Alternative Investment Trust
ARSN 112 129 218
Half-Yearly Report
Results for Announcement to the Market
Appendix 4D
30 June 2018

	% change	6 months ended 30 June 2018 $'000	6 months ended 30 June 2017 $'000
Results			
Investment income/(loss)	Up 121.38%	217	(1,015)
Change in net assets attributable to unitholders	Up 91.16%	(114)	(1,290)
Loss attributable to unitholders	Up 91.16%	(114)	(1,290)
Commentary on Results			
Discussion and analysis of the Trust's results is contained in the Half-Yearly Report.			
The Trust does not propose to pay an Interim distribution for the period			
Interim distribution payable ($'000)		-	-
Interim distribution payable (cents per unit)		-	-
Basic and diluted earnings (cents per unit)		(0.11)	(0.99)
Distribution reinvestment plan price (cents per unit)		-	-

	30 June 2018	30 June 2017
Net tangible assets		
Total net tangible assets attributable to unit holders ($'000)	$11,557	$12,691
Units on issue ($'000)	124,205	130,692
Net tangible assets attributable to unit holders per unit	$0.09	$0.10

Alternative Investment Trust

ARSN 112 129 218

Interim report for the half-year ended 30 June 2018

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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 condensed financial report of the Trust for the half-year ended 30 June 2018.

Responsible Entity

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

Former Responsible Entity

Prior to 25 May 2017, the responsible entity of the Trust was The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150) (the "Former Responsible Entity"). The registered office and principal place of business of the Former Responsible Entity is Level 18, 123 Pitt Street, Sydney NSW 2000.

Investment Manager

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

Former Investment Manager

Prior to 25 September 2017, the investment manager of the Trust was Laxey Partners (UK) Ltd (the "Former 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 2018 to the date of this report are:

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

Principal Activities

The Trust is a registered managed investment scheme domiciled and registered in Australia and listed on the Australian Stock Exchange ("ASX") (ASX code "AIQ"). The Trust has exposure to a portfolio of absolute return funds via a swap agreement with Macquarie Bank Limited (the "Swap"). The Trust also has investments in Warana SP Offshore Fund SPC ("WSPOF"), AIT Sub-Trust No. 1 and One HF Trust.

The Trust did not have any employees during the half-year.

Review of Operations

Results

The results of the operations of the Trust are disclosed in the condensed Statement of Profit or Loss and Other Comprehensive Income of these half-year financial statements. The loss attributable to unitholders for the half-year ended 30 June 2018 was $114,000 (30 June 2017 loss: $1,290,000).

Distributions

In respect of the half-year ended 30 June 2018, a distribution of $nil (30 June 2017: $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.

Directors' Report (continued)

Returns of Capital
In respect of the financial half-year ended 30 June 2018, returns of capital of $nil (30 June 2017: $nil) were paid to unitholders.

Value of Assets and Units Issued
The total value of the Trust's assets at 30 June 2018 is $11,716,000 (31 December 2017: $12,468,000). The total number of units on issue as at 30 June 2018 is 124,204,979 (31 December 2017: 130,692,470).

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. The Former Responsible Entity charged 0.1% per annum (excluding GST) of gross assets, subject to a minimum of $80,000 per annum.

As at 30 June 2018, the responsible entity fees expense incurred by the Trust to the Responsible Entity was $34,485 of which $6,050 (31 December 2017: $6,050) was payable at the end of the period. For the prior half-year period, the total responsible entity fees expense was $41,800 and was incurred as follows:

- From 1 January 2017 to 24 May 2017 – $33,260 to Former Responsible Entity
- From 25 May 2017 to 30 June 2017 – $8,540 to Responsible Entity

Investment Manager Fees
The Investment Manager received the following fees:

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

The Former Investment Manager received fees equal to the lower of $200,000 or 0.75% of the value of gross assets of the Trust with no distribution fees. The fee arrangement was subject to the overall fee cap of 1.25% per annum of the value of gross assets of the Trust and the responsible entity fee of $80,000. The responsible entity fees and investment manager's fees in total are not to exceed 1.25% per annum of gross assets.

As at 30 June 2018, the management fee expense incurred by the Trust to Warana was $61,724 (30 June 2017: $44,535 to Laxey Partners (UK) Ltd) of which $31,566 (31 December 2017: $14,641) 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.

18 Jan 2018 - following the 29 December 2017 ASX announcement, the Notice of Extraordinary General Meeting and Explanatory Memorandum was issued to all unitholders. The Notice of Extraordinary General Meeting contained 4 resolutions:

- Resolution 1 – Recommencement of investment activities
  - To re-commence investment activities using the same investment objective and strategy as previously employed by AIT on the terms and conditions set out in the Explanatory Memorandum.
- Resolution 2 – Approval for on market buy-back exceeding the 10/12 limit
  - Up to 75% of the Units on issue at $0.092 per unit.
  - Responsible Entity to buy back on market, the number of units in AIT equal to 75% of the issued Units on-market during the next 12 months as detailed in the Explanatory Memorandum.
- Resolution 3 – Amendments to the Constitution
  - Modify the Trust's constitution on the terms and conditions set out in the Explanatory Memorandum.

Directors' Report (continued)

Significant Changes in State of Affairs (continued)

- Resolution 4 – Ratification of the amended Investment Management Agreement ("IMA")
  - The IMA between AIT and the Investment Manager dated 9 October 2017 as amended as set out in the Explanatory Memorandum is ratified.

Please refer to the Notice of Extraordinary General Meeting and Explanatory Memorandum for further details.

9 February 2018 – details of the 1 for 1 Non Renounceable Rights Issue were released to the ASX.

12 February 2018 – the Extraordinary General Meeting ("EGM") was held and all 4 resolutions were passed.

16 February 2018 – the amendments to the Constitution approved at the EGM were lodged with the Australian Securities and Investments Commission ("ASIC"). The effective date of the Deed of Amendment was 12 February 2018.

16 February 2018 – the 1 for 1 Non-Renounceable Rights Issue offer with an issue price of $0.092 per unit ("Rights Offer") was dispatched to all eligible unitholders. The Rights Offer closed on 27 February 2018 and the new Units issued following the Rights Issue commenced trading on 7 March 2018.

19 February 2018 – the On-Market Buy Back approved at the EGM commenced and continued until 6 March 2018. The Trust purchased 80,126,466 units for a total consideration excluding brokerage of $7,349,353.

Other than as noted above, 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

It is intended that the Macquarie Swap ("Swap") held by the Trust will be unwound and the Trust will receive access to the positions either directly or via interposed entities. This is intended to save the Trust some of the ongoing expenses currently incurred via the Swap.

Aside from the above, there has not been any other matter or circumstances occurring subsequent to the end of the half-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 in future financial years.

Likely Developments and Expected Results

The Trust will be managed in accordance with the Constitution.

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

Interests of Directors of the Responsible Entity

The directors of the Responsible Entity did not hold any interest in the Trust as at 30 June 2018 (31 December 2017: 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

The Responsible Entity and Former Responsible Entity have 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 and Former 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 and Former 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.

Directors' Report (continued)

Non-Audit Services

The auditor of the Trust is Crowe Horwath 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 8.

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

Frank Tearle
Director
29 August 2018

Investment Manager's Report

Warana Capital

AIT Background:

Alternative Investment Trust ("AIT"' or the "Trust") was initially listed on ASX in 2005 as a part of a stapled security with its then responsible entity. In 2006 a restructuring occurred, and it began trading as a standalone entity under its previous name of Everest Babcock & Brown Alternative Investment Trust.

The Trust sought to provide investors with an exposure to international absolute return managers and, to a lesser extent, direct assets including subordinated debt and equity investments. Its objective was to generate attractive pre-tax, risk-adjusted absolute returns over the medium to long term while maintaining a focus on capital preservation.

The Trust was typically employing leverage to its investments via a swap agreement with an entity within the Macquarie Group ("Macquarie"). Following significant losses, particularly in 2008, unitholders voted to stop new investments and to seek liquidity from existing investments to pay down the leverage facility and return capital as available to unitholders. This process began in January 2009, and the Trust was renamed Alternative Investment Trust.

Since that date the leverage facility has been fully paid down, unitholders have been receiving periodic capital returns and the gross assets of the Trust have shrunk from over A$1 billion as at 31 December 2008 to approximately A$12 million as at 31 December 2017 (prior to the recent buyback and capital raising). The Trust has incurred quite considerable net income losses as a result of its negative performance.

Warana Capital Pty Limited (ACN 611 063 579; AFSL 493579) ("Warana" or "we") was appointed manager of AIT on 9 October 2017. Alongside the Responsible Entity we have conducted a review of AIT and determined that there was significant investor interest in lifting AIT's halt on making new investments, thereby stopping the orderly wind down process that was underway.

On 12 February 2018 an Extraordinary General Meeting ("EGM") was held and resolutions approved by unitholders to allow the plan to restart investment activities while affording a significant buyback to existing unitholders who preferred to exit their investment. In addition, following the various approvals, a rights offer was launched to allow existing unitholders to contribute additional capital to the Trust. A total of 80.1 million units were bought back and the rights offer and subsequent shortfall placement raised a total of A$6.8 million into the Trust. As at 30 June 2018, the total units on issue is now 124,204,979 and net asset value is A$11.5 million.

The Responsible Entity has taken, and continues to take, measures to reduce the operating costs of AIT. While an improvement has been made, many of these costs are fixed. It was determined that the best path forward for AIT was to seek to improve the cost position of the Trust by growing the Trust over time through new investments. Should cash be deployed in new investments that provide positive returns to the Trust, there is also the potential that unitholders may benefit from the investment tax losses they have incurred over time.

The Investment Portfolio:

The Trust's Investment Portfolio can be split into three categories:

CATEGORY	30 JUNE 2018 NAV	DESCRIPTION
Legacy Portfolio	A$3.4 million	Fourteen investment funds that have been in the Trust since prior to 2009. Each of the funds in the Legacy Portfolio ("Underlying Funds") do not have a redemption ability whereby AIT could simply ask to have its capital returned. The assets within the Underlying Funds are generally illiquid and hence AIT must wait for the manager of each Underlying Fund to sell each asset and return capital to investors. Most of these Underlying Funds have multiple assets and so we would expect to generally see incremental liquidity received in multi-stages rather than in one single event. Valuation of illiquid assets is challenging given the lack of live market inputs that can be used to determine value. Most of the assets in the Underlying Funds are not listed on an exchange and hence valuations are prepared and / or reviewed by third parties. While each of the Underlying Funds are themselves historically audited, Warana's experience has been that ultimate recovery from these types of positions is very uncertain. Because the assets are illiquid, the timing of liquidity is also generally uncertain making accurate Trust forecasting challenging.
Investment in Warana SP Offshore Fund SPC – 2018 Segregated Portfolio ("WSPOF")	A$1.1 million (US$3.25 million commitment)	New investment in vehicle that seeks to acquire positions in international absolute return funds. Capital is drawn down as new opportunities are sourced. WSPOF values the positions at cost until they are transferred, at which time the underlying fund net asset value is used. As at 30 June 2018, WSPOF has agreed to acquire more than 25 investment fund interests.
Cash	A$7.0 million (Including A$3.29 million remaining commitment to WSPOF)	Cash to be deployed into new investment opportunities.

The Legacy Portfolio continues to be held under a swap arrangement with Macquarie. To improve cost and capital efficiency for the Trust, we have begun discussions with Macquarie with the plan to unwind this arrangement in the near term. No agreement has been signed as at the date of this report, but we remain hopeful this will proceed.

The Legacy Portfolio as at 30 June 2018 is summarized in the below table:

AIT SIGNIFICANT POSITIONS	A$mm	% of NTA	CENTS PER UNIT	REMAINING ASSETS
Axon Partners Offshore Ltd	$ 1.6	13.6%	1.3	Large portion of the remaining assets are Indian real estate assets managed by a third party. Axon, along with a number of high profile hedge funds and US pension funds, has been engaged in a long running dispute with the third party underlying manager and have more recently increased their litigation pressure. Axon believes the underlying assets have the ability to deliver in excess of current valuation recoveries but the litigation, geography and potential for fraud potentially create a longer, more uncertain situation.
Drawbridge Special Opportunities Fund LP	$ 0.5	4.5%	0.4	Most value in a US rail company and associated real estate in the US. Also has exposure to a US retirement living business. Manager forecasts in excess of current net asset value overall recovery but piecemeal over several years.

AIT SIGNIFICANT POSITIONS	A$mm	% of NTA	CENTS PER UNIT	REMAINING ASSETS
Marathon Special Opportunity Fund LP	$ 0.3	2.9%	0.3	Significant stake of a small Californian township – residential houses etc. Manager is in process of gradually selling each property.
Och-Ziff Asia Overseas Fund Ltd	$ 0.3	2.7%	0.2	Both debt and equity in a wide variety of Asia based assets.
Och-Ziff Overseas II Fund Ltd	$ 0.2	1.5%	0.1	Both debt and equity in a wide variety of Asia and European based assets.
Cerberus International Ltd	$ 0.2	1.4%	0.1	Largest remaining asset (~75% of NAV) is a listed Austrian bank.
Farallon II Holdings LP	$ 0.1	1.1%	0.1	Wide variety of Asian and South American based operating companies and global real estate.
GSO Special Situations Fund Ltd	$ 0.1	0.9%	0.1	Portfolio of less than 10 North American operating companies.
Eton Park Overseas Fund Ltd	$ 0.1	0.7%	0.1	Wide variety of Eastern European and South American operating companies and real estate.
Other Investments & Receivables	$ 0.1	0.9%	0.1	Four funds with less than A$25k of NAV plus ~A$70k in audit holdbacks / receivables.
Total Legacy Portfolio	**$ 3.4**	**30.0%**	**2.8**	

Trust Performance:

In the six months to 30 June 2018, the Trust maintained a net tangible asset value ("NTA") of 9.3 cents per unit. In that period the Australian dollar depreciated 5.1% relative to the US dollar which positively impacted Trust performance. The size of the Trust decreased by A$0.7 million due to the impact of the buy-back (net of the capital raising).

The assets in the Investment Portfolio are each dominated in USD, although we note that they do have some underlying assets in other currencies that are unhedged. Including cash and other items outside the Macquarie Swap, the Trust had the following currency exposures as at 30 June 2018:

- USD denominated assets –72%
- AUD denominated assets –28%

Warana SP Offshore Fund SPC – 2018 Segregated Portfolio:

AIT has committed US$3.25 million in the Warana SP Offshore Fund SPC – 2018 Segregated Portfolio ("WSPOF"), managed by Warana Capital LLC an associate of Warana, of which A$1.1 million has been called as at 30 June 2018. WSPOF primarily focuses on acquiring interests in investment funds in the secondary market at discounts to their reported valuations, holding these interests until the underlying assets liquidate over time. The funds that WSPOF purchases are generally managed by independent investment managers or liquidators. As at 30 June 2018, WSPOF has agreed to acquire over 25 different funds at an average price of 58% of the underlying managers' net asset values. WSPOF will continue to source opportunities and deploy capital until the fund is fully allocated or the end of the investment period (November 2019). Warana's current expectation is that the fund will be fully allocated during 1H 2019.

All management fees and performance fees relating to the Trust's holding in WSPOF have and will continue to be rebated while Warana is the Investment Manager of the Trust.

Future plans:

Given the small scale of the Trust we intend to continue to focus on Trust costs and efficiency. As mentioned, we hope to be able to unwind the Macquarie Swap arrangements in the near term and take these assets directly onto the Trust's balance sheet.

We will continue to monitor opportunities to sell Underlying Funds in the Legacy Portfolio; however, at the current time we believe that there is better value in holding onto these positions, allowing them to naturally return capital.

AIT has recommenced its investment activities with the same objective and strategy previously deployed by the Trust, namely:

AIT	DESCRIPTION
Investment Objective	To generate attractive pre-tax risk-adjusted absolute returns over the medium to long term while maintaining a focus on capital preservation
Investment Strategy	To gain exposure to a portfolio of leading international absolute return funds and selected direct investments in subordinated debt and equity co-investments
Investment Guidelines	The current Investment Guidelines that the Trust will seek to achieve over time are as follows: ▪ An exposure to a diversified portfolio of at least 20 absolute return funds that will make up 75% to 100% of the Investment Portfolio; ▪ Subordinated debt investments will make up 0% to 20% of the Investment Portfolio; and ▪ Equity co-investments will make up 0% to 5% of the Investment Portfolio

The strategy is intended to be implemented by making investments in both the primary and secondary markets. Warana has core expertise in acquiring and managing illiquid absolute return funds, particularly those acquired in the illiquid secondary market. These funds are generally acquired at discounts to their prevailing NAV and these discounts are often significant. Warana and its associates have bid on over US$1 billion of net asset value of opportunities since WSPOF was launched and hopes to see continued flow in this opportunity set over time.

Unitholders in AIT should expect the following:

- **Currency:** These funds are largely denominated in USD, and it is generally expected that the Trust will maintain cash holdings in USD. It is not generally expected that currency exposure will be hedged.
- **Cash Deployment:** Warana intends to be selective in assessing investment opportunities. Investors should note that the cash holdings may be quite large for a period of time if suitable opportunities are not available. Additional investments will be considered outside of WSPOF (to the extent WSPOF does not invest).
- **Valuations and NTA:** The underlying funds which the Trust purchases generally have their values audited annually by a third party and provide monthly unaudited performance numbers to investors. It is, however, the intention that AIT gain exposure at discounts to these levels. Unless there is a significant reason to impair the asset, AIT has determined that it will carry the assets at their third party valuation levels once trades are settled (usually 2-4 months after the purchase is contracted).
- **Distributions and Tax:** As a Trust, AIT is required to distribute taxable income each year. However, the Trust currently carries very considerable tax losses (in excess of A$400 million), which will likely mean that it will not have taxable income on core investments. These losses will not apply to any investments made outside of the historical investment mandate, though Warana expects to continue to operate within this mandate. Given the Trust is not expected to have taxable income, any distributions (capital returns) will be at the discretion of the Responsible Entity.

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29 August 2018

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

Dear Board Members

Alternative Investment Trust

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

As lead audit partner for the review of the financial report of Alternative Investment Trust for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely

Crowe Horwath Sydney

John Haydon
Senior Partner

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the Trust), which comprises the condensed statement of financial position as at 30 June 2018, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed 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 2018 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.

Crowe Horwath.
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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 2018 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

Without modifying our conclusion, we draw attention to Note 7 in the financial report which describes the basis upon which the fair value of the Total Return Swap has been determined and the conditions of the underlying investment funds. The liquidity and the uncertainty of the timing of redemptions from the underlying investments indicate the existence of a material uncertainty that may cast significant doubt about the valuation and recoverability of the Total Return Swap. The financial report does not include any adjustments relating to the recoverability of the Total Return Swap.

Crowe Horwath Sydney

Crowe Horwath Sydney

JHaydon

John Haydon
Senior Partner

Dated at Sydney this 29th day of August 2018

Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Income			
Net loss on financial instruments held at fair value through profit or loss	4	(9)	(969)
Interest income		31	39
Other foreign exchange gains/(losses)		195	(85)
Total investment gains/(loss)		217	(1,015)
Expenses			
Responsible entity fees	12 (b)	34	42
Investment management fees	12 (b)	62	45
Other operating expenses	5	235	188
Total operating expenses		331	275
Operating loss attributable to unitholders		**(114)**	**(1,290)**
Decrease in net assets attributable to unitholders		114	1,290
Total comprehensive income		-	-
		Cents	**Cents**
Loss per unit for loss from continuing operations			
Basic and diluted loss per unit	6	(0.11)	(0.99)

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

Condensed Statement of Financial Position as at 30 June 2018

	Note	As at 30 June 2018 $'000	As at 31 December 2017 $'000
Assets			
Cash and cash equivalents		6,553	5,573
Receivables	9	44	36
Financial assets held at fair value through profit and loss	7	5,119	6,859
Total assets		**11,716**	**12,468**
Liabilities			
Payables	10	159	223
Total liabilities (excluding net assets attributable to unitholders)		**159**	**223**
Net assets attributable to unitholders - liability	11	**11,557**	**12,245**

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

Condensed Statement of Changes in Equity for the half-year ended 30 June 2018

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'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 financial half-year.

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

Condensed Statement of Cash Flows for the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Cash flows from operating activities			
Interest received		31	39
Management and responsible entity fees paid		(79)	(81)
Other expenses paid		(324)	(206)
Foreign exchange gain/(loss)		195	(85)
Net cash used in operating activities	8 (b)	**(177)**	**(333)**
Cash flows from investing activities			
Net proceeds from sale of financial assets designated as fair value through profit or loss		1,731	2,740
Net cash provided by investing activities		**1,731**	**2,740**
Cash flows from financing activities			
Proceeds from applications by unitholders		6,775	-
Buyback of units from unitholders		(7,349)	-
Net cash used in financing activities		**(574)**	**-**
Net increase in cash and cash equivalents		980	2,407
Cash and cash equivalents at the beginning of the half-year		5,573	3,418
Cash and cash equivalents at the end of the half-year	8 (a)	**6,553**	**5,825**

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

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

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

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

These condensed financial statements were authorised for issue by the Directors on 29 August 2018. 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
a) Standards and Interpretations adopted in the current period
The following new and revised Standards and Interpretations have been adopted in the current half-year period.

AASB 15 *"Revenue from Contracts with Customers"*
The standard establishes the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Clarifications to IFRS 15 *"Revenue from Contracts with Customers"*
The amendments address implementation questions on (i) identifying performance obligations; (ii) application guidance on principal versus agent and licence of intellectual property; (iii) and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying it.

AASB 9 *"Financial Instruments"*, and the relevant amending standards
The standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

b) Standards and Interpretations in issue but not yet adopted
There are no other Standards and Interpretations that are not yet effective and that are expected to have a material impact on the Trust in the current or future reporting periods.

3. Significant Accounting Policies
The following significant accounting policies have been adopted in the preparation and presentation of the condensed financial statements:

a) Statement of compliance
These condensed 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 condensed 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 2017 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 2017.

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 Loss on Financial Instruments Held at Fair Value through Profit or Loss

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Fair value loss on financial instruments held at fair value through profit or loss	(9)	(969)
Total net loss on financial instruments held at fair value through profit or loss	**(9)**	**(969)**

5. Other Operating Expenses

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Professional fees	70	31
Fund administration and custody expenses	38	64
Other general and administrative expenses	107	51
Auditor's remuneration	20	42
Total other operating expenses	**235**	**188**

6. Loss per Unit

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

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
Loss attributable to unitholders ($'000)	(114)	(1,290)
Weighted average number of units on issue ('000)	107,926	130,692
Basic and diluted loss per unit in cents	(0.11)	(0.99)

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

7. Investments in Financial Instruments

	As at 30 June 2018 $'000	As at 31 December 2017 $'000
Fair value of financial assets designated as fair value through profit or loss		
Total return swap (underlying investment portfolio)	3,878	6,859
Investment in funds	1,215	-
Investments in unlisted unit trusts	26	-
Total financial assets held at fair value through profit or loss	**5,119**	**6,859**

7. Investments in Financial Instruments (continued)

Total Return Swap

The underlying investment portfolio represents the Trust's exposure to the total return swap agreement with Macquarie Bank Limited (the "Swap"). Fair value of the Swap is calculated with reference to the fair value of the absolute return funds held within the Swap. The fair value of these assets is based on the net asset value information received from the underlying fund's administrator, and, where appropriate, estimated performance data from the underlying fund's manager. These fair values are reconciled monthly by the Trust's third party administrator and any changes in fair value reviewed for reasonableness by the Investment Manager. Fair values are also checked against the official Swap valuation provided by Macquarie Bank Limited.

The underlying investment portfolio also includes cash and cash equivalents held within the Swap. This includes cash on hand, unsettled trades, accrued interest on cash balances and any relevant fees in relation to the administration and custody of the Swap and its underlying portfolio. These cash and cash equivalents are carried at amortised cost.

Neither the Investment Manager nor the Responsible Entity has direct input into the valuation methodologies applied by the underlying investment administrators in determining net asset values. However, the Investment Manager on behalf of the Responsible Entity, is in regular contact with both the underlying investment administrators and investment managers and enquires where there are unexpected valuation changes.

The underlying investment portfolio is either liquidating funds or side pocket positions where the underlying investments are highly illiquid and the timing of redemptions from the underlying investments are uncertain. Redemption proceeds may be uncertain and irregular as they are dependent on the timing of underlying managers realising individual illiquid investments.

Investments in Funds and Unlisted Unit Trusts

The Trust has investments in Warana SP Offshore Fund SPC, 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 underlying investment portfolio is classified under level 3 in the fair value hierarchy table as valuations are based on net asset values of the absolute return funds held within the Swap which have underlying level 3 investments. The investments in funds and unlisted unit trusts are also 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 2018, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Total return swap (underlying investment portfolio)	-	-	3,878	3,878
Investment in funds	-	-	1,215	1,215
Investments in unlisted unit trusts	-	-	26	26
Total financial assets held at fair value through profit or loss	**-**	**-**	**5,119**	**5,119**

7. Investments in Financial Instruments (continued)

Fair Value Hierarchy (continued)

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Total return swap (underlying investment portfolio)	-	-	6,859	6,859
Total financial assets held at fair value through profit or loss	**-**	**-**	**6,859**	**6,859**

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 2018 the Trust had $nil (31 December 2017: $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 2018 the Trust had $nil (31 December 2017: $nil) financial instruments in level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2018 the Trust had $5,119,000 (31 December 2017: $6,859,000) 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:

	Level 3 Half-year ended 30 June 2018 $'000	**Level 3 Year ended 31 December 2017 $'000**
Opening balance	6,859	10,731
Change in value of financial assets held at fair value through profit or loss	(9)	(1,132)
Net sales	(1,731)	(2,740)
Closing balance	**5,119**	**6,859**

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 condensed Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	As at 30 June 2018 $'000	As at 30 June 2017 $'000
Domestic cash at bank	6,553	5,825
	6,553	**5,825**

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

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Decrease in net assets attributable to unitholders	**(114)**	**(1,290)**
Net loss on financial instruments held at fair value through profit or loss	9	969
Change in assets and liabilities:		
(Increase)/decrease in other assets	(8)	7
Decrease in trade and other payables	(64)	(19)
Net cash used in operating activities	**(177)**	**(333)**

9. Receivables

	As at 30 June 2018 $'000	As at 31 December 2017 $'000
GST receivable	35	19
Other receivables	9	17
Total receivables	**44**	**36**

10. Payables

	As at 30 June 2018 $'000	As at 31 December 2017 $'000
Responsible entity fees	6	6
Management fees	32	15
Trust administration and custody fees	10	10
Other payables	111	192
Total payables	**159**	**223**

11. Net Assets Attributable to Unitholders

	Half-year ended 30 June 2018	
	No. of Units	$'000
Opening balance as at 1 January 2018	130,692,470	12,245
Proceeds from applications by unitholders	73,638,975	6,775
Buyback of units from unitholders	(80,126,466)	(7,349)
Net loss attributable to unitholders	-	(114)
Closing balance as at 30 June 2018	**124,204,979**	**11,557**

	Year ended 31 December 2017	
	No. of Units	$'000
Opening balance as at 1 January 2017	130,692,470	13,981
Net loss attributable to unitholders	-	(1,736)
Closing balance as at 31 December 2017	**130,692,470**	**12,245**

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 and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-Executive Director
Sarah Wiesener	Company Secretary

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. Prior to 25 May 2017 the responsible entity of the Trust was The Trust Company (RE Services) Limited.

The Responsible Entity charged 0.07% per annum (excluding GST) of gross portfolio value, subject to a minimum of $66,000 per annum. The Former Responsible Entity charged 0.1% per annum (excluding GST) of gross assets, subject to a minimum of $80,000 per annum.

As at 30 June 2018, the responsible entity fees expense incurred by the Trust to the Responsible Entity was $34,485 of which $6,050 (31 December 2017: $6,050) was payable at the end of the period. For the prior half-year, the total responsible entity fees expense was $41,800 and was incurred as follows:

- From 1 January 2017 to 24 May 2017 – $33,260 to Former Responsible Entity
- From 25 May 2017 to 30 June 2017 – $8,540 to Responsible Entity

12. Related Party Transactions (continued)

b) Responsible Entity/Investment Manager fees (continued)

Investment Manager Fees

The investment manager of the Trust is Warana Capital Pty Limited (ACN 611 063 579; AFSL 493579). Prior to 9 October 2017, the investment manager of the Trust was Laxey Partners (UK) Ltd until 25 September 2017. Between 26 September and 8 October 2017 the Responsible Entity was responsible for the management of the Trust.

The Investment Manager received the following fees:

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

The Former Investment Manager received fees equal to the lower of $200,000 or 0.75% of the value of gross assets of the Trust with no distribution fees. The fee arrangement was subject to the overall fee cap of 1.25% per annum of the value of gross assets of the Trust and the responsible entity fee of $80,000. The responsible entity fees and investment manager's fees in total are not to exceed 1.25% per annum of gross assets.

As at 30 June 2018, the management fee expense incurred by the Trust to Warana was $61,724 (30 June 2017: $44,535 to Laxey Partners (UK) Ltd) of which $31,566 (31 December 2017: $14,641) 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 WSPOF have and will continue to be rebated while Warana is the Investment Manager of the Trust.

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 2018, the custody fee expense incurred by the Trust to the OMIFL amounted to $10,250 (30 June 2017: $16,454 to Former Responsible Entity) of which $5,500 (31 December 2017: $5,500) 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 2017: $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") - this trust is issued by OMIFL. The purpose of OHFT is to help facilitate the planned unwind of the Swap. Where the underlying investments cannot be split, OHFT will hold the assets on behalf of the Trust and Everest Alternative Investment Trust on an agreed unit split. The Trust owns 72.93% of OHFT. Fees paid or payable to OMIFL as trustee for the half-year were $1,957 (30 June 2017: $nil). The value of the units in OHFT held by the Trust at 30 June 2018 is $15,531 (30 June 2017: $nil).

2. AIT Sub-Trust No. 1 ("AITST") - this trust is issued by One Funds Management Limited ("OFML"), a subsidiary of OIG and is a wholly owned sub-trust of the Trust. The purpose of AITST is to help facilitate the planned unwind of the Swap. Fees paid or payable to OFML as trustee for the half-year were $1,595 (30 June 2017: $nil). The value of the units in AITST held by the Trust at 30 June 2018 is $10,115 (30 June 2017: $nil).

These units were valued at $25,646 (30 June 2017: $nil) 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 $2,937 (30 June 2017: $nil).

13. Commitments and Contingencies

The Trust has committed to invest $4,387,801 (US$3,250,000) (30 June 2017: $nil) in the Warana SP Offshore Fund SPC as at 30 June 2018. Uncalled commitments of the Trust at 30 June 2018 amounted to $3,290,850 (US$2,437,500) (30 June 2017: $nil).

14. Subsequent Events

There has not been any other matter or circumstances 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 in future financial years.

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 2018; 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

Frank Tearle
Director
29 August 2018