

## **Alternative Investment Trust**

ARSN 112 129 218

Interim report for the half-year ended 30 June 2019

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## 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"), present their report together with the financial report of the Trust for the half-year ended 30 June 2019.

### Responsible Entity

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.

### Investment Manager

The investment manager of the Trust since 9 October 2017 is Warana Capital Pty Limited (ACN 611 063 579; AFSL 493579) ("Warana" or the "Investment Manager").

### Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity in office from 1 January 2019 to the date of this report are:

Name	Title
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesener	Executive Director & Company Secretary
Justin Epstein	Non-executive Director from 1 January 2019 (Executive Director to 31 December 2018)

### Principal Activities

The Trust is a registered managed investment scheme domiciled and registered in Australia and listed on the Australian Securities Exchange ("ASX") (ASX code "AIQ"). The Trust has exposure to a portfolio of absolute return funds. Prior to 30 November 2018 the portfolio was held via a swap agreement with Macquarie Bank Limited (the "Swap"), which was effectively unwound as at 30 November 2018.

### Results

The results of the operations of the Trust are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of the half-year financial statements. The profit attributable to unitholders for the half-year ended 30 June 2019 was \$814,000 (30 June 2018 loss: \$114,000). More details are provided in the Investment Manager's report.

### Distributions

In respect of the half-year ended 30 June 2019, a distribution of \$Nil (30 June 2018: \$Nil) was paid to unitholders.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust has invested. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

### Returns of Capital

In respect of the financial half-year ended 30 June 2019, returns of capital of \$Nil (30 June 2018: \$Nil) were paid to unitholders.

### Value of Assets and Units Issued

The total value of the Trust's assets at 30 June 2019 is \$13,629,000 (31 December 2018: \$12,844,000). The total number of units on issue as at 30 June 2019 is 124,204,979 (31 December 2018: 124,204,979).

### Fees Paid and Payable to the Responsible Entity and Investment Manager

#### Responsible Entity Fees

The Responsible Entity charged 0.07% per annum (excluding GST) of gross portfolio value, subject to a minimum of \$66,000 per annum.

As at 30 June 2019, the responsible entity fees expense incurred by the Trust to the Responsible Entity was \$34,485 (30 June 2018: \$34,485) of which \$6,050 (31 December 2018: \$6,050) was payable at the end of the period.

## Directors' Report (continued)

### Investment Manager Fees

The Investment Manager received the following fees:

- From 1 January 2018 to 11 February 2018 – 1.25% (excluding GST) of the value of gross assets of the Trust less responsible entity fees.
- From 12 February 2018 to 30 June 2019 – 1.5% (excluding GST) of the net asset value of the Trust.

As at 30 June 2019, the management fee expense incurred by the Trust to Warana was \$80,781 (30 June 2018: \$61,724) of which \$17,410 (31 December 2018: \$34,164) was payable at the end of the period.

### Significant Changes in State of Affairs

During the financial half-year, the following changes occurred in the state of affairs of the Trust.

The process of unwinding the Macquarie Swap was completed in May 2019.

In the opinion of the directors of the Responsible Entity, there were no other significant changes in the state of affairs of the Trust that occurred during the half-year.

### Matters Subsequent to the End of the Half-Year

23 July 2019 – the Offer Document for the underwritten 1 for 1 Non-Renounceable Rights Issue offer with an issue price of \$0.095 per unit ("Rights Issue") was lodged on the ASX. The Rights Offer closed on 14 August 2019 and the new Units issued following the Rights Issue commenced trading on 22 August 2019. The Trust issued 124,204,979 new units for a total consideration of \$11,799,473.01, before offer costs (73,441,217 new units were applied for under the Rights Issue and a further 50,763,762 new units were issued to the underwriter).

25 July 2019 – Details of the Distribution Reinvestment Plan ("DRP") were announced to the ASX. It is anticipated, subject to available cash, that the Trust will make semi-annual distributions totalling 5% per annum.

28 August 2019 – The Trust submitted the documents to Warana SP Offshore Fund SPC – 2019 Segregated Portfolio ("WSPOF 2019") for a commitment of USD 10,000,000 with the first call for 10%.

28 August 2019 – The Trust also paid the final capital call to the Warana SP Offshore Fund SPC – 2018 Segregated Portfolio ("WSPOF 2018"). The remaining 5% capital commitment has been waived.

Other than the above there has not been any other matter or circumstance occurring subsequent to the end of the year 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.

### Likely Developments and Expected Results

The Trust will be managed in accordance with the Constitution.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trust.

### Interests of Directors of the Responsible Entity

The directors of the Responsible Entity did not hold any interest in the Trust as at 30 June 2019 (31 December 2018: no interest held).

### Environmental Regulation and Performance

The operations of the Trust are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

## Directors' Report (continued)

### Indemnification of Directors, Officers and Auditors

The Responsible Entity has not otherwise, during or since the end of the financial half-year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability as such an officer or auditor. So long as the Directors and officers of the Responsible Entity act in accordance with the Constitution and Corporations Act, the Directors and officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

### Non-Audit Services

The auditor of the Trust is Crowe Sydney.

There were no non-audit services performed by the auditor in the current half-year.

### Rounding of Amounts to the Nearest Thousand Dollars

The Trust 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 relating to the "rounding off" of amounts in the Directors' Report and Interim Financial Report. Amounts in the Directors' Report and Interim 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 10.

In accordance with resolution of the directors of the Responsible Entity, Columbus Investment Services Ltd.



Frank Tearle  
Director  
30 August 2019



### Overview

Throughout the first half of the year, Alternative Investment Trust ("AIT" or the "Trust") continued its steady progress of simplifying its structure. The key achievements included:

- Completion of the unwind of the legacy swap;
- Further reduction of operating costs;
- Distributions from Warana 2018 totalling US\$0.66 million or 20.2% of the committed capital; and
- Post 30 June 2019, the completion of a 1 for 1 Rights Offer.

The unwind of the legacy total return swap is now complete. AIT now owns all assets in the portfolio directly which has resulted in a simpler and more cost efficient structure.

On 14 August 2019, AIT completed a 1 for 1 non-renounceable rights issue ("Rights Issue") that raised approximately A\$11.8 million, bringing the Trust's pro forma cash position to A\$15.9 million (as at 21 August 2019) and total net assets to A\$25.4 million<sup>1</sup>. This was another important step in increasing the scale of the Trust to improve its overall economics and to allow it to continue to broaden its investment portfolio.

The Trust also announced its intention to recommence paying distributions to unitholders. Subject to cash reserves, the Trust will target paying 5% of the Trust's net asset value ("NAV") per annum, which will be paid in semi-annual instalments following the release of the half and full year results, respectively. AIT has also introduced a distribution reinvestment plan to allow existing investors to reinvest their distributions into the Trust without incurring brokerage.

### The Investment Portfolio

The Trust's portfolio as at 30 June 2019 had a net tangible asset backing per unit of \$0.1048<sup>2</sup>. Note that since the Rights Issue was completed subsequent to 30 June it is not included in the below.

AIT Investment Portfolio <sup>3</sup>	A\$ mm	%
Warana 2018 Fund <sup>4</sup>	4.71	34.94%
Legacy AIT Funds	2.37	17.58%
King Street Real Estate Fund (Offshore PF), LP	1.00	7.42%
Warana Co-Investment Fund I	0.35	2.60%
Unfunded Capital Commitments <sup>5</sup>	1.47	10.91%
Other Net Cash	3.58	26.56%
<b>Total</b>	<b>13.47</b>	<b>100.00%</b>

The Legacy AIT Funds are the tail end positions that have been included in AIT for several years now. Each continues in wind down, returning capital as available, and have now all transferred to direct ownership by the Trust, as described previously. These assets have valuations provided by the underlying fund managers and in each case these are audited. We, however, believe there is uncertainty that the Trust will recover the full net asset value of these funds as several involve complex situations in emerging market geographies.

The Trust has been actively increasing its absolute return fund portfolio via exposure to the Warana 2018 Fund. As at the date of this report, Warana 2018 Fund was approximately 74% called and had agreed 74 transactions to acquire over 170 distinct funds and 3 direct assets at an average price of approximately 50% of underlying manager NAV. Subsequent to 30 June 2019, Warana 2018 Fund made its final capital call, which has now been paid by the Trust. The Warana 2018 Fund is tracking to an internal rate of return of greater than 20%, but the portfolio is still subject to change as not all purchases have settled.

The King Street Real Estate Fund (Offshore PF), LP ("KS Fund") is an opportunistic global real estate fund which aims "to produce attractive, risk adjusted returns throughout diverse market environments – with a focus on situations which are out of favour, complex, misunderstood and / or in transitional markets." The KS Fund has made 13 investments across Europe and the US and was approximately 65% called at quarter end. It is expected that the remaining balance will be called over the next 12-18 months to fund improvements on these assets. KS Fund performance has been modestly positive to date with a fund net multiple of investor capital (net of fees) of 1.1x.

AIT's investment in Warana Co-Investment Fund I ("WCF I") holds one asset, a minority position in an eastern European broadband and telecom company that was sold by an absolute return fund in the final stages of its wind down for a low single digit EBITDA multiple. WCF I is an investor alongside some high profile private equity and investment firms. The business is performing well and has EBITDA in excess of US\$20 million. A successful exit will require a continued improvement in business investment in the region and continued improvements in the geopolitical environment.

(1) Based on published NTA of 0.1099 as at 31 July 2019.

(2) NTA for 30 June 2019 was published on 14 July 2019.

(3) Note that totals may not sum due to rounding.

(4) All references to Warana 2018 Fund in this document are equivalent to Warana SP Offshore Fund SPC - 2018 Segregated Portfolio.

(5) Figure is net of 5% capital commitment to Warana 2018 Fund that has been waived.



## New Investments

Given the Trust's recent capital raise and projected near term liquidity, Warana Capital Pty Limited ("Investment Manager" or "Warana") has agreed two new allocations totalling US\$11 million. As described in the recent Rights Issue related materials, the primary allocation of the Trust's new capital will be to the next Warana fund, Warana 2019 Fund, which will continue Warana's strategy of investing in illiquid investment funds purchased in the secondary market at discounts to their reported valuations. AIT has committed US\$10 million to Warana 2019 Fund – an initial capital call of 10% has now been paid by the Trust, and a further 20% is expected to be called in the near term.

Additionally, AIT has made a US\$1.0 million commitment to a transaction that is in the process of closing. The transaction involves the purchase of two absolute return funds primarily with an exposure to a US transport infrastructure asset managed by a large US funds management business. The average price of this transaction is approximately 51.6% of the manager quoted 2018 year-end net asset value. The transaction is in the documentation phase and, as a result, may not proceed to completion. Further information will be provided once the transaction closes.

30 August 2019

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

Dear Board Members

## 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 2019, 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 Sydney**



**John Haydon**  
Senior Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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# 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 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity 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 2019 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.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.

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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 2019 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 Investments

We draw attention to Note 7 in the financial report which describes the basis upon which the fair value of the Investments in Funds and Unlisted Unit Trusts has been determined and the conditions of the underlying investment funds and trusts. 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 Investments in Funds.

The financial report does not include any adjustments relating to the valuation and recoverability of the Investment in Funds. Our opinion is not modified in respect of this matter.



**Crowe Sydney**



**John Haydon**  
Senior Partner

Dated at Sydney this 30<sup>th</sup> day of August 2019

## Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2019

	Note	Half-year ended 30 June 2019 \$'000	Half-year ended 30 June 2018 \$'000
<b>Income</b>			
Net gain/(loss) on financial instruments held at fair value through profit or loss	4	115	(9)
Interest income		7	31
Distribution Income		952	-
Foreign exchange gains		13	195
Total investment gains		1,087	217
<b>Expenses</b>			
Responsible entity fees	12 (b)	34	34
Investment management fees	12 (b)	81	62
Other operating expenses	5	158	235
Total operating expenses		273	331
<b>Operating loss attributable to unitholders</b>		<b>814</b>	<b>(114)</b>
(Increase)/decrease in net assets attributable to unitholders		(814)	114
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>
		<b>Cents</b>	<b>Cents</b>
<b>Profit/loss per unit for profit/loss from continuing operations</b>			
Basic and diluted profit/(loss) per unit	6	0.66	(0.11)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position as at 30 June 2019

	Note	As at 30 June 2019 \$'000	As at 31 December 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	4,294	4,338
Receivables	9	287	551
Financial assets held at fair value through profit or loss	7	9,048	7,955
<b>Total assets</b>		<b>13,629</b>	<b>12,844</b>
<b>Liabilities</b>			
Payables	10	162	191
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>162</b>	<b>191</b>
<b>Net assets attributable to unitholders - liability</b>	11	<b>13,467</b>	<b>12,653</b>

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

## Statement of Changes in Equity for the half-year ended 30 June 2019

	Half-year ended 30 June 2019 \$'000	Half-year ended 30 June 2018 \$'000
<b>Total equity at the beginning of the half-year</b>		
Profit /(loss) for the half-year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as equity holders	-	-
<b>Total equity at the end of the half-year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial half-year.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows for the half-year ended 30 June 2019

		Half-year ended 30 June 2019 \$'000	Half-year ended 30 June 2018 \$'000
	Note		
<b>Cash flows from operating activities</b>			
Interest received		7	31
Distribution received		675	-
Management and Responsible Entity fees paid		(132)	(79)
Other expenses paid		94	(324)
<b>Net cash provided by/(used in) operating activities</b>	8 (b)	<b>644</b>	<b>(372)</b>
<b>Cash flows from investing activities</b>			
Net proceeds from purchases and sales of financial assets designated as fair value through profit or loss		(701)	1,731
<b>Net cash (used in)/provided by investing activities</b>		<b>(701)</b>	<b>1,731</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		-	6,775
Buyback of units from unitholders		-	(7,349)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(574)</b>
Net (decrease)/increase in cash and cash equivalents		(57)	785
Cash and cash equivalents at the beginning of the half-year		4,338	5,573
Foreign exchange gain/(loss)		13	195
<b>Cash and cash equivalents at the end of the half-year</b>	8 (a)	<b>4,294</b>	<b>6,553</b>
<b>Non-cash investing activities</b>	8 (c)	<b>277</b>	<b>-</b>

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

## 1. General Information

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

The responsible entity of the Trust is Columbus Investment Services Ltd (ABN 69 095 162 931; AFSL 221 183) (the “Responsible Entity”). The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

The investment manager of the Trust is Warana Capital Pty Limited (ACN 611 063 579; AFSL 493579) (“Warana” or the “Investment Manager”).

These financial statements were authorised for issue by the Directors on 30 August 2019. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

## 2. Adoption of New and Revised Accounting Standards

The Trust has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## 3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

### a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standard AASB 134 “Interim Financial Reporting” and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

### b) Basis of preparation

These financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2018 and any public announcements made in respect of the Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies applied in these interim financial statements are the same as those applied to the Trust’s financial statements for the year ended 31 December 2018.

All amounts are presented in Australian dollars as the functional and presentational currency of the Trust.

The Trust 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 relating to the “rounding off” of amounts in the Directors’ Report and Interim Financial Report. Amounts in the Directors’ Report and Interim Financial Report have been rounded to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

## 4. Net Gain/(Loss) on Financial Instruments Held at Fair Value through Profit or Loss

	Half-year ended 30 June 2019 \$'000	Half-year ended 30 June 2018 \$'000
Fair value gain/(loss) on financial instruments held at fair value through profit or loss	115	(9)
<b>Total net gain/(loss) on financial instruments held at fair value through profit or loss</b>	<b>115</b>	<b>(9)</b>

## 5. Other Operating Expenses

	Half-year ended 30 June 2019 \$'000	Half-year ended 30 June 2018 \$'000
Professional fees	8	70
Fund administration and custody expenses	93	38
Other general and administrative expenses	31	107
Auditor's remuneration	26	20
<b>Total other operating expenses</b>	<b>158</b>	<b>235</b>

## 6. Earnings per Unit

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

	Half-year ended 30 June 2019	Half-year ended 30 June 2018
Profit/(loss) attributable to unitholders (\$'000)	814	(114)
Weighted average number of units on issue ('000)	124,205	107,926
Basic and diluted profit/(loss) per unit in cents	0.66	(0.11)

There is no difference between basic and diluted profit/loss per unit as no units are dilutive in nature.

## 7. Investments in Financial Instruments

	As at 30 June 2019 \$'000	As at 31 December 2018 \$'000
<b>Fair value of financial assets designated as fair value through profit or loss</b>		
Investment in funds	8,422	7,937
Investment in unlisted unit trusts	626	18
<b>Total financial assets held at fair value through profit or loss</b>	<b>9,048</b>	<b>7,955</b>

### Trust Investments

The Trust has direct exposure to the absolute return funds. The fair value of these assets was 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 were reconciled monthly by the Trust's third party administrator and any changes in fair value reviewed for reasonableness by the Investment Manager.

### Investments in Funds and Unlisted Unit Trusts

The Trust has investments in WSPOF 2018, Warana Co-Investment Fund 1 ("WCF I"), AIT Sub-Trust No. 1 and One HF Trust.

### Fair Value Hierarchy

Financial instruments carried at fair value are categorised under a three level hierarchy. Financial instruments are categorised based on the observable market inputs when estimating their fair value. If different levels of inputs are used to measure a financial instrument's fair value, the instrument's classification within the hierarchy is based on the lowest level of input that was significant to the fair value measurement.

The investments in funds and unlisted unit trusts are classified under level 3 as valuations are based on the net asset values of those funds and unit trusts.



**7. Investments in Financial Instruments (continued)*****Fair Value Hierarchy (continued)***

The following table shows an analysis of financial instruments held at 30 June 2019, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2019			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
Investment in funds	-	-	8,422	8,422
Investment in unlisted unit trusts	-	-	626	626
<b>Total financial assets held at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>9,048</b>	<b>9,048</b>

	31 December 2018			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
Investment in funds	-	-	7,937	7,937
Investment in unlisted unit trusts	-	-	18	18
<b>Total financial assets held at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>7,955</b>	<b>7,955</b>

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the half-year. The Responsible Entity and Investment Manager assess hierarchical classification at each reporting date.

**Valuation techniques used to derive level 1, level 2 and level 3 fair values*****Level 1***

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 30 June 2019 the Trust had \$Nil (31 December 2018: \$Nil) financial assets held at fair value through profit or loss included in level 1.

***Level 2***

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2019 the Trust had \$Nil (31 December 2018: \$Nil) financial instruments in level 2.

***Level 3***

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2019 the Trust had \$9,048,000 (31 December 2018: \$7,955,000) financial assets held at fair value through profit or loss included in level 3. The instruments are valued using published redemption prices. 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 reasonable.

**7. Investments in Financial Instruments (continued)****Fair Value Hierarchy (continued)****Reconciliation of level 3 fair values**

Financial assets measured on a recurring basis using significant unobservable inputs (Level 3) are shown below:

	Level 3 Half-year ended 30 June 2019 \$'000	Level 3 Year ended 31 December 2018 \$'000
Opening balance	7,955	6,859
Change in value of financial assets held at fair value through profit or loss	115	1,127
Net purchases and sales	978	(31)
<b>Closing balance</b>	<b>9,048</b>	<b>7,955</b>

**Disclosed fair values**

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

**8. Cash and Cash Equivalents**

- (a) Cash and cash equivalents include cash on hand and deposits held with banks. Cash at the end of the half-year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	As at 30 June 2019 \$'000	As at 30 June 2018 \$'000
Domestic cash at bank	4,294	6,553
	<b>4,294</b>	<b>6,553</b>

- (b) Reconciliation of increase/(decrease) in net assets attributable to unitholders for the half-year to net cash provided by/(used in) operating activities:

	Half-year ended 30 June 2019 \$'000	Half-year ended 30 June 2018 \$'000
<b>Increase/(decrease) in net assets attributable to unitholders</b>	<b>814</b>	<b>(114)</b>
Net (gain)/loss on financial instruments held at fair value through profit or loss	(115)	9
Non-cash distribution	(277)	-
Foreign exchange gains	(13)	(195)
<b>Change in assets and liabilities:</b>		
Decrease/(increase) in other assets	264	(8)
Decrease in trade and other payables	(29)	(64)
<b>Net cash provided by/(used in) operating activities</b>	<b>644</b>	<b>(372)</b>
<b>(c) Non-cash investing activities</b>		
Distributions applied to calls on investments	277	-

**9. Receivables**

	As at 30 June 2019 \$'000	As at 31 December 2018 \$'000
GST receivable	14	13
Other receivables	273	538
<b>Total receivables</b>	<b>287</b>	<b>551</b>

**10. Payables**

	As at 30 June 2019 \$'000	As at 31 December 2018 \$'000
Responsible entity fees	6	6
Management fees	17	34
Trust administration and custody fees	16	24
Other payables	123	127
<b>Total payables</b>	<b>162</b>	<b>191</b>

**11. Net Assets Attributable to Unitholders**

	Half-year ended 30 June 2019	
	No. of Units	\$'000
Opening balance as at 1 January 2019	124,204,979	12,653
Net profit attributable to unitholders	-	814
<b>Closing balance as at 30 June 2019</b>	<b>124,204,979</b>	<b>13,467</b>

	Year ended 31 December 2018	
	No. of Units	\$'000
Opening balance as at 1 January 2018	130,692,470	12,245
Proceeds from applications by unitholders	73,638,975	6,774
Buyback of units from unitholders	(80,126,466)	(7,349)
Net profit attributable to unitholders	-	983
<b>Closing balance as at 31 December 2018</b>	<b>124,204,979</b>	<b>12,653</b>

## 12. Related Party Transactions

### a) Key management personnel

The names of the directors and company secretaries of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesener	Executive Director & Company Secretary
Justin Epstein	Non-executive Director from 1 January 2019 (Executive Director to 31 December 2018)

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the half-year.

Apart from those details disclosed in the note, no key management personnel have entered into a material contract with the Trust since the end of the previous financial year and there were no material contracts involving directors' interests existing at half-year end.

### b) Responsible Entity/Investment Manager fees

#### Responsible Entity fees

The responsible entity of the Trust is Columbus Investment Services Ltd.

The Responsible Entity charged 0.07% per annum (excluding GST) of gross portfolio value, subject to a minimum of \$66,000 per annum (excluding GST).

As at 30 June 2019, the responsible entity fees expense incurred by the Trust to the Responsible Entity was \$34,485 (30 June 2018: \$34,485) of which \$6,050 (31 December 2018: \$6,050) was payable at the end of the period.

#### Investment Manager Fees

The investment manager of the Trust is Warana Capital Pty Limited (ACN 611 063 579; AFSL 493579).

The Investment Manager received the following fees:

- From 1 January 2018 to 11 February 2018 – 1.25% (excluding GST) of the value of gross assets of the Trust less responsible entity fees.
- From 12 February 2018 to 30 June 2019 – 1.5% (excluding GST) of the net asset value of the Trust.

As at 30 June 2019, the management fee expense incurred by the Trust to Warana was \$80,781 (30 June 2018: \$61,724) of which \$17,410 (31 December 2018: \$34,164) was payable at the end of the period.

It is noted that all management fees and performance fees relating to the Trust's holding in WSPDF 2018 have and will continue to be rebated while Warana is the Investment Manager of the Trust. Total rebate credited to the Trust was \$34,669 (30 June 2018: \$nil) of which \$18,288 (31 December 2018: \$15,876) was receivable at the end of the period.

### c) Other fees paid to related parties

The Responsible Entity appointed third party service providers to the Trust, some of whom are related parties of the Responsible Entity. One Managed Investment Funds Limited ("OMIFL"), a subsidiary of One Investment Group ("OIG"), acted as custodian for the Trust and receives a fee for doing so.

As at 30 June 2019, the custody fee expense incurred by the Trust to the OMIFL amounted to \$10,465 (30 June 2018: \$10,250) of which \$5,616 (31 December 2018: \$19,387) was payable at the end of the period.

### d) Holding of units

During or since the end of the financial half-year, none of the directors of the Responsible Entity held units in the Trust, either directly, indirectly, or beneficially (30 June 2018: \$Nil).

**12. Related Party Transactions (continued)*****e) Investments in Unlisted Funds where members of OIG act as Trustee***

The Trust holds two unlisted investments issued by members of OIG:

1. One HF Trust ("OHFT") – OMIFL is the trustee of the trust. The purpose of OHFT is to help facilitate the planned unwind of the Swap. Where the underlying investments cannot be split, OHFT will hold the assets on behalf of the Trust and Everest Alternative Investment Trust on an agreed unit split. The Trust owns 72.93% of OHFT. Fees paid or payable to OMIFL as trustee for the half-year were \$3,859 (30 June 2018: \$1,957). The value of the units in OHFT held by the Trust at 30 June 2019 is \$134,554 (31 December 2018: \$8,553).
2. AIT Sub-Trust No. 1 ("AITST") - One Funds Management Limited ("OFML") is the trustee of the trust, a subsidiary of OIG and AITST is a wholly owned sub-trust of the Trust. The purpose of AITST is to help facilitate the planned unwind of the Swap. Fees paid or payable to OFML as trustee for the half-year were \$2,645 (30 June 2018: \$1,595). The value of the units in AITST held by the Trust at 30 June 2019 is \$491,004 (31 December 2018: \$9,196).

These units were valued at \$625,558 (31 December 2018: \$17,749) and were included within the financial assets as disclosed in note 7.

Both of the abovementioned trusts pay fees to One Registry Services Pty Ltd ("ORS"), a subsidiary of OIG, for the provision of registry services. Total fees paid or payable to ORS for the half-year were \$2,711 (30 June 2018: \$2,937).

***f) Investments in Unlisted Funds where Warana acts as Trustee***

The Trust holds one unlisted investment issued by Warana:

WCF I – Warana is the trustee of the trust. The purpose of WCF I holds one asset, a minority position in an eastern European broadband and telecom company that was sold by an absolute return fund in the final stages of its wind down. Fees paid or payable to Warana as trustee for the half-year were \$nil (30 June 2018: \$nil). The value of the units in WCF I held by the Trust at 30 June 2019 is \$350,000 (31 December 2018: \$349,593).

**13. Commitments and Contingencies**

The Trust has committed to invest \$6,053,269 (US\$4,250,000) (31 December 2018: \$6,024,779 (US\$4,250,000)) in the WSPOF 2018 and King Street Real Estate Fund (Offshore PF), L.P. as at 30 June 2019. Uncalled commitments of the Trust at 30 June 2019 amounted to \$1,697,266 (US\$1,191,651) (31 December 2018: \$2,956,609 (US\$2,085,651)).

**14. Subsequent Events**

23 July 2019 – the Offer Document for the underwritten 1 for 1 Non-Renounceable Rights Issue offer with an issue price of \$0.095 per unit ("Rights Issue") was lodged on the ASX. The Rights Offer closed on 14 August 2019 and the new Units issued following the Rights Issue commenced trading on 22 August 2019. The Trust issued 124,204,979 new units for a total consideration of \$11,799,473.01, before offer costs (73,441,217 new units were applied for under the Rights Issue and a further 50,763,762 new units were issued to the underwriter).

25 July 2019 – Details of the Distribution Reinvestment Plan ("DRP") were announced to the ASX. It is anticipated, subject to available cash, that the Trust will make semi-annual distributions totalling 5% per annum.

28 August 2019 – The Trust submitted the documents to Warana SP Offshore Fund SPC – 2019 Segregated Portfolio ("WSPOF 2019") for a commitment of USD 10,000,000 with the first call for 10%.

28 August 2019 – The Trust also paid the final capital call to the Warana SP Offshore Fund SPC – 2018 Segregated Portfolio ("WSPOF 2018"). The remaining 5% capital commitment has been waived.

Other than the above there has not been any other matter or circumstance occurring subsequent to the end of the year 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.


## Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in compliance with the basis of preparation and accounting policies described in note 3 to the financial statements and present fairly the financial position and performance of the Trust as at 30 June 2019; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, Columbus Investment Services Ltd.



Frank Tearle  
Director  
30 August 2019