

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. RECEIVABLES

	As at	
	30 June 2017	31 December 2016
	\$'000	\$'000
GST recoverable	7	11
Other receivables	14	17
Total receivables	21	28

No loss has been recognised in respect of receivables during the half-year ended 30 June 2017 (31 December 2016: \$Nil).

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

	As at	
	30 June 2017	31 December 2016
	\$'000	\$'000
Financial assets		
Underlying Investment Portfolio	7,022	10,731
Total financial assets held at fair value through profit or loss	7,022	10,731

The Underlying Investment Portfolio represents AIT's exposure to the Total Return Swap agreement with Macquarie Bank Limited (the "Macquarie Swap"). Fair value of the Swap is calculated with reference to the fair value of the absolute return funds held within the Macquarie 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 Macquarie Swap. This includes cash on hand, unsettled trades, accrued interest on cash balances and any relevant fees in relation to the administration and custody of the Macquarie 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.

The Trust holds, via the Macquarie Swap, 17,504,208 units (2016: 17,504,208) of the units on issue by Everest Absolute Return Fund ("EARF"). The units are valued at \$320,327 (2016: \$400,846) and is included within the financial assets as disclosed in Note 6. The trustee of EARF is One Managed Investment Funds Limited ("OMIFL"). CISL and OMIFL are subsidiaries of One Investment Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. 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 2017.

	As at 30 June 2017			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Underlying Investment Portfolio	–	–	7,022	7,022
Total financial assets held at fair value through profit or loss	–	–	7,022	7,022

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 2016.

	As at 31 December 2016			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Underlying Investment Portfolio	–	–	10,731	10,731
Total financial assets held at fair value through profit or loss	–	–	10,731	10,731

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 2017 \$'000	31 December 2016 \$'000
Opening balance at 1 January / 1 July	10,731	14,602
Net realised gain	237	195
Net change in unrealised loss	(1,206)	(1,567)
Sales	(2,740)	(2,499)
Closing balance at 30 June / 31 December	<u>7,022</u>	<u>10,731</u>

There were no transfers between levels during the period (2016: \$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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 would have on the Trust's operating profit/net assets attributable to unitholders. If the value of Underlying Investment Portfolio at 30 June 2017 had increased by 5% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately \$351,113 (2016: 5%; \$576,004). Conversely, if the value of Underlying Investment Portfolio at 30 June 2017 had decreased by 5% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately \$351,113 (2016: 5%; \$576,004).

7. PAYABLES

	As at	
	30 June 2017 \$'000	31 December 2016 \$'000
Amounts owing to Responsible Entity	7	–
Amounts owing to Former Responsible Entity	–	15
Management fees	48	34
Fund administration and custody expenses payable	18	38
Other payables	104	109
Total payables	177	196

8. 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 2017 No. of units	30 June 2016 No. of units	30 June 2017 \$'000	30 June 2016 \$'000
Opening balance	130,692,470	130,692,470	13,981	18,144
Change in net assets attributable to unitholders	–	–	(1,290)	(1,688)
Closing balance	130,692,470	130,692,470	12,691	16,456

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. LOSS PER UNIT

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

	Half-year ended	
	30 June 2017	30 June 2016
	\$	\$
Loss attributable to unitholders (\$'000)	(1,290)	(1,688)
Weighted average number of units in issue ('000)	130,692	130,692
Basic and diluted loss per unit in cents	(0.99)	(1.29)

10. RELATED PARTY TRANSACTIONS

On 25 May 2017, The Trust Company (RE Services) Limited has been replaced by Columbus Investment Services Ltd as AIT's new responsible entity.

Responsible Entity's fees

From 1 January 2017 to 24 May 2017, The Trust Company (RE Services) Limited charged 0.1% per annum (excluding GST) of average gross assets, subject to a minimum of \$80,000 (excluding GST) per annum.

From 25 May 2017 to date, Columbus Investment Services Ltd 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 2017, the Former Responsible Entity and Responsible Entity received \$33,260 (30 June 2016: \$41,800) and \$8,540, respectively, which includes non-refundable GST, for services rendered to AIT.

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

Investment Manager's fees

Laxey receives fees equal to the lower of \$200,000 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 \$80,000.

	Half-year ended	
	30 June 2017	30 June 2016
	\$	\$
Fees paid and payable to the Responsible Entity	8,540	–
Fees paid and payable to the Former Responsible Entity	33,260	41,800
Fees paid and payable to Laxey	44,535	66,866
Custody fees paid and payable to the Former Responsible Entity	16,454	15,876
	102,789	124,542

As at 30 June 2017, AIT had a total of \$55,127 (31 December 2016: \$64,399) payable to the related parties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RELATED PARTY TRANSACTIONS (Continued)

As mentioned in Note 6, the Trust holds, via the Macquarie Swap, 17,504,208 units (2016: 17,504,208) of the units on issue by Everest Absolute Return Fund (“EARF”).

11. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There are no commitments or contingencies as at 30 June 2017 (31 December 2016: \$Nil).

12. 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.

13. SUBSEQUENT EVENTS

Laxey Partners (UK) Ltd will cease to be the Investment Manager on 25 September 2017. Per the ASX announcement, a process is underway to appoint a replacement investment manager.

The Trust Company Ltd ceased to be the custodian of the Trust from 25 August 2017. From this date, OMIFL will provide custody services.

There has not been any other matter or circumstance, 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 Columbus Investment Services Ltd, the responsible entity of Alternative Investment Trust:

- (a) the financial statements and notes, set out on pages 9 to 19, 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 2017 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.



Director
Sydney, 30 August 2017

Independent Auditor's Review 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 2017, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Columbus Investment Services Ltd as 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 (including Australian Accounting Interpretations), the Constitution of the Trust, 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 gives a true and fair view and 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 half-year 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 2017 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, 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*.

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 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter – Uncertainty in Relation to Valuation of Total Return Swap

Without modifying our conclusion, we draw attention to Note 6 in the financial report which describes the basis upon which the fair value of the Total Return Swap has been determined and the conditions of the underlying investment funds. The liquidity and the uncertainty of the timing of redemptions from the underlying investments indicate the existence of a material uncertainty that may cast significant doubt about the valuation and recoverability of the Total Return Swap. The financial report does not include any adjustments relating to the recoverability of the Total Return Swap.



CROWE HORWATH SYDNEY



JOHN HAYDON

Senior Partner

Dated at Sydney this 30th day of August 2017