



Columbus Investment Services Ltd
as responsible entity for Alternative Investment Trust
ARSN 112 129 218 ASX Code: AIQ (AIQ or AIT)

ASX ANNOUNCEMENT

14 August 2020

AIT NTA Fact Sheet July 2020

Please find attached the AIT NTA Fact Sheet for July 2020

Authorised for release by Columbus Investment Services Limited ACN 095 162 931 AFSL 221183 (**Responsible Entity**), the responsibility entity of the Alternative Investment Trust, and Warana Capital Pty Limited ACN 611 063 579 AFSL 493579, the investment manager of AIQ.

For additional information on AIQ, including the latest fact sheet, please refer to www.thealternativeinvestmenttrust.com

For any enquiries please contact the Responsible Entity on 02 8277 0000.



Fund Facts as at 31 July 2020

| | |
|--------------------------------------|--|
| Net Tangible Asset Backing ('NTA') | AUD 28.95 million |
| NTA per unit | AUD 0.1046 |
| Adjusted NTA per unit ⁽¹⁾ | AUD 0.0936 |
| Units on issue | 276,789,280 (278,427,581 as at 11 Aug. 2020) |

Portfolio Overview as at 31 July 2020

| Asset Breakdown (A\$m) | NTA | Adj. NTA ⁽¹⁾ |
|--|----------------|-------------------------|
| Secondary Market Funds | | |
| Warana 2018 Fund | \$ 4.8 | \$ 3.3 |
| Warana 2019 Fund | \$ 6.9 | \$ 5.8 |
| Fortress PE Funds ⁽²⁾ | \$ 2.5 | \$ 2.1 |
| Total Secondary Funds | \$ 14.3 | \$ 11.2 |
| 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 | | |
| VGI Partners Asian Investments Limited (ASX:VG8) | \$ 0.9 | \$ 0.9 |
| ThinkSmart Limited (LSE:TSL) | \$ 0.7 | \$ 0.7 |
| Eastern European Broadband Co. | \$ 0.3 | \$ 0.3 |
| Other Direct Assets | \$ 0.1 | \$ 0.1 |
| Net Cash | \$ 8.8 | \$ 8.8 |
| Total Direct Assets | \$ 10.9 | \$ 10.9 |
| Total | \$ 28.9 | \$ 25.9 |

| | | |
|---|---------------|---------------|
| Cents per Unit (31 July 2020) | 10.46 | 9.36 |
| Cents per Unit (30 June 2020) | 11.17 | 9.79 |
| Distribution - Cents per Unit | 0.28 | 0.28 |
| Monthly Change (%) per Unit (Adj. for Distribution) | -3.85% | -1.53% |

| Top Look-through Positions | A\$m | % of NTA |
|--|--------|----------|
| Fortress PE Funds ⁽²⁾ | \$ 4.1 | 14.0% |
| Axon Partners | \$ 1.5 | 5.3% |
| Crestline Offshore Recovery Fund II, L.P. | \$ 1.5 | 5.2% |
| King Street Real Estate Fund | \$ 1.2 | 4.2% |
| VGI Partners Asian Investments Limited (ASX:VG8) | \$ 0.9 | 3.1% |
| SFR Holdings | \$ 0.9 | 3.1% |
| ThinkSmart Limited (LSE:TSL) | \$ 0.7 | 2.5% |
| Drawbridge Special Opportunities Funds | \$ 0.7 | 2.4% |

Portfolio Update and Commentary

- AIT'S NTA per unit decreased by 3.8% in July and the adjusted NTA decreased by 1.5% again primarily due to the strengthening of the AUD versus USD (3.47% cost). Note both amounts are adjusted for the A\$0.0028 per unit distribution with ex-date 17 July 2020.
- We continue to be pleased with the underlying portfolio and the adjusted NTA was up 2.0% in the month on a USD basis. The Warana 2019 Fund continues to deploy capital at attractive returns and we received further detail on the Fortress PE Funds sale process giving us additional comfort that it will proceed, although we have pushed back the timing to early 2021 for conservatism.
- The Trust's exposure to VGI Partners Asian Investments Limited (ASX:VG8) has been disappointing given that it continues to trade at depressed levels at over a 20% discount to NTA – an NTA that is approximately half cash.
- During the month, the Trust made a new investment in the equity of ThinkSmart Limited ("ThinkSmart;" LSE:TSL). ThinkSmart has a net 6.5% stake in ClearPay Finance Limited ("ClearPay") which is Afterpay Ltd's ("Afterpay") "buy now, pay after" instalment payments solution platform in the United Kingdom. ThinkSmart and Afterpay have put and call arrangements in 2023 over the ClearPay minority position which we expect to backstop an exit. We believe ThinkSmart is significantly undervalued given ClearPay's growth (now over 1m active customers), its importance to Afterpay, and the likely pricing mechanisms under the put and call arrangements.

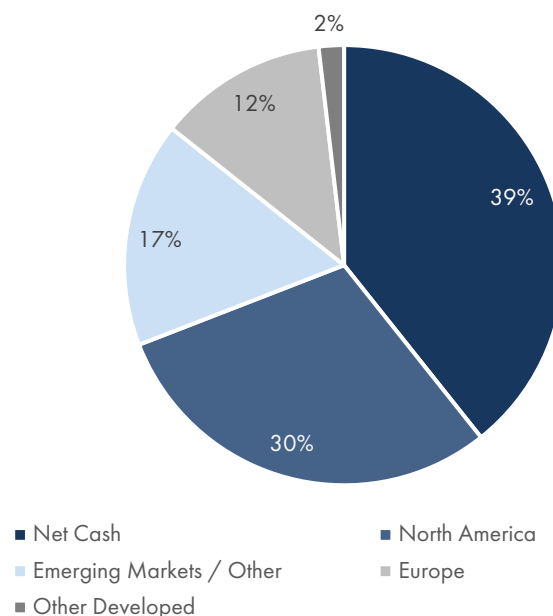
(1) Accounting standards require that underlying funds be held at the valuations provided by their third-party administrators and auditors. This results in an immediate valuation uplift for funds purchased in the secondary market at discounts to this value. The Adjusted NTA adjusts the value of funds purchased in the secondary market using the lower of their reported valuations and the Warana's estimated projected recovery cash flows discounted at 10% p.a.

(2) Two private equity funds: Fortress Investment Fund V and Fortress Florida Coinvestment Fund, held in a US domiciled partnership.

Investment Objective & Strategy

| | |
|-----------------------------|---|
| Investment Objective | The objective of AIT is to generate attractive pre-tax risk-adjusted absolute returns over the medium to long term while maintaining a focus on capital preservation. |
| Investment Strategy | The strategy of AIT is to gain exposure to a portfolio of leading international absolute return funds and selected direct investments in subordinated debt and equity co-investments. |

Underlying Geographic & Cash Allocation (Incl. Look-through)



Note: The geographic allocation is estimated by the Investment Manager based upon available information and, therefore, may be inaccurate. The geographic allocation should be considered indicative only.

Currency Exposure and Performance

| Exposures: | Investment Port. | Cash Balances | Total |
|------------|------------------|---------------|-------|
| USD | 92% | 97% | 93% |
| AUD | 5% | 0% | 3% |
| GBP | 4% | 4% | 4% |

July 2020 Performance

| | | | |
|-----------------|----------|-----------------|----------|
| Closing AUD/USD | \$0.7144 | Closing AUD/GBP | \$0.5461 |
| AUD/USD | 3.5% | AUD/GBP | -1.9% |
| AIT Impact | -3.1% | AIT Impact | 0.1% |

Note: Some totals may not sum due to rounding.



Company Data and Information

| | | | |
|---------------------------|--|------------------------|--|
| Responsible Entity | Columbus Investment Services Limited ('Columbus') ABN 69 095 162 931 AFSL 221183 | Management Fee | 1.5% plus GST |
| Investment Manager | Warana Capital Pty Limited ('Warana') ABN 44 611 063 579 AFSL 493579 | Performance Fee | 20% plus GST of NTA outperformance over 8% pa hurdle |
| Administrator | Unity Fund Services | ISIN | AU000000AIUQ2 |
| Custodian | One Managed Investment Funds Limited | SEDOL | B1BOGT6 |
| | | ARSN | 112 129 218 |
| | | Domicile | Australia |
| | | Currency | AUD |
| | | Exchange | ASX |

About the Responsible Entity of AIT

Columbus is a member of One Investment Group ('OIG') which is an independent funds management business specialising in providing Responsible Entity, Trustee, Custody and Administration services. One Investment Group is responsible for in excess of 250 funds and \$17bn in a wide range of underlying asset classes including infrastructure, real estate, equities, fixed income, private equity and fund of funds. OIG is not a fund manager and its clients include global and Australian listed companies, sovereign wealth funds, banks, insurance companies, pension funds, private equity firms and boutique managers.

About the Investment Manager of AIT

Warana Capital Pty Limited focuses on managing portfolios invested in third party funds and has core expertise in acquiring and managing funds acquired in the secondary market. The underlying funds and assets acquired are generally illiquid with uncertain holding periods to ultimate recovery. Warana has significant experience acquiring these funds at sufficient discounts to deliver absolute and annualised returns notwithstanding the time period and recovery uncertainty.

Distribution Policy

Subject to sufficient cash reserves, AIT intends to distribute 5% per annum of the Trust's NTA, paid in semi-annual instalments. As at the end of the 2019 tax year, the Trust has in excess of A\$400m in accumulated tax losses and in excess of A\$20m 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. Unitholders may reinvest distributions by purchasing additional units through the Trust's Distribution Reinvestment Plan ('DRP'). Participation in the Plan is optional and is open to all eligible unitholders. Further information is included in the published DRP.

AIT Valuation

The monthly NTA of AIT is released by the 14th of each month and is available from AIT's website and the ASX. The NTA is unaudited and is calculated by aggregating the fair values provided by the underlying fund managers and their third-party administrators ('Manager Value'). Unaudited valuations are generally provided to AIT monthly /quarterly and the underlying funds are audited annually. The investment funds are largely illiquid and Warana believes that:

- it will likely take several years to fully receive liquidation proceeds; and
- if sold today, many holdings would be realised at discounts to their prevailing Manager Value.

AIT also makes investments in funds via the secondary market at a discount to the Manager Value. AIT's advisors have concluded that accounting principles require that these positions be written up to the Manager Value once the trade has settled. Thus, AIT applies the Manager Value to all funds (including look-through funds) in calculating its NTA. It generally takes 6-8 weeks to receive the Manager Values from the underlying funds, which causes a similar lag in the inclusion in the AIT NTA.

When funds are acquired in the secondary market, they are often done so at a price that reflects Warana's expectation that ultimate recovery will be lower than the Manager Value and that recovery will take several years (hence the purchase discount to Manager Value). As an additional resource for Unitholders, AIT has included an Adjusted NTA calculated by AIT's Investment Manager to adjust for underlying funds that have been acquired in the secondary market ('Secondary Funds') at discounts to the Manager Value. It is intended as an additional indicative valuation resource given the re-valuation of Secondary Funds to Manager Value creates an immediate and significant valuation uplift. The Adjusted NTA is equal to the lower of the Manager Value and Warana's estimate of the projected recovery cash flows discounted at a 10% p.a. rate. The Adjusted NTA is indicative only and there is no assurance the value will be achieved - unitholders should take care in relying on this metric as it is not produced or reviewed by a third party to AIT. Neither Warana nor the Responsible Entity make any express or implied warranty as to the completeness or accuracy of any projections, market outlooks or estimates used in estimating the Adjusted NTA. The Adjusted NTA is estimated using third-party information and other assumptions which may prove inaccurate.

Historical Performance (Adjusted for Distributions)

| (See notes below) | NTA | | Adjusted NTA | |
|------------------------------------|---------|-----------|--------------|-----------|
| | Diluted | Undiluted | Diluted | Undiluted |
| 1 Month | -3.8% | -3.8% | -1.5% | -1.5% |
| 3 Months | -9.7% | -9.7% | -6.0% | -6.0% |
| 6 Months | -4.5% | -3.3% | -3.3% | -3.1% |
| YTD | 5.5% | 6.8% | 2.8% | 3.0% |
| Since Inv. Strategy Restart (p.a.) | 7.3% | 10.7% | 3.0% | 5.9% |
| Since IM Appointment (p.a.) | 4.9% | 7.9% | 1.3% | 3.8% |

Note: The fund has conducted several capital raises to build scale since the commencement of its investment strategy on 12 February 2018. It conducted a 1-for-1 rights issue in March 2018, a 1-for-1 rights issue in August 2019, a placement in March 2020, a unit purchase plan in April 2020 and offers a distribution reinvestment plan. As a result of the new units issued at discounts to the NTA in some of these events, the NTA was diluted. Returns under the "Diluted" columns for each relevant time period show the movement including the impact of the dilution. Returns under the "Undiluted" columns for each relevant time period show the movement adjusted for the impact of the dilution. "Since Inv. Strategy Restart (p.a.)" returns are annualised returns since the investment strategy commencement. "Since IM Appointment (p.a.)" returns are annualised returns since Warana Capital was appointed as Investment Manager of AIT on 9 October 2017. The Fund first produced an Adjusted NTA for the period ending 31 October 2019. Adjusted NTA performance relative to periods before this date utilise the regular NTA. Past performance is not indicative of future performance.

Other Information

Numbers in this factsheet are unaudited. For the period up to 31 July 2020 covered by this fact sheet there were no material changes to any of the following: the Trust's risk profile; the Trust's strategy; and key investment personnel related to the Alternative Investment Trust. For information since that date, please refer to either of the following websites www.thealternativeinvestmenttrust.com or www.oneinvestment.com.au/alternative-investment-trust.

Legal Notice

Columbus Investment Services Limited (ABN 69 095 162 931) (AFSL 221183) is the responsible entity of the Alternative Investment Trust (ARSN 112 129 218) ('Fund' or 'AIT'). The information contained in this fact sheet was not prepared by Columbus but was prepared by other parties. While Columbus has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries.

Warana Capital Pty Limited (ABN: 44 611 063 579; AFSL: 493579) is authorised by and registered with the Australian Securities and Investments Commission. Warana is the investment manager of the Alternative Investment Trust. All references to Warana 2018 Fund and Warana 2019 Fund in this document mean Warana SP Offshore Fund SPC - 2018 Segregated Portfolio and Warana SP Offshore Fund SPC - 2019 Segregated Portfolio, respectively. Warana believes that the information contained in this fact sheet is accurate when issued. Warana does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of Warana and its associates. This fact sheet should be regarded as general information only rather than advice. In preparing this fact sheet, Warana did not take into account the investment objectives, financial situation and particular needs of any individual person.

AIT is exposed to foreign exchange risk as a result of investments in financial instruments denominated in foreign currencies, particularly US dollars. This risk is implicit in the value of portfolio securities denominated in a foreign currency and transactional exposure arising from the purchase or sale of securities. The Investment Manager and Responsible Entity have not hedged AIT's exposure to the US dollar. The information contained in this fact sheet must not be copied or disclosed in whole or in part without the prior written consent of Warana, and Warana accepts no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this fact sheet constitute Warana's judgement at the time of issue and may be subject to change without notice. Warana is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither Warana nor any of their directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this fact sheet.

Columbus and Warana do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither Columbus nor Warana, including their directors, senior executives, employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this fact sheet. Warana only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this fact sheet is current as at 31 July 2020.

Third party data is owned by the applicable third party identified and is provided for your internal use only. Such data may not be reproduced or re-disseminated and may not be used to create any financial instruments, products or indices. Such data is provided without any warranties of any kind. Neither the third party data owner nor any other party involved in the publication of this fact sheet can be held liable for any error.

Elective Professional Clients invested in the fund who are individuals may be eligible complainants. If you have a complaint, please write to info@waranacap.com.