

Alternative Investment Trust

ARSN 112 129 218

Interim report for the half-year ended 30 June 2021

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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 2021.

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 2021 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 quoted 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 2021 was \$843,000 (30 June 2020 profit: \$1,079,000). More details are provided in the Investment Manager's report.

Distributions of Income

In respect of the half-year ended 30 June 2021, a distribution of income of \$Nil (30 June 2020: \$Nil) was paid to unitholders.

Returns of Capital

In respect of the financial half-year ended 30 June 2021, returns of capital of \$863,126 (30 June 2020: \$645,866) were paid to unitholders.

Value of Assets and Units Issued

The total value of the Trust's assets at 30 June 2021 is \$37,122,000 (31 December 2020: \$41,048,000). The total number of units on issue as at 30 June 2021 is 280,097,547 (31 December 2020: 278,427,581).

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 2021, the responsible entity fees expense incurred by the Trust to the Responsible Entity was \$34,485 (30 June 2020: \$34,485) of which \$6,050 (31 December 2020: \$6,050) was payable at the end of the period.

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 2021, the management fee expense incurred by the Trust to Warana was \$53,339 (30 June 2020: \$117,601) of which \$39,552 (31 December 2020: \$38,149) was payable at the end of the period.

Directors' Report (continued)

Significant Changes in State of Affairs

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

On 14 January 2021, a distribution by way of return of capital was declared with a record date of 20 January 2021 and payment date 12 February 2021, with a per unit distribution of \$0.0031.

On 12 February 2021, 1,669,966 new units were issued as part of the distribution reinvestment plan.

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 14 July 2021, a distribution was declared with a record date of 20 July 2021 and payment date 10 August 2021, with a per unit distribution of \$0.0034.

On 10 August 2021, 1,177,183 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, unit 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 2021 (31 December 2020: 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.

Indemnification of Directors, Officers and Auditors

During or since the half-financial year, the Trust has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Trust or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Trust. In addition, the Trust has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Trust.

Non-Audit Services

The auditor of the Trust is Crowe Sydney (2020: 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.

Directors' Report (continued)

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 11.

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



Frank Tearle

Director

31 August 2021

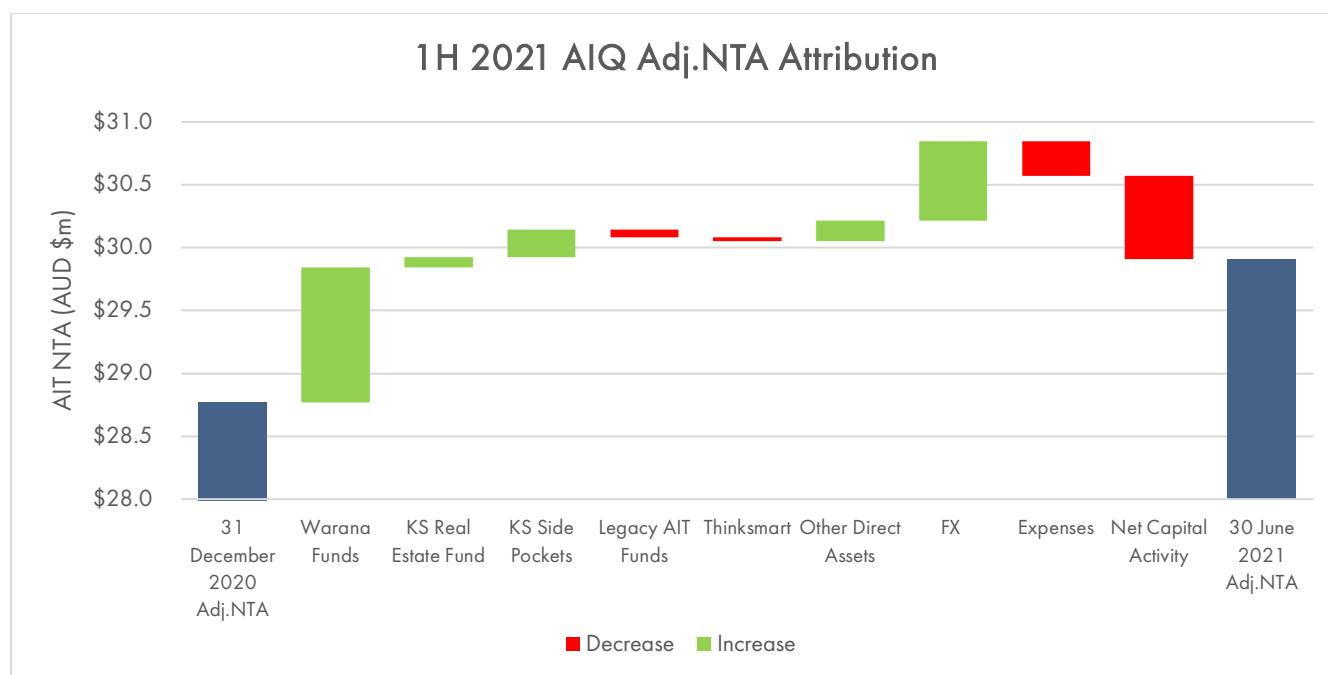
Investment Manager's Report – 2021 Interim Report



Overview

The net tangible asset backing ("NTA") of Alternative Investment Trust ("AIQ" or the "Trust") increased by 2.3% during the first half of 2021 and the adjusted NTA¹ increased by 6.4%, both adjusted for distributions. Excluding the impact of foreign exchange movements and distributions, the portfolio's NTA and adjusted NTA increased by 0.1% and 4.1% respectively.

A summary of the Trust's performance is as follows:



The key positive drivers for the Trust were the Warana Funds and the King Street Side Pockets. The primary detractors from Trust performance were the legacy AIQ funds and ThinkSmart. The net distribution reflects the cash outflow of the semi-annual distribution net of the amounts retained in the Distribution Reinvestment Plan ("DRP").

The Trust maintained an average net cash balance of less than 10% of NTA over the period. The cash has been fully allocated and is expected to be called in the near term. AIQ has been busy from an investment perspective, noting the following activities during the period:

- Allocated a further US\$3.4m to the purchase of illiquid absolute return funds in the secondary market via the Warana 2019 Fund². This capital was used to purchase exposure to an additional 96 interests at an average price of 20%. As of the report date, AIQ's capital commitment to the Warana 2019 Fund has been fully called and allocated.

¹ AIQ's monthly NTA is typically unaudited and calculated by aggregating the fair values provided by underlying fund managers and third-party administrators ('Manager Value'). AIQ includes an Adjusted NTA in its monthly NTA announcements calculated by AIQ'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.

² All references to "Warana 2019 Fund" in this document mean "Warana SP Offshore Fund SPC – 2019 Segregated Portfolio".

- Completed the sale process on its exposure to the European Broadband Company with a small portion retained in holdback which is expected to be released over the next 2 years.
- Received distributions from Warana 2018³, Warana 2019, WCFI⁴, King Street Side Pockets and Legacy AIQ Funds, totalling US\$4.1m.
- Made a new commitment of US\$12.0m in Warana 2021 Fund⁵, a vehicle that will continue to acquire absolute return funds in the secondary market.
- During the first half of year 2021, the Trust issued a total of 1,669,966 units under the DRP and made a return of capital of A\$0.9mm to unitholders.

The all-in cost run rate for the Trust during the period is now below 1.50% per annum⁶ and the Investment Manager will continue to review proper cost-saving initiatives.

On 10 August 2021, AIQ paid another return of capital of A\$0.0034 per unit and, through the DRP, allowed existing investors to re-invest, increasing the total issued units by 1,177,183.

Investment Portfolio

The Trust's portfolio as of 30 June 2021 has a NTA per unit of 13.25 cents with an adjusted NTA at 10.68 cents. The difference being the adjustments made to the value of assets purchased in the unlisted secondary market at discounts to their reported valuations. The investment portfolio of the Trust as at 30 June 2021 was as follows:

Asset Breakdown (A\$m)	NTA	Adj. NTA ⁽¹⁾
<u>Secondary Market Funds</u>		
Warana 2018 Fund	\$ 3.0	\$ 2.5
Warana 2019 Fund	\$ 18.6	\$ 12.8
King Street Capital Special Investments	\$ 4.4	\$ 4.0
Fortress PE Funds	\$ 2.3	\$ 1.7
Total Secondary Funds	\$ 28.3	\$ 21.1
<u>Primary Market Funds</u>		
King Street Real Estate Fund	\$ 1.4	\$ 1.4
Legacy AIQ Funds	\$ 1.8	\$ 1.8
Total Primary Funds	\$ 3.2	\$ 3.2
<u>Direct Assets</u>		
ThinkSmart Limited (LSE:TSL)	\$ 2.1	\$ 2.1
Other Direct Assets	\$ 0.5	\$ 0.5
Net Cash	\$ 3.0	\$ 3.0
Total Direct Assets	\$ 5.6	\$ 5.6
Total	\$ 37.1	\$ 29.9

Fund Investments

Warana 2018 Fund, Warana 2019 Fund and Warana 2021 Fund (together, "Warana Funds")

³ All references to "Warana 2018 Fund" in this document mean "Warana SP Offshore Fund SPC – 2018 Segregated Portfolio".

⁴ All references to "WCFI" in this document mean "Warana Co-investment Fund I".

⁵ All references to "Warana 2021 Fund" in this document mean "Warana SP Offshore Fund SPC – 2021 Segregated Portfolio".

⁶ Calculation using costs during the first half of year 2021 divided by average assets excluding costs at underlying funds.

The Warana Funds are private funds managed by an affiliated Warana entity that buys 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. It is currently in harvest mode. AIQ allocated US\$3.1m to Warana 2018 Fund and has received US\$2.4m of distributions as of the date of this report, approximately 78.8% of the Trust's called capital. The manager projects an IRR of approximately 20% with a total return at 1.50x total investment cost in US dollars, net of all costs and fees. This position is marked at US\$3.0m at Manager Value and US\$2.5m on an adjusted NTA basis.

The Trust funded a total US\$10m to the Warana 2019 Fund. As of the date of this report, Warana 2019 Fund has closed its investment period with 65 completed transactions and exposure to over 160 funds on a look through basis. It is in harvest mode and the underlying investments made to date have already generated significant return. AIQ has received a total of US\$5.1m in distributions, including US\$1.8m received post the end of the period. The position is currently marked at 2.10x its contribution based on underlying Manager Value and 1.45x on an adjusted value basis.

AIQ committed a total US\$12.0m and post balance date funded US\$1.2m to the Warana 2021 Fund. It is expected that the underlying investments in Warana 2021 Fund will be a diversified portfolio of international illiquid absolute return funds. As of the date of the report, over 10% of the total fund commitment has been allocated to agreed trades.

King Street Real Estate Fund

The King Street Real Estate Fund (Offshore PF), L.P. ("KS REF") 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." KS REF is now fully invested and has made 13 investments across Europe and the US. The underlying manager wrote down some of their positions as a result of the impact of COVID-19 and overall performance is approximately flat. KS REF has entered harvest mode where we expect assets to be sold over a multi-year time horizon. King Street has a strong track record of maintaining relatively conservative valuations and improving these types of assets to deliver significant returns.

King Street Capital, Ltd. Special Investments

The King Street Capital, Ltd. Special Investments ("KS Side Pockets") are a portfolio of illiquid investments under King Street's deliberate side pocket strategy that extend beyond the liquidity horizon of their flagship hedge fund. This portfolio was acquired in the secondary market in November 2020 at roughly 30% discount to the then underlying Manager Value with exposures to primarily European real estate and private equity investments. Before the purchase, AIQ already had exposure to KS Side Pockets indirectly through the Warana Funds and have had an overall positive experience. Since the acquisition, the Trust has received a total of US\$1.3m in distributions from this investment, approximately 42.7% of the purchase cost. We believe this portfolio will be an attractive investment for the Trust to generate attractive pre-tax risk-adjusted absolute return and expect the assets to be monetized over multiple years.

Fortress PE Funds

The Fortress PE Funds include 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 Value. 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. Unfortunately, the previously planned restructuring initiative announced in 2020 which seeks to allow electing investors to sell their stakes at the current valuation of the project have been unsuccessful to date. Fortress continues to make progress on the train development in Florida and California with medium term liquidity.

Legacy AIQ Funds

The Legacy AIQ Funds are the tail-end positions that AIQ has owned for over 10 years. They are investments in illiquid funds, similar to those that we have been acquired in the Warana Funds at discounts to their respective net asset values. The Legacy AIQ Funds, however, have more significant emerging market exposure. Each asset continues in wind-down, returning capital as available. These assets were invested by the Trust's previous managers 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 period, the Legacy AIQ Funds' valuation declined 4.4%.

Direct Investments:

Eastern European Broadband Company

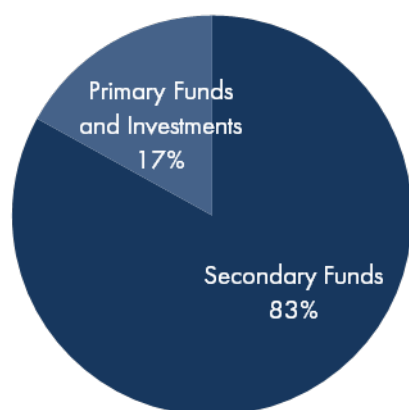
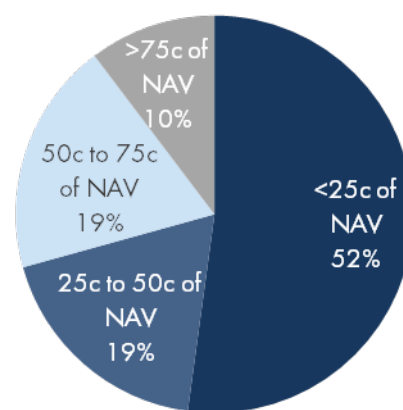
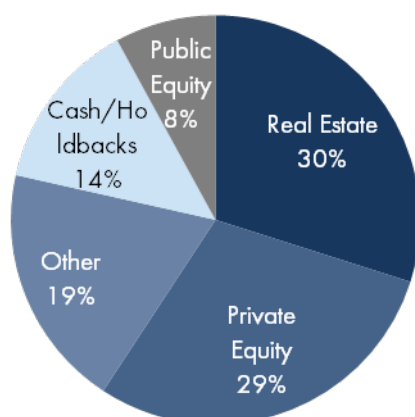
The Trust is a small investor in WCFI which holds a single asset: a minority position in an eastern European broadband company that was acquired from an absolute return fund in the final stages of its wind-down for a less than 2x EBITDA multiple. The sale of this asset was completed in June and AIQ received most of its entitlement to the sale proceeds, bringing the total return received to date to 1.02x of investment cost. A small amount of the sale proceeds is reserved as holdback and is expected to be released over the next 2 years.

ThinkSmart

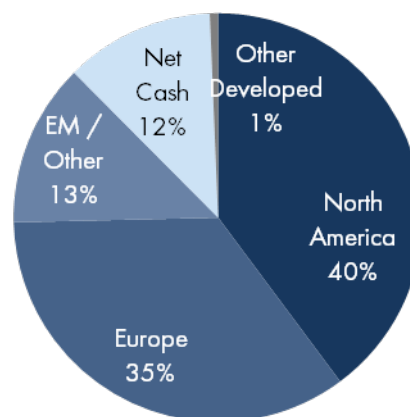
AIQ has made a small investment in ThinkSmart Limited, listed on the London Stock Exchange under the ticker TSL in 2020. TSL has a net 6.5% stake in ClearPay Finance Limited ("ClearPay") which is Afterpay Ltd's ("Afterpay") "buy now, pay later" instalment payments solution platform in the United Kingdom. TSL and Afterpay have put and call arrangements exercisable in 2023 over the ClearPay minority position, which we expect to backstop an exit. On 1 August 2021, Square, Inc announced that it agreed to acquire Afterpay with an implied value of approximately US\$28 bn. Under the terms of the put and call arrangements, a change of control of Afterpay gives Afterpay the right to exercise its call option earlier. The share price has traded up significantly post the announcement and as at the date of this report the position (using a GBX 99.5 share price), the value of the position is GBP£1.5mm representing approximately 4.6x of the Trust's cost.

Portfolio Statistics:

The following tables provide our estimated look through exposures across a variety of metrics.

PORTFOLIO STATISTICS (as of 30 June 2021)**STRATEGY ALLOCATION****SECONDARY FUND PRICE****ASSET CLASS ALLOCATION**

Note: Includes cash on a look-through basis

GEOGRAPHIC ALLOCATION

Note: Totals may not sum due to rounding

Outlook:

We plan to continue to target purchases in the secondary market at discounts to NAV primarily via Warana 2021 Fund, which AIQ is expected to fund the remaining commitment in the following 18-month investment period (subject to a 6-month extension) starting from July 2021.

We plan to release an updated Trust Overview document in near term which contains further information on the positioning and strategy of the Trust.

The Trust plans to continue its distribution policy of distributing 5% of its net asset value in semi-annual increments. Due to the significant carried forward tax losses, we continue to expect that the Trust will be able to offset these losses against investment gains resulting in the distributions being treated as a tax-effective capital return (although we note this is subject to a number of assumptions).

31 August 2021

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 2021, 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. Liability limited other than for acts or omissions of financial services licensees.

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Independent Auditor's Report to the Unitholders of Alternative Investment Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the Trust), which comprises the statement of financial position as at 30 June 2021, 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 2021 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.

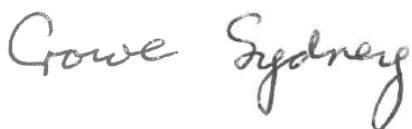
Independence

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 2021 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*.
- (c)



Crowe Sydney



John Haydon
Senior Partner

31 August 2021
Sydney

Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2021

	Note	Half-year ended 30 June 2021 \$'000	Half-year ended 30 June 2020 \$'000
Income			
Net gain on financial instruments held at fair value through profit or loss	4	1,023	2,427
Interest income		-	3
Distribution Income		6	60
Foreign exchange gains/(losses)		92	(1,101)
Total investment gains		1,121	1,389
Expenses			
Responsible entity fees	12 (b)	34	34
Investment management fees	12 (b)	53	118
Other operating expenses	5	191	158
Total operating expenses		278	310
Operating profit attributable to unitholders		843	1,079
Returns of capital		(863)	(646)
Decrease/(increase) in net assets attributable to unitholders		20	(433)
Total comprehensive income		-	-
		Cents	Cents
Profit per unit for profit from continuing operations			
Basic and diluted profit per unit	6	0.30	0.41

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 2021

	Note	As at 30 June 2021 \$'000	As at 31 December 2020 \$'000
Assets			
Cash and cash equivalents	8	3,016	7,303
Receivables	9	146	275
Financial assets held at fair value through profit or loss	7	34,093	33,470
Total assets		37,255	41,048
Liabilities			
Payables	10	133	4,109
Total liabilities (excluding net assets attributable to unitholders)		133	4,109
Net assets attributable to unitholders - liability	11	37,122	36,939

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 2021

	Half-year ended 30 June 2021 \$'000	Half-year ended 30 June 2020 \$'000
Total equity at the beginning of the half-year		
Profit /(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as equity holders	-	-
Total equity at the end of the half-year	-	-

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 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 2021

		Half-year ended 30 June 2021 \$'000	Half-year ended 30 June 2020 \$'000
	Note		
Cash flows from operating activities			
Interest received		-	3
Distribution received		6	60
Management and Responsible Entity fees paid		(114)	(156)
Other income received		129	(132)
Net cash provided by/(used in) operating activities	8 (b)	21	(225)
Cash flows from investing activities			
Net proceeds from (purchase)/sale of financial assets designated as fair value through profit or loss		(3,740)	165
Net cash (used in)/provided by investing activities		(3,740)	165
Cash flows from financing activities			
Proceeds from applications by unitholders		-	2,692
Return of capital paid		(660)	(498)
Net cash (used in)/provided by financing activities		(660)	2,194
Net (decrease)/increase in cash and cash equivalents		(4,379)	2,134
Foreign exchange gains/(losses)		92	(1,101)
Cash and cash equivalents at the beginning of the half-year		7,303	10,354
Cash and cash equivalents at the end of the half-year	8 (a)	3,016	11,387
Non-cash investing activities	8 (c)	3,064	261
Non-cash financing activities	8 (d)	203	148

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

Notes to Financial Statement

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 continuing, 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 Investment Manager will provide resources and updates where necessary to provide informed guidance for investors during this continuing environment.

These financial statements were authorised for issue by the Directors on 31 August 2021. 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 2020 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 2020.

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

3. Significant Accounting Policies (continued)**b) Basis of preparation (continued)**

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 2021 \$'000	Half-year ended 30 June 2020 \$'000
Fair value gain on financial instruments held at fair value through profit or loss	1,023	2,427
Total net gain on financial instruments held at fair value through profit or loss	1,023	2,427

5. Other Operating Expenses

	Half-year ended 30 June 2021 \$'000	Half-year ended 30 June 2020 \$'000
Professional fees	7	18
Fund administration and custody expenses	41	40
Other general and administrative expenses	116	73
Auditor's remuneration	27	27
Total other operating expenses	191	158

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 2021	Half-year ended 30 June 2020
Profit attributable to unitholders (\$'000)	843	1,079
Weighted average number of units on issue ('000)	279,710	265,872
Basic and diluted profit per unit in cents	0.30	0.41

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 2021 \$'000	As at 31 December 2020 \$'000
Fair value of financial assets designated as fair value through profit or loss		
Investment in funds	31,038	30,803
Investment in listed securities	2,594	2,195
Investment in unlisted unit trusts	461	472
Total financial assets held at fair value through profit or loss	34,093	33,470

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 Warana 2018 Fund, Warana 2019 Fund, Warana Co-Investment Fund I ("WCFI"), 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 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 2021, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2021			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Investment in funds	-	-	31,038	31,038
Investment in listed securities	2,594	-	-	2,594
Investment in unlisted unit trusts	-	-	461	461
Total financial assets held at fair value through profit or loss	2,594	-	31,499	34,093

	31 December 2020			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Investment in funds	-	-	30,803	30,803
Investment in listed securities	2,195	-	-	2,195
Investment in unlisted unit trusts	-	-	472	472
Total financial assets held at fair value through profit or loss	2,195	-	31,275	33,470

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 2021 the Trust had \$2,594,000 (31 December 2020: \$2,195,000) 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 2021 the Trust had \$Nil (31 December 2020: \$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 2021 the Trust had \$31,499,000 (31 December 2020: \$31,275,000) 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 1, level 2 and level 3 fair values

Financial assets measured on a recurring basis using significant unobservable inputs (Level 1, Level 2 and Level 3) are shown below:

Half-year ended 30 June 2021				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance	2,195	-	31,275	33,470
Change in value of financial assets held at fair value through profit or loss	220	-	803	1,023
Net purchases/(sales)	179	-	(579)	(400)
Closing balance	2,594	-	31,499	34,093

Year ended 31 December 2020				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance	-	-	16,852	16,852
Change in value of financial assets held at fair value through profit or loss	1,432	-	6,875	8,307
Net purchases	763	-	7,548	8,311
Closing balance	2,195	-	31,275	33,470

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 2021 \$'000	As at 30 June 2020 \$'000
Domestic cash at bank	500	1,887
Foreign currency holdings	2,516	9,500
	3,016	11,387

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 2021 \$'000	Half-year ended 30 June 2020 \$'000
(Decrease)/Increase in net assets attributable to unitholders	(20)	433
Return of capital to unitholders	863	646
Net gains on financial instruments held at fair value through profit or loss	(1,023)	(2,427)
Non-cash investment	-	-
Foreign exchange (gains)/losses	(92)	1,101
Change in assets and liabilities:		
(Increase)/decrease in other assets	(93)	10
Increase in trade and other payables	386	12
Net cash (used in)/provided by operating activities	21	(225)
 (c) Non-cash investing activities		
Distributions applied to calls on investments	3,064	261
 (d) Non-cash financing activities		
The following distribution payments to unit holders were satisfied by issue of units under the distribution reinvestment plan	203	148

9. Receivables

	As at 30 June 2021 \$'000	As at 31 December 2020 \$'000
GST receivable	11	13
Other receivables	135	262
Total receivables	146	275

10. Payables

	As at 30 June 2021 \$'000	As at 31 December 2020 \$'000
Responsible entity fees	6	6
Management fees	40	38
Trust administration and custody fees	11	22
Payable for investments purchased	-	3,931
Other payables	76	112
Total payables	133	4,109

11. Net Assets Attributable to Unitholders

	Half-year ended 30 June 2021	
	No. of Units	\$'000
Opening balance as at 1 January 2021	278,427,581	36,939
Units issued upon reinvestment of distributions	1,669,966	203
Net decrease in net assets attributable to unitholders	-	(20)
Closing balance as at 30 June 2021	280,097,547	37,122

	Year ended 31 December 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	3,097,623	326
Net increase in net assets attributable to unitholders	-	6,581
Closing balance as at 31 December 2020	278,427,581	36,939

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 2021, the responsible entity fees expense incurred by the Trust to the Responsible Entity was \$34,485 (30 June 2020: \$34,485) of which \$6,050 (31 December 2020: \$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 2021, the management fee expense incurred by the Trust to Warana was \$53,339 (30 June 2020: \$117,601) of which \$39,552 (31 December 2020: \$38,149) 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 Warana 2018 Fund and Warana 2019 Fund have and will continue to be rebated while Warana is the Investment Manager of the Trust. Total rebate credited to the Trust was \$175,981 (30 June 2020: \$97,849) of which \$99,801 (31 December 2020: \$70,603) 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 2021, the custody fee expense incurred by the Trust to the OMIFL amounted to \$10,633 (30 June 2020: \$10,633) of which \$5,706 (31 December 2020: \$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 (31 December 2020: \$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 \$1,962 (30 June 2020: \$1,968). The value of the units in OHFT held by the Trust at 30 June 2021 is \$91,720 (31 December 2020: \$95,409).
2. AIT Sub-Trust No. 1 ("AITST") - One Funds Management Limited ("OFML") is the trustee of AITST, 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 \$2,690 (30 June 2020: \$2,698). The value of the units in AITST held by the Trust at 30 June 2021 is \$369,686 (31 December 2020: \$376,044).

These units were valued at \$461,406 (31 December 2020: \$471,453) 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 \$2,875 (30 June 2020: \$2,711).

f) Investments in Unlisted Funds where Warana acts as Trustee

The Trust holds one unlisted investment issued by Warana:

WCFI – Warana is the trustee of the trust. The purpose of WCFI 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 2020: \$nil). The value of the units in WCFI held by the Trust at 30 June 2021 is \$Nil (31 December 2020: \$224,312).

On 22 June 2021, the Trust received a further distribution of \$0.7275 per unit following the completion of the sale of the asset held by the WCFI. The total received to date is now \$1.0196 per unit. The sale proceeds received was net of approx. \$0.06 per unit in holdback amounts to be received over the next 2 years. The \$0.06 per unit has been recorded at nil until the funds have been released.

13. Commitments and Contingencies

The Trust has committed to invest \$30,663,600 (US\$23,000,000) (31 December 2020: \$14,293,400 (US\$11,000,000)) in Warana 2019 Fund, Warana 2021 Fund and King Street Real Estate Fund (Offshore, PF) as at 30 June 2021 and the detail below.

The Trust has committed to invest \$13,332,000 (US\$10,000,000) (31 December 2020: \$12,994,000 (US\$10,000,000)) in the Warana 2019 Fund as at 30 June 2021. Uncalled commitments of the Trust at 30 June 2021 amounted to \$nil (US\$nil) (31 December 2020: \$4,456,942 (US\$3,430,000)).

The Trust has committed to invest \$15,998,400 (US\$12,000,000) in the Warana 2021 Fund as at 30 June 2021. Uncalled commitments of the Trust at 30 June 2021 amounted to \$15,998,400 (US\$12,000,000).

The Trust has committed to invest \$1,333,200 (US\$1,000,000) (31 December 2020: \$1,299,400 (US\$1,000,000)) in the King Street Real Estate Fund (Offshore, PF) as at 30 June 2021. Uncalled commitments of the Trust at 30 June 2021 amounted to \$57,529 (US\$43,151) (31 December 2020: \$130,786 (US\$100,651)).

The Investment Manager has provided assurances that the Trust has a range of strategies available to it to ensure it can manage its obligations in respect of these commitments.

14. Subsequent Events

On 14 July 2021, a distribution was declared with a record date of 20 July 2021 and payment date 10 August 2021, with a per unit distribution of \$0.0034.

On 10 August 2021, 1,177,183 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 period that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations or the state of affairs of the Trust.

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 2021; 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 2021