Alternative Investment Trust

ARSN 112 129 218

Annual report for the financial year ended 31 December 2019

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Directors' Report

The directors of Columbus Investment Services Ltd (ABN 69 095 162 931; AFSL 221183) ("CISL" or the "Responsible Entity"), the responsible entity of Alternative Investment Trust (ARSN 112 129 218) ("AIT" or the "Trust"), present their report together with the financial report of the Trust for the year ended 31 December 2019.

Responsible Entity

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

Investment Manager

The investment manager of the Trust 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 during the year and to the date of this report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary
Justin Epstein	Non-executive Director (Resigned 1 October 2019)
Michael Sutherland	Executive Director (Appointed 1 October 2019)

Principal Activities

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

The Trust did not have any employees during the year.

Review of Operations

Results

The results of the operations of the Trust are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of the financial statements. The gain attributable to unitholders for the year ended 31 December 2019 was $2,888,000 (2018 gain: $983,000).

Distributions

In respect of the financial year ended 31 December 2019, a distribution of $nil (2018: $nil) was paid to unitholders.

Returns of Capital

In respect of the financial year ended 31 December 2019, returns of capital of $nil (2018: $nil) were paid to unitholders.

Value of Assets and Units Issued

The total value of the Trust's assets at 31 December 2019 is $27,468,000 (2018: $12,844,000). The total number of units on issue as at 31 December 2019 is 248,409,958 (2018: 124,204,979).

Fees Paid and Payable to the Responsible Entity and Investment Manager

Responsible Entity Fees

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

As at 31 December 2019, the responsible entity fee expense incurred by the Trust was $68,970 (2018: $68,970). The responsible entity fee payable as at 31 December 2019 was $6,050 (2018: $6,050).

Directors' Report (continued)

Investment Manager Fees

The Investment Manager received the following fees:

- From 12 February 2018 – 1.5% (excluding GST) of the net asset value of the Trust.

As at 31 December 2019, the management fee expense incurred by the Trust was $156,136 (2018: $115,355). The management fee payable as at 31 December 2019 was $33,542 (2018: $34,164).

Significant Changes in State of Affairs

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

23 July 2019 – the Offer Document for the underwritten 1 for 1 Non-Renounceable Rights Issue with an issue price of $0.095 per unit ("Rights Issue") was lodged on the ASX. The Rights Offer closed on 14 August 2019 and the new Units issued following the Rights Issue commenced trading on 22 August 2019. The Trust issued 124,204,979 new units for a total consideration of $11,799,473, before offer costs (73,441,217 new units were applied for under the Rights Issue and a further 50,763,762 new units were issued to the underwriter).

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

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

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

1 October 2019 - The Trust invested into Warana SP USA III-A LLC.

Aside from the above, there were no other significant changes in the state of affairs of the Trust.

Subsequent Events

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

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

Other than above, there has not been any matter or circumstances occurring subsequent to the end of the year that have 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.

The Investment Manager is reviewing potential corporate actions in unmarketable parcel buybacks, share purchase plans, and on market buybacks depending on the price versus the Net Tangible Asset (NTA).

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

Interests of Directors of the Responsible Entity

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

Directors' Report (continued)

Environmental Regulation and Performance

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

Indemnification of Directors, Officers and Auditors

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

Non-Audit Services

The auditor of the Trust is Crowe Sydney (2018: Crowe Horwath Sydney).

There were no non-audit services performed by the auditor in the current and prior financial 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 Annual Financial Report. Amounts in the Directors' Report and Annual Financial Report have been rounded to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 9.

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

Frank Tearle

Frank Tearle
Director
27 February 2020

Corporate Governance – Responsible Entity

Alternative Investment Trust ARSN 112 129 218 (“AIT” or “Trust”) is a registered managed investment scheme under the Corporations Act 2001 (“Corporations Act”). Columbus Investment Services Ltd (ABN 69 095 162 931; AFSL 221183) (“Responsible Entity”) is the responsible entity for the Trust and establishes the corporate governance policies of the Trust.

The Responsible Entity holds an Australian Financial Services Licence authorising it to operate the Trust and has a duty to act in the best interests of unit holders of the Trust. As a registered managed investment scheme under the Corporations Act, the Trust has a compliance plan that has been lodged with the Australian Securities and Investments Commission (“ASIC”). A copy of the compliance plan can be obtained from ASIC.

The Australian Securities Exchange Limited ("ASX") Corporate Governance Council’s Corporate Governance Principles and Recommendations (“ASX Principles”), in conjunction with the ASX listing rules, require the Trust to disclose in its annual report the extent to which its corporate governance practices follow the ASX Principles and to give reasons why any recommendations have not been followed. The Responsible Entity complies with a majority of the ASX Principles. Where it does not, it is largely in respect of matters where the nature of the regulation of the Trust or of the Trust’s business is such that the board of the Responsible Entity considers that compliance is not appropriate and there is no detriment to unit holders arising from the Trust’s non-compliance. The Responsible Entity’s corporate governance statement can be found on the Trust’s website at https://www.thealternativeinvestmenttrust.com.

Overview

The Alternative Investment Trust ("**AIT**" or the "**Trust**") offers a unique investment opportunity in the Australian listed fund landscape. Investing with confidence is challenging in all market conditions and trying to determine what is priced 'cheaply' or at a discount to fair value is rarely straight forward. The Trust has now allocated over 85% of its assets (including cash yet to be deployed) to the acquisition of global absolute return funds ("**Funds**") via secondary market investment vehicles at significant valuation discounts. We think this exposure positions the Trust favourably from a risk / return perspective in a variety of market conditions.

The Trust is buying Funds that are generally in some form of liquidation from sellers that are frustrated with the process or don't have the patience / flexibility to wait out the sale process. The Funds are generally managed by third parties and produce their own monthly (sometimes quarterly) valuations ("**Fund Value**"). Of the approximately US$7.7 million deployed so far by the Trust into the secondary Funds market, the weighted average acquisition price has been approximately 50% of these valuations. Some of these Funds are challenged and there is good reason why they are discounted; some might even be priced at zero or cents in the dollar. Many, though, are good assets managed by competent people, that, like any reasonable investment, might have material upside above the current Fund Value. Across the Trust's portfolio we only hope to recover approximately 80% of the Fund Value. That means that the Trust is investing into situations where it still hopes to make double digit returns by Fund Values declining by 20%[1]. If underwriting assumptions are too conservative and Fund recoveries increase, upside optionality only increases. In the current climate, the Trust much prefers to invest in this dynamic versus giving a new manager capital at 100 cents in the dollar and relying on growth to make money.

This concept of "discount capture" whereby an asset is bought at a discount to its net asset value and then sold closer to its net asset value is not new. A variety of other investment vehicles seek to utilise this strategy to buy listed funds and pressure boards to address the discount through capital management initiatives and even wind up. We embrace this concept as an investment strategy, but we believe the Trust's exposure to this theme is superior:

- Competition to acquire unlisted funds is materially less than on listed markets – information is scarce, sourcing is difficult (and not available by merely putting orders into a screen) and investors need capital in reasonable scale;
- Sellers don't have a choice to sell their shares on listed markets. It's hard to find a bid – prices are lower and thus return targets can be higher;
- There is more volume available at attractive discounts in the unlisted market – versus a smaller universe of potential listed names; and
- Critically, the Trust is buying situations where the Fund is already in some form of asset sale process (whether formal or otherwise). It doesn't have to rely on potentially complex corporate activism to release the discount to fair value.

Much of the Trust's investment activity to date has been Funds that would be categorised as hedge funds, particularly those Funds that have stopped investing or have moved certain illiquid assets into segregated vehicles. Hedge funds globally face a challenging environment:

- Performance generally has disappointed and underperformed a wide variety of other asset classes;
- Fee structures are under pressure given underperformance and challenges in opportunity sets; and
- Redemptions are increasing as allocators change preferences.

This dynamic has provided the Trust with a vast number of investment opportunities and an expectation of many more to come. Via its exposure in the Warana 2018 Fund and Warana 2019 Fund, in the last 2 years the Trust participated in bidding on:

- US$4.8bn of Fund Value;
- To acquire over 200 distinct funds;
- With underlying Fund Value of acquired funds of US$255 million;
- At an average cost of approximately 50% of Fund Value.

(1) Gross recovery estimates before management and performance fees and operating expenses.

Overview (Continued)

The other key element that makes the Trust unique is its history. The Trust was formed in 2005 and unitholders have unfortunately incurred a significant amount of losses under the various previous investment regimes and before Warana took over management. Our goal is to correct those losses and utilise the benefit of the very significant tax losses that the Trust enjoys which, under certain circumstances, mean that investment gains won't be taxed. The ability to effectively turn pre-tax returns into post-tax returns for investors makes the Trust investment case particularly attractive (Please refer to the important disclaimers at the close of the Investment Manger's Report).

While exposure via secondary markets is the key focus for the Trust currently, it also plans to make select new investments in new Funds and in direct investment situations.

For a Fund investment to be attractive in the primary market, we currently believe it needs to have a specific focus and 'angle' from which it makes uncorrelated and outsized returns. We don't expect to allocate large amounts of capital to generic "long / short absolute return" type managers in the current market climate. We do, however, believe that there are a number of interesting opportunities that meet the risk / return targets of the Trust. An example is the King Street Real Estate Fund that the Trust committed to in November 2018. This fund targets global real estate opportunities that are "out of favour, complex, misunderstood and / or in transitional markets" and the firm has a long track record of success in this sub-strategy. The fund is targeting 15+% returns and thus far reporting seems to be on track for that type of outcome.

We are pleased that many of the important initiatives we have finally finished in the year. The key undertakings included:

- Completion of the unwind of the legacy swap – removed costs, liquidity restrictions and complexity;
- Further reductions in operating costs;
- Completed a 1 for 1 Rights Issue to increase the Trust's scale; and
- Recommencement of distributions to improve liquidity for investors.

The Trust continues to need to improve its scale and efficiency, and on 14 November the Responsible Entity announced a number of initiatives we intend to implement over time to continue to improve the Trust. The Trust continues to have a lot of cash that has subdued performance somewhat; however, this cash has been allocated and is intended to be invested over the balance of 2020. We believe the Trust is well positioned to continue to hit its ongoing investment highlights:

- ✓ Listed exposure to the attractive unlisted Fund secondary market
- ✓ Targeting 12%+ p.a. overall returns (after tax)
- ✓ Tax-effective investment through use of historical tax losses
- ✓ 5%+ yield treated as return of capital (no upfront tax – see Distribution Summary)

Fund Initiatives

AIT has been engaged in a multi-year process of reducing operating costs and simplifying structures as well as right sizing itself to ensure the ongoing cost-effectiveness and relevance of being a listed Trust.

The unwind of the legacy total return swap was completed earlier in the year. AIT now owns all assets in the portfolio directly, which has resulted in a simpler and more cost-efficient structure. The Responsible Entity also sought to improve other costs to better reflect the Trust's size and has announced further initiatives that it intends to implement over time.

The Trust started the year with A$12.7 million of net tangible asset backing ("**NTA**") and clearly needed to grow to warrant being listed. On 14 August 2019, AIT completed a 1 for 1 non-renounceable rights issue ("**Rights Issue**") that raised approximately A$11.8 million, bringing the Trust's pro forma cash position to A$15.9 million (as at 21 August 2019) and total net assets to approximately A$25.4 million[2]. This was another important step in increasing the scale of the Trust to improve its overall economics and to allow it to continue to broaden its investment portfolio. We believe the Trust still needs to grow further over the next few years.

The Trust paid its first distribution since July 2016 on 12 February 2020. The Trust plans to distribute 5% of NTA each year, paid in semi-annual instalments. AIT has also introduced a distribution reinvestment plan to allow existing investors to reinvest their distributions into the Trust without incurring brokerage.

(2) Pro Forma total assets based on published NTA of 0.1099 as at 31 July 2019.

Current Investment Portfolio

The NTA of the Fund grew by 16.2% in the calendar year 2019, adjusted for the impact of dilution of the rights issue (8.4% unadjusted). The Trust also had to invest in a number of one-off costs in order to implement the long term cost saving initiatives outlined above.

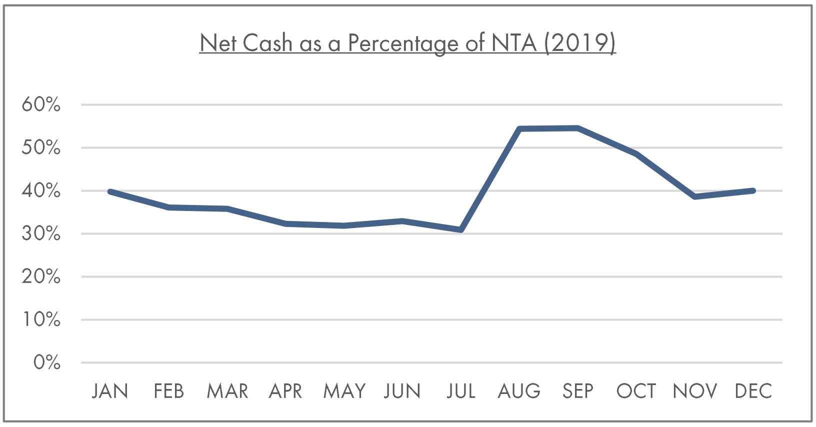
The Trust has also decided to release an additional NTA metric to assist unitholders in the evaluation of the investment portfolio ("**Adjusted NTA**"). The Adjusted NTA discounts the third-party valuations provided to the Trust and updates valuations of Funds purchased on the secondary market to Warana's forecast recovery discounted at a rate of 10% per annum. Further information is contained in the table below. The Trust now utilises this lower Adjusted NTA as the base metric for management fees.

The investment portfolio of the Trust as at 31 December 2019 is as follows:

Asset Breakdown (A$mm) (3)		NTA		Adj. NTA(4)
Secondary Market Funds				
Warana 2018 Fund	$	5.6	$	3.9
Warana 2019 Fund	$	4.6	$	3.9
Fortress PE Funds (5)	$	2.7	$	2.0
Total Secondary Funds	**$**	**12.9**	**$**	**9.8**
Primary Market Funds				
King Street Real Estate Fund	$	1.2	$	1.2
Legacy AIT Funds	$	2.6	$	2.6
Total Primary Funds	**$**	**3.8**	**$**	**3.8**
Direct Assets				
Eastern European Broadband Co.	$	0.4	$	0.4
Net Cash	$	10.3	$	10.3
Total Direct Assets	**$**	**10.7**	**$**	**10.7**
Total	$	27.3	$	24.3

The Trust has now deployed over US$7.7 million into the acquisition of Funds in the secondary market largely via its exposure to the Warana 2018 Fund and Warana 2019 Fund. Both vehicles are extremely diversified with exposure to over 150 Funds each. As at 31 December 2019, the Warana 2019 Fund agreed 15 transactions with a number expected to settle in Q1 2020. We expect AIT's portion of these transactions to be approximately US$3 million in NTA (for US$750k cost). Once settled, these transactions will be included in the Warana 2019 Fund's next quarterly valuation (they remain at cost until settled).

A further US$7.5 million in cash has been allocated to the Warana 2019 Fund and is expected to be called over the next 12 months. Warana 2019 Fund is targeting a net return in excess of 15% p.a. on new investments. The deployment of this cash is expected to improve the cash situation of the Trust which has been a drag on performance in recent months.



(3) Some totals may not sum due to rounding.
(4) Please see Appendix 1 for additional information regarding Adjusted NTA published by the Trust.
(5) Two private equity funds: Fortress Investment Fund V and Fortress Florida Coinvestment Fund, held in a US domiciled partnership.

Current Investment Portfolio (Continued)

The Fortress PE Funds position includes exposure to two private equity funds managed by the large, US based manager, Fortress Investment Group. These funds were acquired on the secondary market at roughly a 50% discount to the Fund Value. By far the largest look-through position is exposure to a US private rail development project in Florida and includes industrial, commercial and retail "transit-oriented" real estate projects. It is expected that this project may take several more years to be completed and sold, but this timeline has been incorporated into Warana's pricing and recovery forecasts.

The King Street Real Estate Fund (Offshore PF), L.P. ("**KS Fund**") is an opportunistic global real estate fund which aims "to produce attractive, risk adjusted returns throughout diverse market environments – with a focus on situations which are out of favor, complex, misunderstood and / or in transitional markets." The KS Fund has made 13 investments across Europe and the US and will shortly be fully called. This investment is currently tracking ahead of our expectations.

The Legacy AIT Funds are the tail-end positions that have been owned by AIT for several years now. Each continues in wind down, returning capital as available, and have now all transferred to direct ownership by the Trust. These assets have valuations provided by the underlying fund managers and, in each case, these are audited. These valuations are not adjusted in either NTA calculation and it remains difficult to forecast the likely timing or recovery values as several involve complex situations in emerging market geographies. We expect these Funds to trade at discounts in the secondary market.

AIT's investment in Warana Co-Investment Fund I ("**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 for a low single digit EBITDA multiple. WCFI is an investor alongside some high-profile private equity and investment firms. The business is performing well and has EBITDA in excess of US$25 million. The business has been approached by buyers on several occasions but has yet to reach any binding liquidity solutions. This position is valued at cost.

Fund Distributions

As at the end of the 2019 tax year, the Trust has in excess of A$400 million in accumulated tax losses and in excess of A$20 million in accumulated capital losses. Under certain circumstances and provided relevant legislative conditions are satisfied, these losses may be able to be applied against future taxable income to reduce the amount of taxable income and therefore the amount of any income distribution.

As discussed above, the Trust has recommenced distributions and is targeting to distribute 5% of NTA per annum in cash to investors. Assuming these tax losses are able to be utilised, the distribution provided by AIT would be classified as an adjustment to a unitholder's cost base and thus generally no tax would initially payable upon receipt. Upon sale the unitholder would, however, have a lower tax base (Please refer to the important disclaimers in the following section).

We hope the distribution and tax treatment are considered attractive Trust attributes in the current interest rate environment.

Disclaimers:

These materials have been prepared by Warana Capital Pty Limited ("Warana Capital") from sources and data believed to be reliable. Warana Capital makes no express or implied warranty as to the completeness or accuracy of the information in this report. Any projections, market outlooks or estimates in this report are based on certain assumptions. Other events which were not taken into account may occur and may significantly affect the risk profile, returns or performance of the Trust. Any projections, outlooks and assumptions should not be construed as indicative of the actual events that will occur. Past performance is not a guarantee, nor necessarily indicative, of future results.

These materials do not constitute investment, legal, tax, accounting or other advice. Potential investors should consult with their own professional advisors for advice on any investment, legal, tax, accounting or other issues relating to an investment in the Trust.

Appendix 1:

Valuation and Adjusted NTA (released on 14 November 2019):

The Trust is becoming increasingly active in purchasing alternative investment funds in the secondary market at discounts to their reported net asset value ("**Secondary Funds**"). The reported value ("**Manager Value**") is provided by a third party and generally audited, meaning that the Manager Value forms the basis of the valuation used in the Trust's accounts in accordance with Accounting Standards and the Responsible Entity's group Valuation Policy. The re-valuation of positions to this level after they are purchased at a discount creates an immediate and significant valuation uplift that the Investment Manager does not necessarily equate to the value for which these positions could be sold. To help better inform Unitholders, the Trust intends to publish an adjusted net tangible asset value ("**Adjusted NTA**"), alongside its regular net tangible asset ("**NTA**") value. For Secondary Funds, the Adjusted NTA will estimate their value at a present value of their future expected cashflows (but only in circumstances where the adjusted value is lower than the Manager Value). The Investment Manager will use the Adjusted NTA for the basis of any remuneration calculations and waive any fees they are entitled to above the Adjusted NTA.

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27 February 2020

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

Dear Directors

Alternative Investment Trust

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

As lead audit partner for the audit of the financial report of Alternative Investment Trust for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Crowe Sydney

Crowe Sydney

JHaydon

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.

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

Opinion

We have audited the financial report of Alternative Investment Trust (the Trust), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Uncertainty in Relation to Valuation of Investments

We draw attention to Note 3(g) and Note 8 in the financial report which describes the basis upon which the fair value of the Investments in Funds and Unlisted Unit Trusts has been determined and the conditions of the underlying investment funds. The liquidity and the uncertainty of the timing of redemptions from the underlying investments indicate the existence of a material uncertainty that may cast significant doubt about the valuation and recoverability of the Investments.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
Valuation of Investments	
The Trust invests in Funds and Unlisted Unit Trusts which are carried at fair value in the statement of financial position. The valuation of the investments is a key audit matter given the liquidity and uncertainty of the timing of redemptions from the investments disclosed in Note 3g) and Note 8 of the Financial Report.	Our procedures in relation to the valuation of the Investments included the following: • agreeing the Net Asset Value ("NAV") of the investments received from the administrator of the Trust to the underlying Funds and the Trust's financial statements; and • Obtaining confirmation of the NAV from the Investment Manager for a sample of investments.

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Trust's annual Report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Responsible Entity for the Financial Report

The directors of the Columbus Investment Services Ltd as Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Sydney

John Haydon
Senior Partner

27 February 2020
Sydney

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Note	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Income			
Net gains on financial instruments held at fair value through profit or loss	5	1,715	1,127
Interest income		22	49
Distribution income		1,892	-
Foreign exchange (losses)/gains		(166)	360
Total investment gains		**3,463**	**1,536**
Expenses			
Responsible entity fees	14 (b)	69	69
Investment manager fees	14 (b)	156	115
Other operating expenses	6	350	369
Total operating expenses		**575**	**553**
Operating income attributable to unitholders		**2,888**	**983**
Increase in net assets attributable to unitholders		(2,888)	(983)
Total comprehensive income		**-**	**-**
		Cents	**Cents**
Gain/(loss) per unit for loss from continuing operations			
Basic and diluted gain per unit	7	1.71	0.85

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 31 December 2019

	Note	31 December 2019 $'000	31 December 2018 $'000
Assets			
Cash and cash equivalents	9 (a)	10,354	4,338
Receivables	10	262	551
Financial assets held at fair value through profit and loss	8	16,852	7,955
Total assets		**27,468**	**12,844**
Liabilities			
Payables	11	128	191
Total liabilities (excluding net assets attributable to unitholders)		**128**	**191**
Net assets attributable to unitholders - liability	12	**27,340**	**12,653**

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

Statement of Changes in Equity for the year ended 31 December 2019

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Total equity at the beginning of the year		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as equity holders	-	-
Total equity at the end of the financial 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 year.

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

Statement of Cash Flows for the year ended 31 December 2019

	Note	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Cash flows from operating activities			
Interest received		22	49
Distribution received		1,008	-
Management and responsible entity fees paid		(225)	(165)
Other expenses paid		(124)	(935)
Net cash provided by/(used in) operating activities	9 (b)	**681**	**(1,051)**
Cash flows from investing activities			
Net (payments for)/proceeds from sale of financial assets designated at fair value through profit or loss		(6,298)	31
Net cash (used in)/provided by investing activities		**(6,298)**	**31**
Cash flows from financing activities			
Proceeds from applications by unitholders	12	11,799	6,774
Buyback of units from unitholders	12	-	(7,349)
Net cash provided by/(used in) financing activities		**11,799**	**(575)**
Net increase/(decrease) in cash and cash equivalents		6,182	(1,595)
Foreign exchange (losses)/gains		(166)	360
Cash and cash equivalents at the beginning of the year		4,338	5,573
Cash and cash equivalents at the end of the year	9 (a)	**10,354**	**4,338**
Non - cash investing activities	9 (c)	884	-

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

1. General Information

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

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

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

The financial statements were authorised for issue by the Directors on 27 February 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Adoption of New and Revised Accounting Standards

a) New Standards and Interpretations

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 Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

Compliance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board (“AASB”) ensures that the financial statements and notes thereto comply with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

b) Basis of preparation

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

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

c) Going concern basis

This financial report has been prepared on a going concern basis.

d) Foreign currency transactions

The functional and presentation currency for the Trust is Australian Dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

The differences arising from these foreign currency translations are recognised in the Statement of Profit or Loss and Comprehensive Income in the year in which they arise.

3. Significant Accounting Policies *(continued)*

e) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

Distributions

Distributions from investments are recognised when the right to receive the payment is established.

Interest income

Interest income is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

f) Cash and cash equivalents

Cash and short term deposits in the Statement of Financial Position comprises cash at bank and on hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

g) Investments in financial instruments

Investments in financial instruments, as defined by AASB 132 *"Financial Instruments: Presentation"*, are categorised in accordance with AASB 9 *"Financial Instruments"*. This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each reporting date.

Designated at fair value through profit or loss

Investments of the Trust that have been designated as at fair value through profit or loss include securities that are held for trading but for which there is no positive intention to hold to maturity. All investments are initially recognised at fair value of the consideration paid excluding transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are re-valued to fair value at each reporting date.

The Trust carries its investments in other funds at fair value based on financial data supplied by the managers of the funds invested in. Changes in the fair value of the investment are included in the Statement of Comprehensive Income as an unrealised appreciation or depreciation on fund investments. Due to the inherent uncertainty of valuation, the value of the investments held by the Trust may differ significantly from the values that would have been used, had a ready market for the investments existed, and these differences could be material to the value of the Trust.

The investments held by the Trust have been designated as at fair value through profit or loss as doing so results in more relevant information. These investments are part of a full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Trust.

h) Payables

Trade and other payables are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services. These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year. The amounts are carried at cost, are unsecured and are usually paid within 30 days of recognition.

i) Receivables

Receivables may include amounts for interest, dividends, distributions, Goods and Services Tax ("GST") recoverable from the Australian Taxation Office ("ATO"), and prepaid fees. Interest is accrued at the reporting date from the time of cash payment. Dividends are accrued when the right to receive payment is established.

3. Significant Accounting Policies *(continued)*

j) Net assets attributable to unitholders

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment in the Trust.

Contributions from unitholders and the net profit/(loss) attributable to unitholders of the Trust are recognised in the Statement of Financial Position as net assets attributable to unitholders.

Non-distributable income is included in net assets attributable to unitholders. The change in this amount each year represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

k) Income tax

Under the current tax legislation, the Trust is not subject to income tax provided that the unitholders are presently entitled to the income of the Trust and that the Trust entirely distributes its taxable income.

There is no income of the Trust to which the unitholders are not currently entitled. Additionally, the Trust's Constitution requires the distribution of the full amount of the net income of the Trust to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Trust, these gains would be included in the taxable income and assessable in the hands of the unitholders.

l) GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

m) Distributions

In accordance with the Trust's Constitution, the Trust distributes all distributable income to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Profit or Loss and Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of investments and foreign exchange gains. Unrealised gains or losses on investments that are recognised in the Statement of Profit or Loss and Comprehensive Income are not distributed until realised. Capital losses are not distributed to unitholders and are retained to be offset against future realised capital gains.

n) Earnings/(loss) per unit

Basic and diluted earnings/(loss) per unit are calculated as profit/(loss) attributable to unitholders in the Trust divided by the weighted average number of units on issue.

o) Impairment of assets

Assets are reviewed for impairment at least each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Current market prices are used to determine recoverable amount.

3. Significant Accounting Policies *(continued)*

p) Critical accounting judgements and key sources of estimation uncertainty

Management has adhered to the Trust's unit pricing policy which sets out the basis upon which the units of the Trust have been valued, a copy of which is available upon request. In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in note 3 g) of these financial statements.

4. Segment Information

AASB 8 "*Operating Segments*" requires operating segments to be identified on the basis of internal reports about components of the Trust that are regularly reviewed by the Investment Manager in order to allocate resources to the segment and to assess its performance.

The Trust engages in one business activity from which it earns revenues, being investment returns, and its results are analysed as a whole by the Investment Manager. As such, the Trust has one reportable operating segment.

5. Net Gain on Financial Instruments Held at Fair Value through Profit or Loss

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Fair value gains on financial instruments held at fair value through profit or loss	1,715	1,127
Net gains on financial instruments held at fair value through profit or loss	**1,715**	**1,127**

6. Other Operating Expenses

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Professional fees	59	104
Trust administration and custody expenses	137	81
Other general and administrative expenses	105	141
Auditor's remuneration	49	43
Total other operating expenses	**350**	**369**

7. Earnings/(Loss) per Unit

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

	Year ended 31 December 2019	Year ended 31 December 2018
Gain attributable to unitholders ($'000)	2,888	983
Weighted average number of units on issue ('000)	169,123	116,132
Basic and diluted gain per unit in cents	1.71	0.85

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

8. Investments in Financial Instruments

	As at 31 December 2019 $'000	As at 31 December 2018 $'000
Fair value of financial assets designated as fair value through profit or loss		
Investment in funds	16,234	7,937
Investment in unlisted unit trusts	618	18
Total financial assets held at fair value through profit or loss	**16,852**	**7,955**

Investments in Funds and Unlisted Unit Trusts

The Trust has investments in WSPOF 2018, WSPOF 2019, 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 a three level hierarchy. Financial instruments are categorised based on the observable market inputs when estimating their fair value. If different levels of inputs are used to measure a financial instrument's fair value, the instrument's classification within the hierarchy is based on the lowest level of input that was significant to the fair value measurement.

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

The following table shows an analysis of financial instruments held at 31 December 2019, recorded at fair value and presented by level of the fair value hierarchy:

	31 December 2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Investment in funds	-	-	16,234	16,234
Investment in unlisted unit trusts	-	-	618	618
Total financial assets held at fair value through profit or loss	**-**	**-**	**16,852**	**16,852**

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

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

8. Investments in Financial Instruments (continued)

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 31 December 2019 the Trust had $nil (2018: $nil) financial assets held at fair value through profit or loss included in level 1.

Level 2

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

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31 December 2019 the Trust had $16,852,000 (2018: $7,955,000) financial assets held at fair value through profit or loss included in level 3. The instruments are valued using published redemption prices. The values have not been adjusted for liquidity as the Investment Manager is in regular contact with underlying investment managers and deem the current values reasonable.

Reconciliation of level 3 fair values

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

	Level 3 Year ended 31 December 2019 $'000	Level 3 Year ended 31 December 2018 $'000
Opening balance	7,955	6,859
Change in value of financial assets held at fair value through profit or loss	1,715	1,127
Net purchases/(sales)	7,182	(31)
Closing balance	**16,852**	**7,955**

Disclosed fair values

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

9. Cash and Cash Equivalents

(a) Cash and cash equivalents include cash on hand and deposits held with banks. Cash at the end of the 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 31 December 2019 $'000	As at 31 December 2018 $'000
Domestic cash at bank	486	617
Foreign currency holdings	9,868	3,721
	10,354	**4,338**

9. Cash and Cash Equivalents (continued)

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

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Increase in net assets attributable to unitholders	**2,888**	**983**
Net gains on financial instruments held at fair value through profit or loss	(1,715)	(1,127)
Foreign exchange losses/(gains)	166	(360)
Non-cash investment	(884)	-
Change in assets and liabilities:		
Decrease/(increase) in receivables	289	(515)
Decrease in payables	(63)	(32)
Net cash provided by/(used in) operating activities	**681**	**(1,051)**

(c) Non-cash investing activities

Distributions applied to calls on investments	884	-

10. Receivables

	As at 31 December 2019 $'000	As at 31 December 2018 $'000
GST receivable	14	13
Other receivables	248	538
Total receivables	**262**	**551**

11. Payables

	As at 31 December 2019 $'000	As at 31 December 2018 $'000
Responsible entity fees	6	6
Management fees	34	34
Trust administration and custody fees	11	24
Other payables	77	127
Total payables	**128**	**191**

12. Net Assets Attributable to Unitholders

	Year ended 31 December 2019 No. of Units	Year ended 31 December 2019 $'000
Opening balance as at 1 January 2019	124,204,979	12,653
Proceeds from applications by unitholders	124,204,979	11,799
Net gain attributable to unitholders	-	2,888
Closing balance as at 31 December 2019	**248,409,958**	**27,340**

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

13. Financial Risk Management Objectives and Policies

The initial purpose of the investment portfolio was to meet the Trust's investment objective of positive risk adjusted, absolute returns over the medium to long term and in all market conditions. The strategy for achieving this objective focused on obtaining exposure to a portfolio of international absolute return funds ("Underlying Investment Portfolio") and select subordinated debt and equity company investments.

As approved by the unitholders during the extraordinary general meeting held on 12 February 2018, the Trust has re-commenced investment activities using the same investment objective and strategy previously employed by the Trust.

Risks arising from holding financial instruments are inherent in the Trust's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Trust comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial assets such as trade debtors and creditors, which arise directly from operations.

The Responsible Entity has delegated the responsibility for identifying and controlling the risks that arise from these financial instruments to the Investment Manager under the Investment Management Agreement.

The Trust is exposed to credit risk, market risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Investment Manager on behalf of the Responsible Entity to manage these risks are discussed below.

a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract and cause the Trust to incur a financial loss.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. This risk may be minimised by ensuring counterparties, together with the respective credit limits are approved. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position. The Trust does not currently have any exposure to derivatives.

13. Financial Risk Management Objectives and Policies (continued)
a) Credit risk (continued)

The Trust's financial assets have credit risk exposure to the following geographic regions:

31 December 2019	**Australia**	**US**	**Total**
	$'000	**$'000**	**$'000**
Cash and cash equivalents	486	9,868	10,354
Receivables	68	194	262
Financial assets held at fair value through profit or loss	967	15,885	16,852
Total	**1,521**	**25,947**	**27,468**

31 December 2018	**Australia**	**US**	**Total**
	$'000	**$'000**	**$'000**
Cash and cash equivalents	617	3,721	4,338
Receivables	58	493	551
Financial assets held at fair value through profit or loss	367	7,588	7,955
Total	**1,042**	**11,802**	**12,844**

b) Liquidity risk

Liquidity risk is the risk that the Trust will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments or satisfy creditors' claims of the Trust. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The Investment Manager manages the cash flow risk by preparing monthly cash flow forecasts to ensure that upcoming commitments can be met by the Trust, as and when they fall due.

The table below shows the Trust's financial liabilities into relevant maturity groupings based on the remaining period from 31 December 2019 to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances due equal their carrying values, as the impact of discounting is not considered significant.

Amounts payable to unitholders are classified as a financial liability. The Trust is currently undergoing an orderly realisation of assets. Due to the uncertainty of the timing of redemptions from the underlying investments, it is not possible to determine the timing in which net assets attributable to unitholders will be paid to unitholders. As such, maturity analysis has not been conducted on the net assets attributable to unitholders.

	Less than 1 month	**1-12 months**	**Greater than 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 31 December 2019				
Payables	128	-	-	128
As at 31 December 2018				
Payables	191	-	-	191

13. Financial Risk Management Objectives and Policies (continued)

c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices or will be adversely affected as a result of market illiquidity. This risk is managed by ensuring that all activities are transacted in accordance with investment guidelines.

i. Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency, and transactional exposure arising from the sale of securities.

The Investment Manager and Responsible Entity have not hedged the Trust's exposure to the US dollar. However, when funds are available, these are converted from US dollars to Australian dollars and transferred to the Trust's Australian dollar denominated bank account.

The following table indicates the currencies to which the Trust has exposure quoted in AUD equivalents:

31 December 2019	**AUD $'000**	**USD $'000**	**Total $'000**
Assets			
Cash and cash equivalents	486	9,868	10,354
Receivables	68	194	262
Financial assets held at fair value through profit or loss	967	15,885	16,852
Total assets	1,521	25,947	27,468
Liabilities			
Payables	138	(10)	128
Total liabilities (excluding net assets attributable to unitholders)	138	(10)	128
Net assets attributable to unitholders	**1,383**	**25,957**	**27,340**
Total foreign currency exposure	-	25,957	25,957
Net foreign currency exposure	**-**	**25,957**	**25,957**

31 December 2018	**AUD $'000**	**USD $'000**	**Total $'000**
Assets			
Cash and cash equivalents	617	3,721	4,338
Receivables	58	493	551
Financial assets held at fair value through profit and loss	367	7,588	7,955
Total assets	1,042	11,802	12,844
Liabilities			
Payables	154	37	191
Total liabilities (excluding net assets attributable to unitholders)	154	37	191
Net assets attributable to unitholders	**888**	**11,765**	**12,653**
Total foreign currency exposure	-	11,765	11,765
Net foreign currency exposure	**-**	**11,765**	**11,765**

13. Financial Risk Management Objectives and Policies (continued)

c) Market risk (continued)

i. Currency risk (continued)

The following table demonstrates the sensitivity of the Trust's Statement of Profit or Loss and Other Comprehensive Income to a reasonable change in foreign exchange rates, with all other variables held constant.

	Change in foreign exchange rate	Effect on net profit attributable to unitholders $'000
Year ended 31 December 2019		
USD/AUD	10%/(10%)	2,596/(2,596)
Year ended 31 December 2018		
USD/AUD	10%/(10%)	1,177/(1,177)

ii. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Trust's exposure to interest rate risk is set out in the following table:

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
31 December 2019			
Assets			
Cash and cash equivalents	10,354	-	10,354
Receivables	-	262	262
Financial assets held at fair value through profit or loss	-	16,852	16,852
Total assets	10,354	17,114	27,468
Liabilities			
Payables	-	128	128
Total liabilities (excluding net assets attributable to unitholders)	-	128	128
Net exposure	**10,354**	**16,986**	**27,340**

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
31 December 2018			
Assets			
Cash and cash equivalents	4,338	-	4,338
Receivables	-	551	551
Financial assets held at fair value through profit or loss	-	7,955	7,955
Total assets	4,338	8,506	12,844
Liabilities			
Payables	-	191	191
Total liabilities (excluding net assets attributable to unitholders)	-	191	191
Net exposure	**4,338**	**8,315**	**12,653**

13. Financial Risk Management Objectives and Policies (continued)

c) Market risk (continued)

ii. Interest rate risk (continued)

The following table demonstrates the sensitivity of the Trust's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on the volatility of change in the AUD cash interest rate over the last 10 years:

	Change in basis points increase/(decrease)	Sensitivity of interest income/expense to increase/(decrease) in interest rate $'000	Sensitivity of changes in fair value of financial assets/liabilities $'000
Year ended 31 December 2019			
AUD interest rate	25bp/(25bp)	26/(26)	-
Year ended 31 December 2018			
AUD interest rate	25bp/(25bp)	11/(11)	-

iii. Price risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The Trust is not directly correlated with any particular stock market indices. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As at 31 December 2019, a positive 5% sensitivity on the Underlying Investment Portfolio would have had an impact in the Trust's Statement of Profit or Loss and Other Comprehensive Income and net assets attributable to unitholders of $842,600 (2018: $397,750). A negative sensitivity would have an equal but opposite impact.

Investment strategy

The Investment Manager's strategy is to gain exposure to a portfolio of leading international absolute return funds and selected direct investments in subordinated debt and equity co-investments.

The total number of securities transactions, together with total brokerage paid during the period ended 31 December 2019 was:

Number of transaction: 122 (excluding the on market buyback)

Brokerage paid: $nil (excluding the on market buyback)

13. Financial Risk Management Objectives and Policies (continued)
c) Market risk (continued)
iii. Price risk (continued)
Investment strategy (continued)
The investment summary of the Fund as at 31 December 2019 is listed as below.

AUD
AIT Sub Trust No1
One HF Trust
Warana Co-Investment Fund I

USD
Axon Partners (Offshore), Ltd
Cerberus Interenational SPV, Ltd
GSO Special Situations Overseas Fund, Ltd.
King Street Real Estate Fund (Offshore PF), L.P.
Sculptor Asia Overseas Fund, Ltd
Sculptor Overseas Fund II, Ltd – Class H
Sculptor Overseas Fund II, Ltd – Class C
Sculptor Overseas Fund, Ltd
Perry Partners International Inc
Warana SP Offshore Fund SPC - 2018 Segregated Portfolio
Warana SP Offshore Fund SPC - 2019 Segregated Portfolio
WARANA SP USA III-A LLC

Capital management
The Responsible Entity and Investment Manager's objective when managing capital is to continue the same investment objective previously employed by the Trust as it re-commenced investment activities in 2018.

14. 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
Sarah Wiesener	Executive Director and Company Secretary
Justin Epstein	Non-executive Director (Resigned 1 October 2019)
Michael Sutherland	Executive Director (Appointed 1 October 2019)

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 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 year end.

b) Responsible Entity/Investment Manager fees
Responsible Entity fees
The responsible entity of the Trust is Columbus Investment Services Ltd ("Responsible Entity").

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

As at 31 December 2019, the responsible entity fees expense incurred by the Trust to the Responsible Entity was $68,970 (2018: $68,970) of which $6,050 (2018: $6,050) was payable at the end of the period.

14. Related Party Transactions (continued)

b) Responsible Entity/Investment Manager fees (comtinued)

Investment Manager Fees

The investment manager of the Trust is Warana Capital Pty Limited (the "Investment Manager").

The Investment Manager received the following fees:

- From 12 February 2018 – 1.5% (excluding GST) of the net asset value of the Trust.

As at 31 December 2019, the management fee expense incurred by the Trust to the Investment Manager was $156,136 (2018: $115,355) of which $33,542 (2018: $34,164) was payable at the end of the period.

It is noted that all management fees and performance fees relating to the Trust's holding in WSPOF 2018 and WSPOF 2019 have and will continue to be rebated while Warana is the Investment Manager of the Trust. Total rebate credited to the Trust was $115,275 (2018: $28,291) of which $44,693 (2018: $15,876) was receivable at the end of the period.

c) Other fees paid to related parties

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

As at 31 December 2019, the custody fee expense incurred by the Trust amounted to $21,099 (2018: $20,715) of which $5,706 (2018: $19,387) was payable at year-end.

d) Holding of units

During or since the end of the financial year, none of the directors of the Responsible Entity held units in the Trust, either directly, indirectly, or beneficially (2018: $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 this trust. The purpose of OHFT was to help facilitate the 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 year were $5,848 (2018: $5,878). The value of the units in OHFT held by the Trust at 31 December 2019 is $128,204 (2018: $8,553).

2. AIT Sub-Trust No. 1 ("AITST") – One Fund Management Limited ("OFML") is the trustee of AITST, OFML is a subsidiary of OIG and AITST is a wholly owned sub-trust of the Trust. The purpose of AITST was to help facilitate the unwind of the Swap. Fees paid or payable to OFML as trustee for the year were $5,373 (2018: $4,284). The value of the units in AITST held by the Trust at 31 December 2019 is $489,275 (2018: $9,196).

These units were valued at $617,479 (2018: $17,749) and were included within the financial assets as disclosed in note 8.

Both of the above mentioned 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 year were $5,421 (2018: $5,647).

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 year were $nil (31 December 2018: $nil). The value of the units in WCFI held by the Trust 31 December 2019 is $350,000 (31 December 2018: $349,593).

15. Auditor's Remuneration

The auditor of the Trust is Crowe Sydney (2018: Crowe Horwath Sydney).

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Audit and review of financial statements	49,428	49,428
Audit and review of compliance plan	3,553	3,449
Total remuneration	**52,981**	**52,877**

The compliance plan auditor is Ernst & Young (2018: Ernst & Young)

16. Commitments and Contingencies

The Trust has committed to invest $20,293,425 (US$14,250,000) (2018: $6,024,779 (US$4,250,000)) in WSPOF 2018, WSPOF 2019 and King Street Real Estate Fund (Offshore, PF) as at 31 December 2019 and the detail below.

The Trust has committed to invest $4,628,325 (US$3,250,000) (2018: $4,607,184 (US$3,250,000)) in the WSPOF 2018 as at 31 December 2019. The remaining 5% uncalled commitments of $231,416 (US$162,500) was cancelled effective 3 September 2019. Uncalled commitments of the Trust at 31 December 2019 amounted to $nil (US$nil) (2018: $2,303,592 (US$1,625,000)).

The Trust has committed to invest $14,241,000 (US$10,000,000) in the WSPOF 2019 as at 31 December 2019. Uncalled commitments of the Trust at 31 December 2019 amounted to $10,680,750 (US$7,500,000).

The Trust has committed to invest $1,424,100 (US$1,000,000) (2018: $1,417,595 (US$1,000,000)) in the King Street Real Estate Fund (Offshore, PF) as at 31 December 2019. Uncalled commitments of the Trust at 31 December 2019 amounted to $321,350 (US$225,651) (2018: $653,017 (US$460,651)).

17. Subsequent Events

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

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

Other than above, there has not been any matter or circumstances occurring subsequent to the end of the year that have 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 31 December 2019; and

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust.

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

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

Frank Tearle

Frank Tearle
Director
27 February 2020

Unitholder Information

The following unitholder information is provided as at 19 February 2020. Please read in conjunction with the ASX announcements.

a) Distribution of Unitholders

Size of holding	**Number of unitholders**	**Number of units**	**% of units issued**
Ranges			
1 to 1,000	421	210,240	0.08%
1,001 to 5,000	197	495,374	0.20%
5,001 to 10,000	74	554,171	0.22%
10,001 to 100,000	76	2,235,659	0.90%
100,001 and over	31	246,373,836	98.60%
Total	**799**	**249,869,280**	**100.00%**

b) 20 Largest Unitholders

Rank	**Name of unitholder**	**Number of units**	**% of units issued[1]**
1	BLANN INVESTMENTS PTY LTD	105,809,234	42.35%
2	DYNASTY PEAK PTY LTD	36,032,742	14.42%
3	RESURGENCE CAPITAL PTY LIMITED	32,660,579	13.07%
4	BOJU PTY LTD	23,840,504	9.54%
5	PAGETDALE PTY LIMITED	16,132,717	6.46%
6	G W HOLDINGS PTY LTD	12,691,932	5.08%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,169,225	1.67%
8	MR TERRENCE JOSEPH CAPLICE	3,750,000	1.50%
9	APRO INVESTMENTS PTY LIMITED	2,284,630	0.91%
10	MR DONALD KEITH FIDGE	1,761,210	0.70%
11	STONEGLEN PTY LTD	1,373,914	0.55%
12	ASSUMO (NOMINEES) PTY LTD	750,000	0.30%
13	MORBRIDE PTY LTD	615,354	0.25%
14	DANIEL P MOSES (NOMINEES) PTY LIMITED	550,000	0.22%
15	BACKYARD CRICKET PTY LIMITED	543,480	0.22%
15	DAVDAN INVESTMENTS PTY LTD	543,480	0.22%
16	SHIELD INVESTMENTS PTY LIMITED	512,831	0.21%
17	LMJ INVESTMENT COMPANY PTY LIMITED	286,957	0.11%
18	MR WANHEE LEE & MRS HWA SOOK LEE	225,000	0.09%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	220,000	0.09%
20	MR CLIVE GORDON PIRIE & MRS JOYCE CAROLINE PIRIE	215,640	0.09%
Total		**244,969,429**	**98.04%**

1 Balance includes DRP units issued 12 February 2020, 1,459,322 units.

Unitholder Information (continued)

c) Substantial Unitholders

Name of unitholder	Number of units	% of units issued[2]
Blann Investments Pty Ltd	105,809,234	42.59%
Resurgence Capital Pty Limited[1]	27,545,634	22.18%
Geoff Wilson and associated entities	48,936,537	19.70%
Pagetdale Pty Ltd	16,132,717	6.49%

1 Please note that percentage held by Resurgence Capital Pty Limited post the rights issue is still 22.18% as they subscribed to their full entitlement resulting in 55,091,268 units.

2 Percentage per substantial notices lodged with the ASX.

d) Voting Rights

Voting rights which may attach to or be imposed on any unit or class of units is as follows:

(a) On a show of hands every unitholder present will have 1 vote; and

(b) On a poll every unitholder present will have 1 vote for each dollar of the value of the total interest they have in the Trust

Other Information

Company Secretary
Frank Tearle and Sarah Wiesener are company secretaries of Columbus Investment Services Ltd.

Directors
Frank Tearle
Sarah Wiesener
Justin Epstein - Non-executive Director (Resigned 1 October 2019)
Michael Sutherland (Appointed 1 October 2019)

Stock exchange listing
The Trust's units are listed on the Australian Securities Exchange and are traded under the code "AIQ".

Marketable parcels
The number of unitholders holding less than a marketable parcel of $500 worth of units is 609 and they hold a total 660,614 units.

Buy-back
During the year ended 31 December 2019 there was no Buy-back conducted for the Trust.

Voluntary escrow
There are no restricted units in the Trust or units subject to voluntary escrow.

Unquoted units
There are no unquoted units on issue.

Registered office of the Responsible Entity
Columbus Investment Services Ltd
Level 11, 20 Hunter Street
Sydney NSW 2000
Phone: +61 2 8277 0000
Fax: +61 2 8580 5700

Unit registry

Name:	Link Market Services Limited
Street address:	Level 12, 680 George Street Sydney NSW 2000
Postal address:	Locked Bag A14 Sydney South NSW 1235
Phone (inside Australia):	1800 502 355
Phone (outside Australia):	+61 2 8280 7111
Fax:	+61 2 9287 0303
Email:	registrars@linkmarketservices.com.au
Website:	www.linkmarketservices.com.au

Auditor
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