

**Alternative Investment Trust**  
**ARSN 112 129 218**  
**Half-Yearly Report**  
**Results for Announcement to the Market**  
**Appendix 4D**  
**30 June 2020**

		6 months ended 30 June 2020 \$'000	6 months ended 30 June 2019 \$'000
	% change		
<b>Results</b>			
Investment gains	Up 27.78%	1,389	1,087
Change in net assets attributable to unitholders	Up 32.56%	1,079	814
Profit attributable to unitholders	Up 32.56%	1,079	814
<b>Commentary on Results</b>			
Discussion and analysis of the Trust's results is contained in the Half-Yearly Report.			
<b>The Trust does not propose to pay an Interim distribution for the period</b>			
Interim distribution payable (\$'000)		-	-
Interim distribution payable (cents per unit)		-	-
Basic and diluted earnings (cents per unit)		0.41	0.66
Distribution reinvestment plan price (cents per unit)		-	-

	30 June 2020	30 June 2019
<b>Net tangible assets</b>		
Total net tangible assets attributable to unit holders (\$'000)	\$30,613	\$13,467
Units on issue ('000)	276,789	124,205
Net tangible assets attributable to unit holders per unit	\$0.11	\$0.11

## **Alternative Investment Trust**

ARSN 112 129 218

Interim report for the half-year ended 30 June 2020

## Index to the Financial Statements

	Page
Directors' Report	1
Investment Manager's Report	4
Auditor's Independence Declaration	9
Independent Auditor's Review Report	10
Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2020	12
Statement of Financial Position as at 30 June 2020	13
Statement of Changes in Equity for the half-year ended 30 June 2020	14
Statement of Cash Flows for the half-year ended 30 June 2020	15
Notes to Financial Statements	16
Directors' Declaration	24

## 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 2020.

### Responsible Entity

The responsible entity of the Trust is CISL. The registered office and principal place of business of the Responsible Entity is Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

### Investment Manager

The investment manager 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 2020 to the date of this report are:

Name	Title
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesener	Executive Director & Company Secretary
Michael Sutherland	Executive Director

### 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.

### 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 2020 was \$1,079,000 (30 June 2019 profit: \$814,000). More details are provided in the Investment Manager's report.

### Distributions

In respect of the half-year ended 30 June 2020, a distribution of \$Nil (30 June 2019: \$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 2020, returns of capital of \$645,866 (30 June 2019: \$Nil) were paid to unitholders.

### Value of Assets and Units Issued

The total value of the Trust's assets at 30 June 2020 is \$30,753,000 (31 December 2019: \$27,468,000). The total number of units on issue as at 30 June 2020 is 276,789,280 (31 December 2019: 248,409,958).

### 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 (excluding GST).

As at 30 June 2020, the responsible entity fees expense incurred by the Trust to the Responsible Entity was \$34,485 (30 June 2019: \$34,485) of which \$6,050 (31 December 2019: \$6,050) was payable at the end of the period.

## Directors' Report (continued)

### Investment Manager Fees

The Investment Manager received the following fees:

- 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 \$117,601 (30 June 2019: \$80,781) of which \$36,630 (31 December 2019: \$33,542) 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.

On 13 January 2020 a distribution was declared with a record date of 20 January 2020 and payment date 12 February 2020, with a per unit distribution of \$0.0026.

On 12 February 2020 1,459,322 new units were issued as part of the distribution reinvestment plan.

On 6 March 2020 the Responsible Entity announced the following:

- Placement of \$2,600,000 worth of units to be allotted on 10 March 2020 at an issue price of \$0.10 per unit;
- A Unit Purchase Plan (UPP). The offer was to existing Unitholders to purchase up to \$15,000 worth of units at \$0.10 per unit, without incurring brokerage. The record date for the UPP was 9 March 2020;
- An Unmarketable Parcel Sale Facility (UMP Sale Facility). The UMP Sale Facility offered unitholders with holdings value at \$500 or less as at 9 March 2020, the opportunity to sell their units without incurring any brokerage or handling costs.

On 10 March 2020 26,000,000 units were issued following the placement for a consideration of \$2,600,000.

On 28 April 2020 920,000 units were issued following the close of the UPP for a consideration of \$92,000.

On 18 May 2020 UMP Sale Facility closing announcement. A total of 642,771 units were sold in accordance with the UMP Sale Facility for an average price per unit \$0.106178.

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

On 13 July 2020 a distribution was declared with a record date of 20 July 2020 and payment date 11 August 2020, with a per unit distribution of \$0.0028.

On 11 August 2020 1,638,301 new units were issued as part of the distribution reinvestment plan.

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.

The Investment Manager continues to review the capital structure of the Trust and consider corporate actions, share purchase plans, and on market buybacks depending on the price versus the Net Tangible Asset (NTA).

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 2020 (31 December 2019: no interest held).

## Directors' Report (continued)

### 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.

### 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 (2019: 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 9.

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



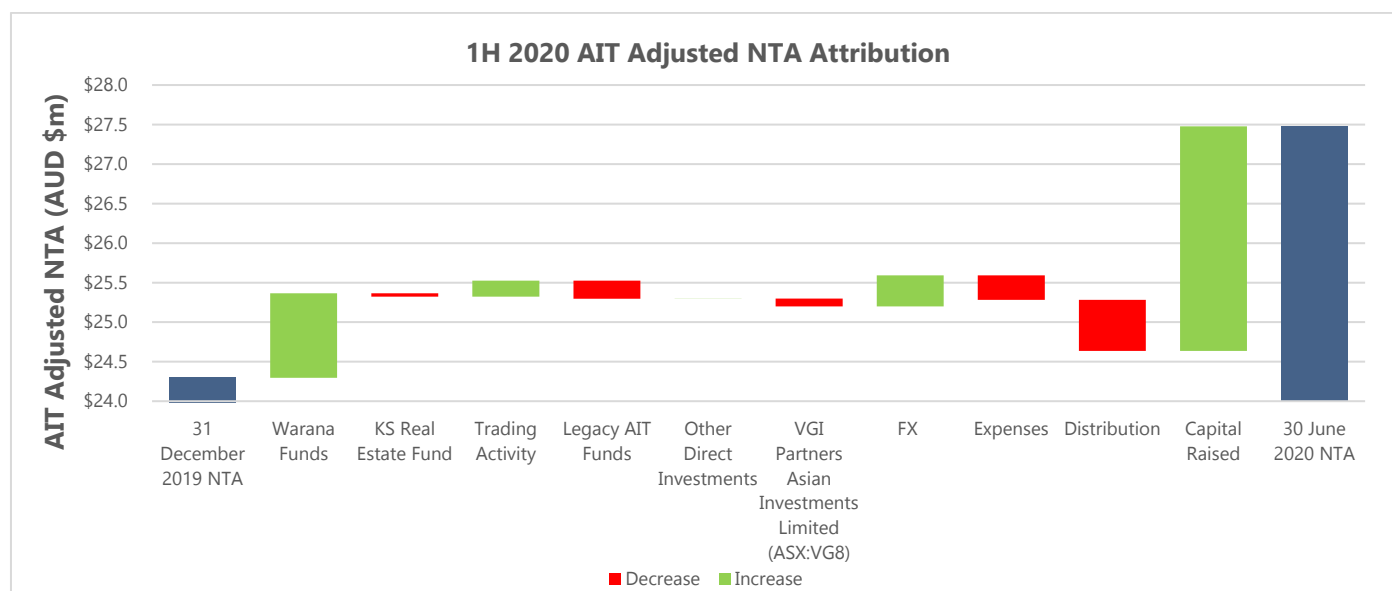
Frank Tearle  
Director  
31 August 2020

## Investment Manager's Report – 2020 Interim Report



## Overview

The net tangible asset backing ("NTA") of Alternative Investment Trust ("AIT" or the "Trust") increased by 2.6% during the first half of 2020 and the adjusted NTA<sup>1</sup> increased by 3.9%, both adjusted for the distribution paid of A\$0.0026 per unit. A summary of the Trust's performance is as follows:



The positive drivers for the Trust were the Warana Funds as well as some modest net gains from foreign exchange (the combined effect of foreign exchange losses as shown in the accounts and the IM's cash management strategy). The primary detractor from fund performance was the legacy AIT funds. Net Capital Activity largely reflects the small private placement AIT ran in February and payment of the semi-annual distribution payment.

The Trust maintained an average cash balance of 37% over the period as it continues to ramp up its investment activities. This cash has been fully allocated and is expected to be called in the near term but nonetheless has diluted overall investment performance given the low interest rate environment. AIT has recently been busy from an investment perspective, including:

- Allocating a further US\$4.9 mm to the purchase of illiquid absolute return funds in the secondary market. A further US\$5.1mm is scheduled to be called over the next 7 months;
- Actively trading listed investment funds whose discounts to their NTA gapped out during the dislocations associated with COVID-19. The Fund allocated A\$2.2mm to acquire positions in KKR Credit Income Fund (ASX: KKC), Regal Investment Fund (ASX: RF1), VGI Partners Asian Investments Limited (ASX: VG8) and was able to exit KKC and RF1 at profits of 17.8% and 16.3% respectively. The

<sup>1</sup> AIT's monthly NTA is typically unaudited and calculated by aggregating the fair values provided by underlying fund managers and third-party administrators ('Manager Value'). AIT includes an Adjusted NTA in its monthly NTA announcements calculated by AIT's investment manager ('Warana') to adjust for underlying funds that have been acquired in the secondary market ('Secondary Funds') at discounts to the Manager Value. It is intended as an additional indicative valuation resource given the re-valuation of Secondary Funds to Manager Value creates an immediate and significant valuation uplift. The Adjusted NTA is equal to the lower of the Manager Value and Warana's estimate of the projected recovery cash flows discounted at a 10% p.a. rate. The Adjusted NTA is indicative only and there is no assurance the value will be achieved - unitholders should take care in relying on this metric as it is not produced or reviewed by a third party to AIQ. Neither Warana nor the responsible entity make any express or implied warranty as to the completeness or accuracy of any projections, market outlooks or estimates used in estimating the Adjusted NTA. The Adjusted NTA is estimated using third-party information and other assumptions which may prove inaccurate.

Fund continues to own a position in VGI Partners Asian Investments Limited which is trading at a discount of 21.9% to its NTA;

- Entering sale processes on its Fortress PE Fund and its exposure to the European Broadband Company; and
- Receiving distributions from Warana 2018 and Legacy AIT Funds, totalling US\$0.5mm.

The Trust completed a small unit purchase plan and has recommenced its distribution reinvestment plan to help improve its overall scale. AIT continued its ongoing process of rationalizing operating costs by completing a small unitholder unmarketable parcel sale facility in the half to reduce the number of very small unitholders and manage associated costs.

We expect ongoing material repercussions from the recent volatility on the absolute return fund industry. Many managers were already struggling to justify their returns and fees amid underperformance against rising equity markets. The market dislocations caused by COVID-19 was an opportunity for managers to showcase their capital preservation skills but many disappointed relative to expectations. Forward redemptions are reported to be considerable and we have seen a significant uptick in the number of managers that have been forced to suspend redemptions or wind down as a result of redemptions.

We continue to be opportunistic in implementing the Trust's objective to gain exposure to a diversified pool of international absolute return funds. Purchasing these vehicles in the secondary market at discounts to net asset value remains a key theme for AIT and we (via the Warana Funds) have been quite active (though cautious) on the bidding front. Our bid volumes are up ~30% versus Q2 2019 and we are not seeing the usual 'lull' in supply that comes with North American summer. We continue to try and be tactical in deploying capital including the near-term initiatives in the listed fund market, discussed above, and other opportunities that we touch on below. We believe that AIT is well positioned to provide a unique investment opportunity for Australian investors which is further enhanced by the potential to utilize the significant tax losses inherent in the structure.

On 11 August 2020, AIT paid another distribution at A\$0.0028 per unit and completed the distribution reinvestment plan, allowing existing investors to re-invest, and increasing the total outstanding units by 1,638,301.

### **Investment Portfolio**

The Trust's portfolio as of 30 June 2020 has a net tangible asset backing ("NTA") per unit of 11.06 cents with an adjusted NTA<sup>1</sup> at 9.93 cents. The investment portfolio of the Trust as at 30 June 2020 was as follows:



Asset Breakdown (A\$mm)	NTA	Adj. NTA
<u>Secondary Market Funds</u>		
Warana 2018 Fund	\$ 5.0	\$ 3.4
Warana 2019 Fund	\$ 7.2	\$ 6.0
Fortress PE Funds	\$ 2.6	\$ 2.2
<b>Total Secondary Funds</b>	<b>\$ 14.8</b>	<b>\$ 11.6</b>
<u>Primary Market Funds</u>		
King Street Real Estate Fund	\$ 1.2	\$ 1.2
Legacy AIT Funds	\$ 2.1	\$ 2.1
VGI Partners Asian Investments Limited (ASX:VG8)	\$ 0.9	\$ 0.9
<b>Total Primary Funds</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>
<u>Direct Assets</u>		
Eastern European Broadband Co.	\$ 0.3	\$ 0.3
Other Direct Assets	\$ 0.0	\$ 0.0
Net Cash	\$ 11.3	\$ 11.3
<b>Total Direct Assets</b>	<b>\$ 11.7</b>	<b>\$ 11.7</b>
<b>Total</b>	<b>\$ 30.6</b>	<b>\$ 27.5</b>

## **Fund Investments**

### **Warana 2018 Fund & Warana 2019 Fund (together, "WARANA FUNDS")**

The Warana Funds are private funds managed by an affiliated Warana entity that buy illiquid absolute return fund interests at discounts to their reported value via the secondary market. Warana 2018 Fund closed its investment period in September 2019 with 77 completed transactions and exposure to over 150 funds on a look through basis, and is currently in harvest mode. AIT has allocated US\$3.1mm to Warana 2018 Fund and received US\$1.67mm of distributions as the date of this report, approximately 54.1% of the Trust's called capital. The manager continues to project an IRR of approximately 20% with a total return at 1.41x total investment cost in US dollars. This position is marked at US\$3.5mm at Manager Value and US\$2.4mm on an adjusted NAV basis.

The Trust made a total US\$10mm commitment to the Warana 2019 Fund which is still in its investment period. AIT funded an additional US\$1.5mm to Warana 2019 Fund post-30 June 2020, bringing its total funded amount to US\$4.9million. As of the date of this report, Warana 2019 Fund had agreed 26 transactions to acquire over 90 distinct funds at an average price of approximately 19.9% of underlying Manager Value, targeting an internal rate of return of greater than 20%. The position is currently marked at 1.52x at its contribution based on underlying Manager Value and 1.28x on an adjusted value basis.

### **King Street Real Estate Fund**

The King Street Real Estate Fund (Offshore PF), L.P ("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 is now fully invested and has made 13 investments across Europe and the US. The performance has been modestly positive with a fund multiple of investor capital (net of fees) of 1.1x and including a COVID-19 related write-down of about 7% in Q2. The KS Fund has entered 'harvest' mode where we expect

assets to be sold over a number of years. King Street has a strong track record of improving these types of assets to deliver significant returns.

### **Fortress PE Funds**

The Fortress PE Funds includes two private equity funds managed by Fortress Investment Group ('Fortress'), a large, US-based investment manager. These funds were acquired in the secondary market at roughly a 50% discount to the underlying Manager NAV. This exposure includes equity and preferred equity in the holding company for Florida Brightline Trains, a US passenger train business that has built a new line servicing West Palm Beach to Miami in the US state of Florida, along with a very significant real estate portfolio comprised of rail stations, commercial/retail and industrial developments. The company has plans to expand the existing line to Orlando and open a new Los Angeles to Las Vegas line. Fortress has recently announced a restructuring initiative which seeks to allow electing investors to sell their stakes at the current valuation of the project. AIT has elected to sell, although we note that the liquidity facility is not guaranteed and it is unlikely to occur before 2021.

### **Legacy AIT Funds**

The Legacy AIT Funds are the tail-end positions that have been included in AIT since its inception under different management in 2006. They are investments in illiquid funds, similar to those that we have been acquiring in the Warana Funds at discounts to their respective net asset values. The Legacy AIT Funds, however, have more significant emerging market exposure. Each asset continues in wind-down, returning capital as available. These assets were invested in via the primary market and are valued at their respective net asset value provided by the underlying fund managers as these are audited by third parties. It remains difficult to forecast the likely recovery values or the timing of such recoveries and we see these Funds generally trade at discounts in the secondary market although trading is infrequent. It is the current intention to hold these assets as they continue to wind down. During the first half of the year, the Trust received US\$0.2mm of distributions from the Legacy AIT Funds.

### **VGI Partners Asian Investments Limited ("VG8")**

The Fund was active in March and April as the COVID-19 related market dislocations caused widespread investment market impacts including seeing listed investment funds trade at significant discounts to their reported NTA. The Fund took advantage of a several mis-pricings including KKR Credit Income Fund (ASX: KKC) and Regal Investment Fund (ASX: RF1) and was able to exit these two funds profitably.

As at the period end, AIT still has a position in VG8, an ASX listed investment fund that makes absolute return targeted investments in Asian markets. VG8 continues to trade at a significant discount to NTA (21.9% of 21 August estimated NTA) and remains a hold while at those levels and while the Trust has excess cash.

### **Direct Investments:**

#### **Eastern European Broadband Company**

The Trust is a small investor in Warana Co-investment Fund I which holds a single 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. A sales process is underway with several potential buyers providing LOIs. The business continues to operate well despite ongoing COVID-19 related

challenges and it seems that the sales process will culminate shortly. In the interim, the company has announced a dividend that is approximately 30% of our cost which we expect to receive in coming weeks.

### **Thinksmart**

Post-period end, the Fund has made a small investment in ThinkSmart Limited, listed on the LSE under the ticker TSL. TSL has a net 6.5% stake in ClearPay Finance Limited ('ClearPay') which is Afterpay Ltd's ('Afterpay') "buy now, pay after" instalment payments solution platform in the United Kingdom. TSL and Afterpay have put and call arrangements in 2023 over the ClearPay minority position which we expect to backstop an exit. We believe TSL is significantly undervalued given ClearPay's growth (now over 1mm active customers), its importance to Afterpay, and the likely pricing mechanisms under the put and call arrangements. The share price has traded up significantly since our original purchase.

### **Outlook:**

We continue to be constructive on the opportunity set to invest in absolute return funds at discounts to their net asset value via the secondary market. It's a strategy where we have been able to target significant risk adjusted, uncorrelated returns and we believe will continue to provide an ample flow of investment targets as funds continue to struggle to manage liquidity and investors seek to exit early at discounts. This is likely to be the key focus for the Trust in the near term although, as we have demonstrated above, we plan to also be tactical in the Trust's broader approach.

31 August 2020

The Directors  
Columbus Investment Services Ltd  
As the Responsible Entity of Alternative Investment Trust  
Level 16, Governor Macquarie Tower,  
1 Farrer Place  
Sydney NSW 2000

Dear Directors

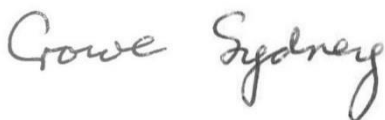
## Alternative Investment Trust

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 2020, 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.

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.

# 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 2020, 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 2020 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.

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 2020 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.

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



**Crowe Sydney**



**John Haydon**  
Senior Partner

31 August 2020  
Sydney

## Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2020

	Note	Half-year ended 30 June 2020 \$'000	Half-year ended 30 June 2019 \$'000
<b>Income</b>			
Net gain on financial instruments held at fair value through profit or loss	4	2,427	115
Interest income		3	7
Distribution Income		60	952
Foreign exchange (losses)/gains		(1,101)	13
Total investment gains		1,389	1,087
<b>Expenses</b>			
Responsible entity fees	12 (b)	34	34
Investment management fees	12 (b)	118	81
Other operating expenses	5	158	158
Total operating expenses		310	273
<b>Operating profit attributable to unitholders</b>		<b>1,079</b>	<b>814</b>
Distributions to unitholders		(646)	-
Increase in net assets attributable to unitholders		(433)	(814)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Profit per unit for profit from continuing operations</b>			
		<b>Cents</b>	<b>Cents</b>
Basic and diluted profit per unit	6	0.41	0.66

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 2020

	Note	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	11,387	10,354
Receivables	9	101	262
Financial assets held at fair value through profit or loss	7	19,265	16,852
<b>Total assets</b>		<b>30,753</b>	<b>27,468</b>
<b>Liabilities</b>			
Payables	10	140	128
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>140</b>	<b>128</b>
<b>Net assets attributable to unitholders - liability</b>	11	<b>30,613</b>	<b>27,340</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 2020

	Half-year ended 30 June 2020 \$'000	Half-year ended 30 June 2019 \$'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 financial 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 2020

		Half-year ended 30 June 2020 \$'000	Half-year ended 30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Interest received		3	7
Distribution received		60	675
Management and Responsible Entity fees paid		(156)	(132)
Other income received		(132)	94
<b>Net cash (used in)/provided by operating activities</b>	8 (b)	<b>(225)</b>	<b>644</b>
<b>Cash flows from investing activities</b>			
Net proceeds from sale of financial assets designated as fair value through profit or loss		165	(701)
<b>Net cash provided by/(used in) by investing activities</b>		<b>165</b>	<b>(701)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		2,692	-
Distribution paid		(498)	-
<b>Net cash provided by financing activities</b>		<b>2,194</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		2,134	(57)
Foreign exchange (losses)/gains		(1,101)	13
Cash and cash equivalents at the beginning of the half-year		10,354	4,338
<b>Cash and cash equivalents at the end of the half-year</b>	8 (a)	<b>11,387</b>	<b>4,294</b>
<b>Non-cash investing activities</b>	8 (c)	<b>261</b>	<b>277</b>
<b>Non-cash financing activities</b>	8 (d)	<b>148</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 16, Governor Macquarie Tower, 1 Farrer Place, 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”).

The coronavirus, COVID-19, was first identified as a new, highly contagious virus in December 2019. The World Health Organisation declared a global pandemic in March 2020 and as at the date of these financial statements, COVID-19 remains prevalent throughout the world, including Australia. COVID-19 has caused unprecedented disruption to populations, businesses and general economic activity. As the situation evolves, it continues to have significant impacts on investment funds and their trustees and managers, both directly and indirectly.

As this situation is rapidly developing, the Investment Manager has been monitoring both the valuation of the Fund’s assets and the Fund’s liquidity and is in close contact with service providers in assessing the ongoing operations, liquidity, and the basis of the values and estimates reported. In these circumstances, there is uncertainty around valuations. The Investment Manager will continue to closely monitor market situations to ensure that valuations remain appropriate. The Manager will provide resources and updates where necessary to provide informed guidance for clients during this rapidly changing environment.

These financial statements were authorised for issue by the Directors on 31 August 2020. 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 2019 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 2019.

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 2020 \$'000	Half-year ended 30 June 2019 \$'000
Fair value gain on financial instruments held at fair value through profit or loss	2,427	115
<b>Total net gain on financial instruments held at fair value through profit or loss</b>	<b>2,427</b>	<b>115</b>

**5. Other Operating Expenses**

	Half-year ended 30 June 2020 \$'000	Half-year ended 30 June 2019 \$'000
Professional fees	18	8
Fund administration and custody expenses	40	93
Other general and administrative expenses	73	31
Auditor's remuneration	27	26
<b>Total other operating expenses</b>	<b>158</b>	<b>158</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 2020	Half-year ended 30 June 2019
Profit attributable to unitholders (\$'000)	1,079	814
Weighted average number of units on issue ('000)	265,872	124,205
Basic and diluted profit per unit in cents	0.41	0.66

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 2020 \$'000	As at 31 December 2019 \$'000
<b>Fair value of financial assets designated as fair value through profit or loss</b>		
Investment in funds	17,769	16,234
Investment in common stock	944	-
Investment in unlisted unit trusts	552	618
<b>Total financial assets held at fair value through profit or loss</b>	<b>19,265</b>	<b>16,852</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.

**7. Investments in Financial instruments (continued)****Investments in Funds and Unlisted Unit Trusts**

The Trust has investments in WSPOF 2018, WSPOF 2019, Warana Co-Investment Fund 1 ("WCF I"), Warana SP USA III-A LLC, 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.

The following table shows an analysis of financial instruments held at 30 June 2020, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2020			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
Investment in funds	-	-	17,769	17,769
Investment in common stock	944	-	-	944
Investment in unlisted unit trusts	-	-	552	552
<b>Total financial assets held at fair value through profit or loss</b>	<b>944</b>	<b>-</b>	<b>18,321</b>	<b>19,265</b>
	31 December 2019			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets</b>				
Investment in funds	-	-	16,234	16,234
Investment in unlisted unit trusts	-	-	618	618
<b>Total financial assets held at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>16,852</b>	<b>16,852</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 2020 the Trust had \$944,000 (31 December 2019: \$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 2020 the Trust had \$Nil (31 December 2019: \$Nil) financial instruments in level 2.

**7. Investments in Financial Instruments (continued)*****Fair Value Hierarchy (continued)*****Valuation techniques used to derive level 1, level 2 and level 3 fair values (continued)****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 2020 the Trust had \$18,321,000 (31 December 2019: \$16,852,000) 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.

**Reconciliation of level 3 fair values**

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

	<b>Level 3 Half-year ended 30 June 2020 \$'000</b>	<b>Level 3 Year ended 31 December 2019 \$'000</b>
Opening balance	16,852	7,955
Change in value of financial assets held at fair value through profit or loss	2,427	1,715
Net sales	(14)	7,182
<b>Closing balance</b>	<b>19,265</b>	<b>16,852</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:

	<b>As at 30 June 2020 \$'000</b>	<b>As at 30 June 2019 \$'000</b>
Domestic cash at bank	1,887	4,294
Foreign currency holdings	9,500	-
	<b>11,387</b>	<b>4,294</b>

**8. Cash and Cash Equivalents (continued)**

(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 2020 \$'000	Half-year ended 30 June 2019 \$'000
<b>Increase in net assets attributable to unitholders</b>	<b>433</b>	<b>814</b>
Distribution to unitholders	646	-
Net gains on financial instruments held at fair value through profit or loss	(2,427)	(115)
Non-cash investment	-	(277)
Foreign exchange losses/(gains)	1,101	(13)
<b>Change in assets and liabilities:</b>		
Decrease in other assets	10	264
Increase/(decrease) in trade and other payables	12	(29)
<b>Net cash (used in)/provided by operating activities</b>	<b>(225)</b>	<b>644</b>
(c) Non-cash investing activities		
Distributions applied to calls on investments	261	277
(d) Non-cash financing activities		
The following distribution payments to unit holders were satisfied by issue of units under the distribution reinvestment plan	148	-

**9. Receivables**

	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
GST receivable	15	14
Other receivables	86	248
<b>Total receivables</b>	<b>101</b>	<b>262</b>

**10. Payables**

	As at 30 June 2020 \$'000	As at 31 December 2019 \$'000
Responsible entity fees	6	6
Management fees	37	34
Trust administration and custody fees	11	11
Other payables	86	77
<b>Total payables</b>	<b>140</b>	<b>128</b>

**11. Net Assets Attributable to Unitholders**

	Half-year ended 30 June 2020	
	No. of Units	\$'000
Opening balance as at 1 January 2020	248,409,958	27,340
Proceeds from applications by unitholders	26,920,000	2,692
Units issued upon reinvestment of distributions	1,459,322	148
Net profit attributable to unitholders	-	433
<b>Closing balance as at 30 June 2020</b>	<b>276,789,280</b>	<b>30,613</b>

	Year ended 31 December 2019	
	No. of Units	\$'000
Opening balance as at 1 January 2019	124,204,979	12,653
Proceeds from applications by unitholders	124,204,979	11,799
Net profit attributable to unitholders	-	2,888
<b>Closing balance as at 31 December 2019</b>	<b>248,409,958</b>	<b>27,340</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
Michael Sutherland	Executive Director

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 2020, the responsible entity fees expense incurred by the Trust to the Responsible Entity was \$34,485 (30 June 2019: \$34,485) of which \$6,050 (31 December 2019: \$6,050) was payable at the end of the period.



**12. Related Party Transactions (continued)****b) Responsible Entity/Investment Manager fees (continued)****Investment Manager Fees**

The Investment Manager received the following fees:

- 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 \$117,601 (30 June 2019: \$80,781) of which \$36,630 (31 December 2019: \$33,542) was payable at the end of the period. The investment manager of the Trust is Warana Capital Pty Limited (ACN 611 063 579; AFSL 493579).

It is noted that all management fees and performance fees relating to the Trust's holding in WSPOF 2018 and WPSOF 2019 have and will continue to be rebated while Warana is the Investment Manager of the Trust. Total rebate credited to the Trust was \$97,849 (30 June 2019: \$34,669) of which \$52,096 (31 December 2019: \$44,693) 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 2020, the custody fee expense incurred by the Trust to the OMIFL amounted to \$10,633 (30 June 2019: \$10,465) of which \$5,706 (31 December 2019: \$5,706) 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 2019: \$Nil).

**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 Trust owns 72.93% of OHFT. Fees paid or payable to OMIFL as trustee for the half-year were \$1,968 (30 June 2019: \$3,859). The value of the units in OHFT held by the Trust at 30 June 2020 is \$117,274 (31 December 2019: \$128,204).
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. Fees paid or payable to OFML as trustee for the half-year were \$2,698 (30 June 2019: \$2,645). The value of the units in AITST held by the Trust at 30 June 2020 is \$435,217 (31 December 2019: \$489,275).

These units were valued at \$552,491 (31 December 2019: \$617,479) 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 2019: \$2,711).

**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 2019: \$nil). The value of the units in WCF I held by the Trust at 30 June 2020 is \$350,000 (31 December 2019: \$350,000).

**13. Commitments and Contingencies**

The Trust has committed to invest \$15,932,400 (US\$11,000,000) (31 December 2019: \$20,293,425 (US\$14,250,000)) in the WSPOF 2018, WSPOF 2019 and King Street Real Estate Fund (Offshore PF), L.P. as at 30 June 2020 and the detail below.

As at 30 June 2020 The Trust commitments in WPSOF 2018 is \$nil (US\$nil) (31 December 2019: \$nil (US\$nil)) as the remaining 5% uncalled commitments of \$231,416 (US\$162,500) was cancelled effective 3 September 2019. Uncalled commitments of the Trust at 30 June 2020 amounted to \$nil (US\$nil) (31 December 2019: \$nil (US\$nil)).

The Trust has committed to invest \$14,484,000 (US\$10,000,000) (31 December 2019: \$14,241,000 (US\$10,000,000)) in the WSPOF 2019 as at 30 June 2020. Uncalled commitments of the Trust at 30 June 2020 amounted to \$9,602,892 (US\$6,630,000) (31 December 2019: \$10,680,750 (US\$7,500,000)).

The Trust has committed to invest \$1,448,400 (US\$1,000,000) (31 December 2019: \$1,424,100 (US\$1,000,000)) in the King Street Real Estate Fund (Offshore, PF) as at 30 June 2020. Uncalled commitments of the Trust at 30 June 2020 amounted to \$315,970 (US\$218,151) (31 December 2019: \$321,250 (US\$225,651)).

**14. Subsequent Events**

On 13 July 2020 a distribution was declared with a record date of 20 July 2020 and payment date 11 August 2020, with a per unit distribution of \$0.0028.

On 11 August 2020 1,638,301 new units were issued as part of the distribution reinvestment plan.

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 2020; 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  
31 August 2020