

APPENDIX 4D

Half Year Report  
For the half-year ended 30 June 2016

<b>Name of entity:</b> Alternative Investment Trust
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1 **REPORTING PERIOD AND PREVIOUS CORRESPONDING PERIOD**

<b>Current Reporting Period:</b>	<b>6 months to 30 June 2016</b>
Previous Corresponding Period:	6 months to 30 June 2015

2 **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>2.1</b> Investment (loss) / income	Down >100% to (1,111)	830
<b>2.2</b> Change in net assets attributable to unitholders (excluding capital returns)	Down > 100% to (1,688)	327
<b>2.3</b> (loss) / profit attributable to unitholders	Down > 100% to (1,688)	327

	<b>2016</b>		<b>2015</b>	
	<b>Amount per security</b>	<b>Tax deferred</b>	<b>Amount per security</b>	<b>Tax Deferred</b>
<b>2.4</b> Distributions:	-	-	-	-
Final distribution	-	-	-	-
Interim distribution	-	-	-	-

**2.5** Record date for determining entitlements to the final 2016 distribution - 30 June 2016  
No distribution was declared or paid for the half-year ended 30 June 2016 (30 June 2015: \$nil).

**2.6** An explanation of results is indicated on page 2 of the interim financial report.

3 **NET TANGIBLE ASSETS PER SECURITY**

<b>NTA per security as at 30 June 2016 (Ex distribution)</b>	<b>\$0.13</b>
NTA per security as at 30 June 2015 (Ex distribution)	\$0.14

4 **DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**

Not applicable

5 **DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS OR DISTRIBUTIONS AND DIVIDEND OR DISTRIBUTION PAYMENTS**

No distribution was declared or paid for the half-year ended 30 June 2016 (30 June 2015: \$nil).

6 **DETAILS OF ANY DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION**

Not applicable

7 **DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

Not applicable

8 **FOR FOREIGN ENTITIES, WHICH SET OF ACCOUNTING STANDARDS IS USED IN COMPILING THE REPORT**

Not applicable

9 This report is based on the half year report which has been subject to a review by Ernst & Young.

# **Alternative Investment Trust**

ARSN 112 129 218

## **Interim Financial Report for the Half-Year Ended 30 June 2016**

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## **DIRECTORS' REPORT**

The Directors of The Trust Company (RE Services) Limited (the "Responsible Entity"), the Responsible Entity of Alternative Investment Trust ("AIT"), present their report together with the financial report of AIT for the half-year ended 30 June 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

### **RESPONSIBLE ENTITY**

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 18, 123 Pitt Street, Sydney, NSW 2000. The Responsible Entity is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT).

### **Investment Manager**

Laxey Partners (UK) Ltd ("Laxey" or the "Investment Manager") is the Investment Manager of AIT.

### **Directors of the Responsible Entity**

The Directors of the Trust Company (RE Services) Limited, during the half-year and until the date of this report (unless otherwise stated) were:

Andrew Cannane  
Christopher Green  
Michael Vainauskas  
Glenn Foster  
Rodney Garth Ellwood (Alternate Director for each of Andrew Cannane and Christopher Green)

### **PRINCIPAL ACTIVITIES**

AIT is a registered managed investment scheme domiciled and registered in Australia and listed on the ASX [AIQ]. AIT has exposure to a portfolio of absolute return funds via a swap agreement with Macquarie Bank Limited (the "Swap").

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

AIT is currently in a process of asset realisation. During the half-year ended 30 June 2016, the Responsible Entity has not made any capital return (2015: \$5.2 million). From the date of appointment of Laxey and the Responsible Entity to 30 June 2016, capital of \$230.1 million (2015: \$230.1 million) was returned to shareholders.

Other than as noted above in the opinion of the Directors of the Responsible Entity, there were no significant changes in the state of affairs of AIT that occurred during the half-year.

### **REVIEW AND RESULTS OF OPERATIONS**

During the half-year, AIT continued to engage in its principal activities being asset realisation, the results of which are disclosed in the attached half-year financial statements.

## **DIRECTORS' REPORT (CONTINUED)**

### **REVIEW AND RESULTS OF OPERATIONS (CONTINUED)**

The results of AIT, as represented by the results of its operations, were as follows:

	<b>Half-year ended 30 June 2016 \$'000</b>	30 June 2015 \$'000
Change in net assets attributable to unitholders (before impact of capital returns)	(1,688)	327

### **VALUE OF ASSETS AND UNITS ISSUED**

The total value of AIT's assets at 30 June 2016 is \$16,743,000 (31 December 2015: \$18,388,000). The total number of units on issue as at 30 June 2016 is 130,692,470 (31 December 2015: 130,692,470).

The Responsible Entity initiated a process to consider a range of corporate initiatives to identify opportunities to take advantage of the inherent value of AIT. The process included seeking expressions of interest from prospective investment managers to manage and implement a new investment strategy for AIT going forward to ensure the value of AIT is available to members. As of 30 June 2016 this process had been ongoing.

### **DISTRIBUTION/RETURN OF CAPITAL**

There was no return of capital during the half-year ended 30 June 2016 (2015: \$5.2 million).

### **MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR**

Subsequent to the half year end on 19 July 2016 the Responsible Entity received a request to call a meeting of members of AIT pursuant to sections 252B and 601FM(1A) of the Corporations Act 2001 (Cth) for the purpose of considering and voting on resolutions to remove Perpetual as the responsible entity of AIT and appoint One Managed Investment Funds Limited as the responsible entity. A Notice of Meeting was announced to the market on 9 August 2016 with the meeting to consider the above resolutions to take place on 12 September 2016.

In July 2016, there was one return of capital of \$2.0 million.

Other than the above, there has not been any matter or circumstance that has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- (i) the operations of the entity in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the entity in future financial periods.

### **ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS**

AIT 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. Amounts in the Directors' Report and Half-Year Financial Report have been rounded to the nearest thousand dollars in accordance with that legislative instrument, unless otherwise indicated.

**DIRECTORS' REPORT (CONTINUED)**

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the Directors of the Responsible Entity.

A handwritten signature in black ink, appearing to read 'J. Tanne', is written over the printed name 'J. Tanne'.

Director  
Sydney, 30 August 2016

# Investment Manager's Report

The investment portfolio of Alternative Investment Trust ("AIT") consists of exposure to a basket of absolute return funds via a swap agreement with Macquarie Bank ("the Swap"). In January 2009, a unitholder vote determined that the fund should pursue an orderly wind up under a new Investment Manager, Laxey Partners (UK) Ltd ("Laxey") – formally appointed manager on 23 February 2009 – and a new Responsible Entity, The Trust Company (RE Services) Limited, part of Perpetual Limited. Since that date, adding back the AUD 1.76 per unit or AUD 230m of distributions paid, AIT's share price has risen by 108% (23 February 2009 to 30 June 2016). Laxey is a part of Isle of Man based Laxey Partners Ltd. Laxey Partners Ltd was founded in 1998 as a globally active management company and manages a range of assets and funds for institutional investors. As part of the new mandate, the name of the fund was changed from Everest, Babcock & Brown Alternative Investment Trust to Alternative Investment Trust. In order to make distributions from investments redeemed within the Swap, AIT was first required to repay the Swap related debt. This repayment was completed in August 2010, and AIT has since been free to make distributions to unitholders once sufficient cash has built up.

## Trust Facts

(As at 30 June 2016)

• Gross Assets (GA):	AUD 17m
• Net Assets (NA):	AUD 16m
• Market Cap:	AUD 15m
• Units in Issue:	131m
• NTA / unit:	AUD 0.126
• Leverage Ratio (GA / NA):	1.02
• Debt outstanding:	USD 0
• % of GA in 'Side Pockets'	60%

### Capital Returns per unit:

- Total Returns since Feb 2009: AUD 1.76  
(AUD 1.775 incl. AUD 0.015 July distribution)

### *Distributions to Unitholders:*

AIT did not make a distribution in the first half of 2016 however a distribution of AUD 0.015 per unit was paid in July 2016 (totalling approximately AUD 2m) following the reporting period. The July distribution brings the total distributions made to unitholders since the change of mandate to AUD 232m (or AUD 1.775 per unit) – representing approximately 174% of AIT's market value as at 31 January 2009 (or 77% of its unaudited net assets at that date).

AIT's distribution in July was made using redemption proceeds from its underlying funds. These underlying funds – the majority of which are now side pockets or liquidating investments – continued to gradually realise their underlying investments and return the proceeds to AIT. Distributions remain a priority for the fund and will continue to be paid as soon as future redemption proceeds allow. The liquidity of AIT is discussed below.

## Fund Performance

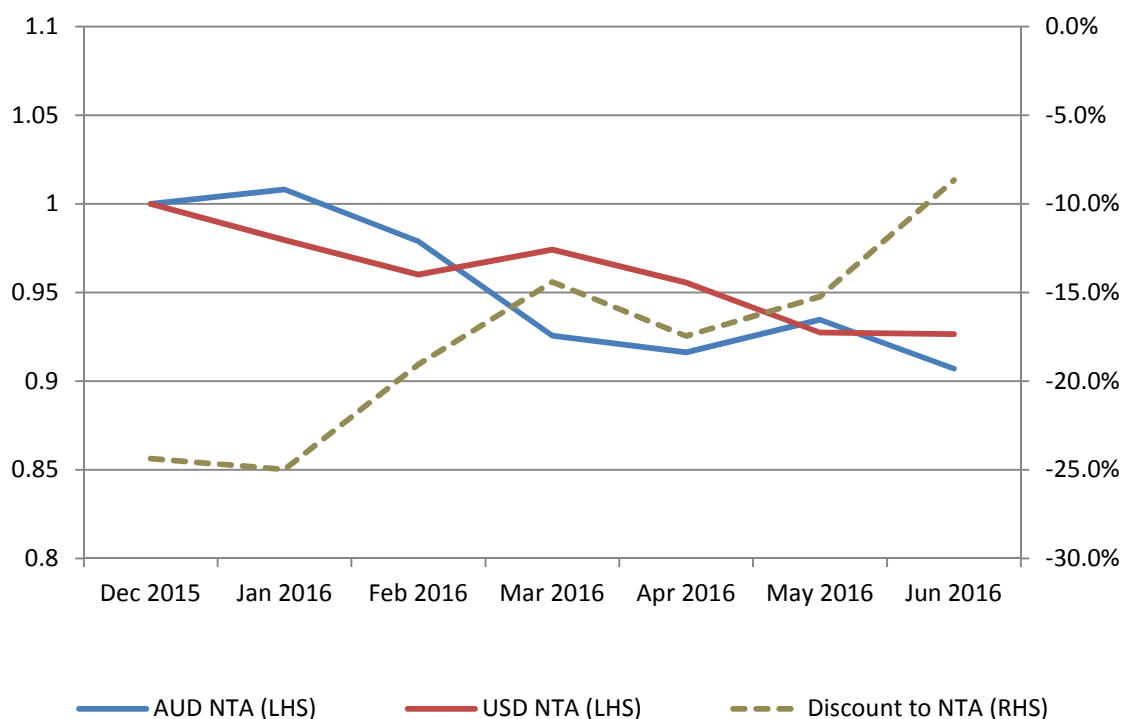
Over the period under review, AIT's NTA fell by 9.3%. Over the six months, the AUD strengthened by 2.2% against the USD. As the majority of AIT's net assets are USD denominated, this had a negative effect on AIT's NTA – as can be seen from the performance comparison of NTA in USD and AUD terms.

At June end, AIT's net currency exposure was 68% to USD reporting funds, assets and liabilities, and 32% to AUD. Note that on a 'look through' basis, AIT's exposure to both the USD and AUD may be overstated as there is no general policy amongst AIT's underlying managers to hedge currency exposures of their investments to their reporting currency. Taking the July 2016 distribution into account AIT's net currency exposure was 80% to USD and 20% to AUD.

The AUD NTA and USD NTA performance (NTAs rebased to 1 at 31 December 2015, unaudited NTAs used for January to June), together with the discount performance of AIT from 31 December 2015 to 30 June 2016 is given below. AIT's unit price to NTA discount remained between 5% and 25% for 1H2016. By way of comparison, AIT was trading at a discount of over 50% in late 2008 / early 2009.

### NTA and Discount Performance

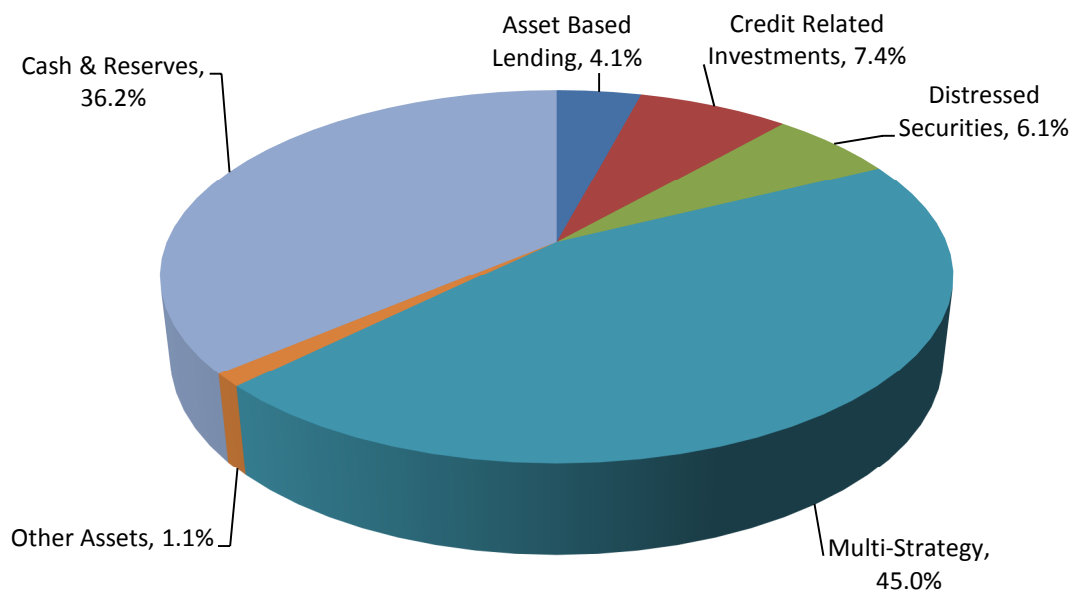
Dec 2015 - Jun 2016





## Portfolio Review

### AIT Strategy Allocation at 30 June 2016



#### Cash and Other Assets:

With the completion of debt repayment, AIT has free use of its cash (less reserves). The above graph gives AIT's cash and reserves position as 36.2% (adjusting for the July 2016 distribution this would be 27.8%) of gross assets. 'Other Assets' largely consists of receivables; this is cash from redeemed funds that has yet to come through to AIT's accounts.

#### AIT's Top Holdings as at 30 June 2016:

FUND NAME	STRATEGY	% OF GROSS ASSETS
TPG-Axon Partners Offshore Ltd	Multi-Strategy	10.3%
Eton Park Overseas Fund Ltd	Multi-Strategy	8.9%
Fortress Partners Fund LP	Multi-Strategy	6.2%
Marathon Special Opportunity Fund	Credit Related Investments	6.1%
Cerberus International Ltd	Distressed Securities	6.1%
Drawbridge Special Opportunities	Asset Based Lending	4.0%
Och-Ziff Asia Overseas Fund	Multi-Strategy	3.9%
Fallaron II Holdings LP	Multi-Strategy	3.8%
Canyon Value Realization Fund	Multi-Strategy	3.5%
Everest Absolute Return Fund	Multi-Strategy	2.4%
<b>TOTAL</b>		<b>55.2%</b>

Laxey maintains contact with the fund managers of underlying AIT investments in order to better understand AIT's underlying exposure and its liquidity and risk profiles.

### *Details of AIT's Top Holdings:*

**TPG-Axon** (10.3% of Gross Assets): TPG is a multi-strategy fund. It has returned the full amount of non-side pocketed positions to AIT and the remaining exposure is to three separate side pocket investments. During the six months under review, TPG-Axon did not return any cash to AIT in the period under review.

**Eton Park Overseas Fund** (8.9% of Gross Assets): AIT no longer has exposure to Eton Park's main funds; the only exposure is to side pocket positions. Eton Park returned a small amount of cash to AIT in the period under review.

**Fortress Partners** (6.2% of Gross Assets): AIT's exposure is to a broad range of side pocket type investments. During the period under review, Fortress returned approximately USD 0.1m to AIT.

**Marathon Special Opportunity Fund** (6.1% of Gross Assets): Redemption proceeds for the majority of Marathon Special Opportunity Fund were received at the beginning of 2011 and AIT is now solely exposed to two side pocket positions. Marathon did not return any cash to AIT during the period under review.

**Cerberus International** (6.1% of Gross Assets): Cerberus predominantly makes investments in distressed securities, including those facing financial and operating difficulties and it has also made investments in secured debt, bank debt and mortgage related securities. Due to large volumes of redemption requests in 2008, Cerberus held back the majority of AIT's position as a liquidating investment, and AIT currently receives small payments on a regular basis. Cerberus returned approximately USD 0.2m to AIT during the period under review.

**Drawbridge** (4.0% of Gross Assets): An opportunistic diversified portfolio of investments primarily made in the United States, Western Europe and the Pacific region, focusing on asset-based transactions, loans and corporate securities. This fund has been in liquidation for some time and in 2013, the final portion of the main fund was distributed to AIT. AIT's remaining exposure is to a number of side pocket positions which will take longer to fully liquidate. AIT still has exposure to one Drawbridge position – held with Macquarie – no redemption proceeds were received during the period under review.

**Och-Ziff Asia Overseas Fund** (3.9% of Gross Assets): The majority of AIT's exposure to Och-Ziff is held in four investments with exposure to Real Estate, private equity, and IT services in India. Och-Ziff returned a small amount of cash to AIT in the period under review.

**Fallaron II Holdings** (3.8% of Gross Assets): Fallaron II Holdings is a side pocket type investment, they returned a small amount of cash to AIT in the period under review.

**Canyon Value Realization Fund** (3.5% of Gross Assets): This position consists of a number of side pocket type investments. The fund will officially begin winding down in June 2017 however AIT will continue to receive distributions as liquidity events appear in their portfolio. Canyon Value did not return any cash to AIT in the period under review.

**Everest Absolute Return Fund** (2.4% of Gross Assets): Everest Absolute Return Fund returned a small amount of cash to AIT in the period under review.

### *Further Updates:*

In February 2016 AIT was notified that OIG and Redleaf have settled the previously disclosed claim relating to EBBIF. As such AIT received an interim return of capital from EBBIF. AIT received a final return of capital from EBBIF in April 2016.

## **Liquidity Profile and Side Pocket Positions**

AIT is debt free. As mentioned above, a distribution was made from sales and redemption proceeds in July. With all of the fixed redemption date funds having redeemed, AIT is solely exposed to funds undergoing full or significant liquidation and side pocket positions. This means that redemption proceeds follow indicative rather than firm timeframes and are dependent on the underlying managers realising individual illiquid investments.

Liquidating funds are those which, because of large volumes of redemption requests, were forced to close, and realise assets, distributing proceeds to investors as they become available. This dependence on the realisation of assets such as these makes distributions less certain. Some liquidating funds that had previously made regular returns of capital to AIT are now left with only the most illiquid of their holdings. The nature of these illiquid holdings makes regular distributions more difficult but they continue to make distributions as cash becomes available to them. Due to this Laxey now classifies AIT's holdings in liquidating funds as ad hoc distributors whose liquidity is difficult to predict.

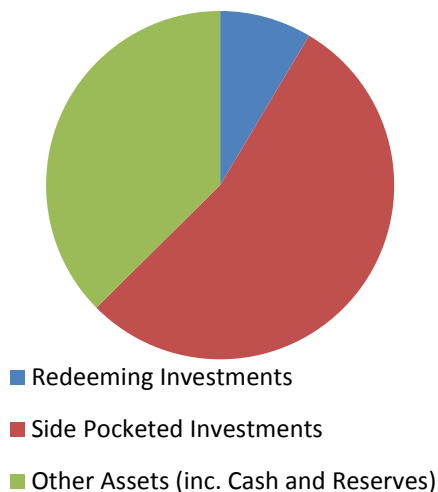
Side pocket positions are esoteric and extremely illiquid investments that are made by an underlying investment manager from within an underlying fund and are treated as a separate account to the main fund. When a side pocket investment is made, all current investors in the main fund receive a pro rata share of the side pocket. Investors in the fund thereafter will not have exposure to that side pocket. Similarly, once an investor redeems their main fund position, they retain their side pocket exposure (until its realisation) but they do not gain exposure to any new side pocket positions. The liquidity of a side pocket position is tied to a particular investment and as such, shareholders must wait for the manager to realise this asset before receiving cash back. The liquidity date is often highly unpredictable; they tend to have 2-4 year horizons on initial investment, though in practice these positions can take significantly longer to reach full completion. In most cases, managers will not give specific liquidity dates for positions unless they are very close to realisation. AIT's exposure to side pockets has increased during AIT's realisation process as they have been slower to liquidate than the main funds, and because they have risen in value more substantially than the main funds following severe write downs during 2008 and 2009. Given that these side pocket assets cannot be easily liquidated, that there is often some doubt as to the exact date of their realisation, and that they may not be redeemed at the request of the investor, Laxey treats these investments separately to the main funds in determining the liquidity profile of AIT.

As with all fund positions, Laxey monitor and speak to the underlying investment funds on a regular basis in order to better understand the portfolio's risk and its liquidity profile.

AIT's current side pocket exposure is 60% (adjusting for the July distribution this would be 69%) of gross assets by value. The opposite chart illustrates this division.

Note none of these figures take account for possible early exits or delays to managers' expectations; there is a chance that some positions may be redeemed at an earlier (or later) than expected date.

### **Breakdown by Gross Assets**



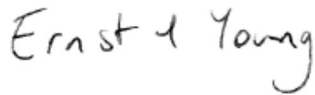
### **Outlook**

Distributions remain a priority for the AIT; further announcements will be made as soon as redemption proceeds allow.

## Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited

As lead auditor for the review of Alternative Investment Trust for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Rohit Khanna  
Partner  
30 August 2016

**Alternative Investment Trust**  
**Statement of Comprehensive Income**  
**For the half-year ended 30 June 2016**

**STATEMENT OF COMPREHENSIVE INCOME**

		<b>Half-year ended</b>	
		<b>30 June</b>	30 June
	Notes	<b>2016</b>	2015
		<b>\$'000</b>	<b>\$'000</b>
<b><i>Investment income</i></b>			
Net (loss)/gains on financial instruments held at fair value through profit or loss	3	(1,154)	773
Interest income		45	51
Other foreign exchange (loss)/gains		(2)	6
<b>Total investment (loss)/income</b>		<u>(1,111)</u>	<u>830</u>
<b>Expenses</b>			
Responsible Entity fees	10	42	42
Laxey Management fees	10	67	82
Other operating expenses	4	468	379
<b>Total operating expenses</b>		<u>577</u>	<u>503</u>
<b>Operating (loss)/profit attributable to unitholders</b>		<u>(1,688)</u>	<u>327</u>
<b>Change in net assets attributable to unitholders</b>		<u>1,688</u>	<u>(327)</u>
<b>Total comprehensive income</b>		<u>—</u>	<u>—</u>
		Cents	Cents
<b><i>(Loss)/earnings per unit for (loss)/profit from continuing operations</i></b>			
Basic and diluted (loss)/earnings per unit	9	<u>(1.29)</u>	<u>0.25</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Alternative Investment Trust**  
**Statement of Financial Position**  
**As at 30 June 2016**

**STATEMENT OF FINANCIAL POSITION**

		<b>As at</b>	
	Notes	<b>30 June 2016 \$'000</b>	31 December 2015 \$'000
<b>Assets</b>			
Cash and cash equivalents		5,205	3,759
Receivables	5	18	27
Financial assets held at fair value through profit or loss	6	11,520	14,602
<b>Total assets</b>		16,743	18,388
<b>Liabilities</b>			
Payables	7	287	244
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		287	244
<b>Net assets attributable to unitholders</b>		16,456	18,144
<b>Represented by:</b>			
Units on issue		392,961	392,961
Undistributed losses to unitholders		(376,505)	(374,817)
		16,456	18,144

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

**Alternative Investment Trust**  
**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the half-year ended 30 June 2016**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	<b>Units on issue \$'000</b>	<b>Undistributed income/(loss) \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2016</b>	392,961	(374,817)	18,144
Return of capital	—	—	—
Change in net assets attributable to unitholders	—	(1,688)	(1,688)
<b>As at 30 June 2016</b>	<b>392,961</b>	<b>(376,505)</b>	<b>16,456</b>

	<b>Units on issue \$'000</b>	<b>Undistributed income/(loss) \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2015</b>	398,188	(375,110)	23,078
Return of capital	(5,227)	—	(5,227)
Change in net assets attributable to unitholders	—	327	327
<b>As at 30 June 2015</b>	<b>392,961</b>	<b>(374,783)</b>	<b>18,178</b>

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes.



**Alternative Investment Trust**  
**Statement of Cash Flows**  
**For the half-year ended 30 June 2016**

**STATEMENT OF CASH FLOWS**

	<b>Half-year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><i>Cash flows from operating activities</i></b>		
Interest received	45	51
Payment of Management and Responsible Entity fees	(109)	(140)
Other expenses paid	(415)	(384)
GST (paid)/received	(5)	4
<b>Net cash used in operating activities</b>	<b>(484)</b>	<b>(469)</b>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from sale of investments	1,928	3,125
<b>Net cash provided by investing activities</b>	<b>1,928</b>	<b>3,125</b>
<b><i>Cash flows from financing activities</i></b>		
Cash outflow through returns of capital	–	(5,227)
<b>Net cash used in financing activities</b>	<b>–</b>	<b>(5,227)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,444</b>	<b>(2,571)</b>
Cash and cash equivalents at beginning of the half-year	3,759	5,469
Effects of foreign currency exchange rate changes on cash and cash equivalents	2	8
<b>Cash and cash equivalents at the end of the half-year</b>	<b>5,205</b>	<b>2,906</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

The Responsible Entity of AIT is The Trust Company (RE Services) Limited (ABN 45 003 278 831; AFSL 235150). The registered office and principal place of business of the Responsible Entity is Level 18, 123 Pitt Street, Sydney, NSW 2000.

Laxey Partners (UK) Ltd (“Laxey” or the “Investment Manager”) is the Investment Manager of AIT.

The financial statements were authorised for issue by the Directors on 30 August 2016. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period, other than as noted below.

#### **(a) Basis of preparation**

This interim financial report for the half-year ended 30 June 2016 has been prepared in accordance with accounting standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss that have been measured at fair value. This is consistent with the intention of the Responsible Entity and the Investment Manager to wind-up AIT in an orderly manner.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of AIT as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the 2015 Annual Report released to unitholders on 24 February 2016 and considered together with any public announcements made by the Responsible Entity during the half-year ended 30 June 2016 and up to the date of signing of these financial statements.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to AIT under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

#### *Compliance with International Financial Reporting Standards (IFRS)*

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board (‘AASB’) and International Financial Reporting Standards (‘IFRS’) applicable to interim reporting as issued by the International Accounting Standards Board.

#### **(b) New accounting standards and interpretations**

Accounting standards and interpretations that have been issued or amended but are not yet effective have not been adopted by the Trust for the interim reporting period ended 30 June 2016:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) New accounting standards and interpretations (continued)**

AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – Part C and related amendment to AASB 2010-7 and AASB 2014-1 Amendments to Accounting Standards – AASB 9 Financial Instruments requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Trust's current financial instruments, however, AASB 9 Financial Instruments allows the Trust to elect to present gains and losses on financial instruments held at fair value through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Trust's activities or investments changes prior to initial application. AASB 9 Financial Instruments applies to annual reporting period beginning on or after 1 January 2018. The Responsible Entity is continuing to assess the full impact of adopting AASB 9 Financial Instruments on the Trust's financial statements.

**3. NET (LOSS)/GAINS ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Half-year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial instruments</b>		
Fair value (loss)/gains on Underlying Investment Portfolio	(1,054)	771
Net loss on direct investments designated as fair value through profit or loss	(100)	–
Net foreign exchange gains on investments designated as fair value through profit or loss	–	2
<b>Total net (loss)/gains on financial instruments held at fair value through profit or loss</b>	<b>(1,154)</b>	<b>773</b>

**4. OTHER OPERATING EXPENSES**

	<b>Half-year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other operating expenses</b>		
Professional fees	277	176
Fund administration and custody expenses	106	111
Other general and administrative expenses	51	58
Auditor's remuneration	34	34
<b>Total other operating expenses</b>	<b>468</b>	<b>379</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. RECEIVABLES**

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>\$'000</b>	<b>\$'000</b>
GST recoverable	9	8
Other receivables	9	19
<b>Total receivables</b>	<b>18</b>	<b>27</b>

No loss has been recognised in respect of receivables during the half-year ended 30 June 2016 (31 December 2015: nil).

**6. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Underlying Investment Portfolio	11,520	14,090
Direct Investment in Portfolio Fund (EBBIF New Class C)	–	512
<b>Total financial assets held at fair value through profit or loss</b>	<b>11,520</b>	<b>14,602</b>

The Underlying Investment Portfolio represents AIT's exposure to the Total Return Swap. Fair value of the swap is calculated with reference to the fair value of the absolute return funds held within the Swap. The fair value of these assets is based on the net asset value information received from the underlying fund's administrator, and, where appropriate, estimated performance data from the underlying fund's manager. These fair values are reconciled monthly by AIT's third party administrator and any changes in fair value reviewed for reasonableness by Laxey. Fair values are also checked against the official swap valuation provided by Macquarie Bank Limited. In addition, the Underlying Investment Portfolio also includes cash and cash equivalents held within the Swap. This includes cash on hand, unsettled trades, accrued interest on cash balances and any relevant fees in relation to the administration and custody of the Swap and its underlying portfolio. These cash and cash equivalents are carried at amortised cost. Neither Laxey nor the Responsible Entity has direct input into the valuation methodologies applied by the underlying investment administrators in determining net asset values. However, Laxey on behalf of the Responsible Entity is in regular contact with both the underlying investment administrators and investment managers and enquires where there are unexpected valuation changes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The following fair value hierarchy table presents information about AIT's financial assets measured at fair value on a recurring basis as at 30 June 2016.

	As at 30 June 2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Underlying Investment Portfolio	–	–	11,520	11,520
Direct Investment in Portfolio Fund (EBBIF New Class C)	–	–	–	–
<b>Total financial assets held at fair value through profit or loss</b>	–	–	11,520	11,520

The following fair value hierarchy table presents information about AIT's financial assets measured at fair value on a recurring basis as at 31 December 2015.

	As at 31 December 2015			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Underlying Investment Portfolio	–	–	14,090	14,090
Direct Investment in Portfolio Fund (EBBIF New Class C)	–	–	512	512
<b>Total financial assets held at fair value through profit or loss</b>	–	–	14,602	14,602

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Period	
	30 June 2016 \$'000	31 December 2015 \$'000
Opening balance at 1 January	14,602	17,837
Net realised gain	140	739
Net change in unrealised (loss)/gain	(1,294)	441
Sales	(1,928)	(4,415)
<b>Closing balance at 30 June/31 December</b>	<b>11,520</b>	<b>14,602</b>

There were no transfers between levels during the period (2015: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

All financial assets at fair value through profit or loss are not valued based on observable market data and are subject to liquidity restrictions and as such they have been determined to be Level 3 assets. The valuation of the Underlying Investment Portfolio is based on published redemption prices and as such a meaningful sensitivity is not available on the valuation inputs and resulting impact on the valuation of the Underlying Investment Portfolio. 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 as reasonable.

The following sensitivity analysis of AIT's operating profit and net assets attributable to unitholders shows the effect a reasonably possible movement in the value of the Underlying Investment Portfolio would have on the Trust's operating profit/net assets attributable to unitholders. If the value of Underlying Investment Portfolio at 30 June 2016 had increased by 5% with all other variables held constant, this would have increased net assets attributable to unitholders by approximately \$576,004 (2015: 5%; \$774,143). Conversely, if the value of Underlying Investment Portfolio at 30 June 2016 had decreased by 5% with all other variables held constant, this would have decreased net assets attributable to unitholders by approximately \$576,004 (2015: 5%; \$774,143).

**EBBIF update**

Redleaf Capital Limited ("Redleaf"), formerly known as Everest Capital Limited, the former trustee of EBBIF, previously made a claim against the assets of EBBIF. Redleaf sought to be reimbursed by EBBIF for certain costs and expenses that it had incurred in connection with an investigation by ASIC (Australian Securities and Investments Commission) in respect of the administration of EBBIF by Redleaf. The claim was for approximately \$2m.

One Investment Group Limited ("OIG"), the current trustee of EBBIF, and Redleaf have settled the claim on 29 January 2016. Under the terms of the settlement, \$300,000 has been paid to Redleaf out of EBBIF and Redleaf has acknowledged that it has no further claim against EBBIF.

Settlement of the claim allowed OIG to pay an interim return of capital of \$215,473 to all unitholders on 29 January 2016 and a final return of capital of \$195,362 on 19 April 2016.

**7. PAYABLES**

	<b>As at</b>	
	<b>30 June 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
Amounts owing to Responsible Entity	15	7
Management fees	35	38
Fund administration and custody expenses payable	41	41
Other payables	196	158
<b>Total payables</b>	<b>287</b>	<b>244</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	<b>30 June 2016</b>	<b>Half-year ended 30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>No. of units</b>	<b>No. of units</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance	130,692,470	130,692,470	18,144	23,078
Return of capital	–	–	–	(5,227)
Change in net assets attributable to unitholders	–	–	(1,688)	327
Closing balance	130,692,470	130,692,470	16,456	18,178

**9. EARNINGS PER UNIT**

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

	<b>Half-year ended 30 June 2016</b>	<b>30 June 2015</b>
(Loss)/profit attributable to unitholders (\$'000)	(1,688)	327
Weighted average number of units in issue ('000)	130,692	130,692
Basic and diluted (loss)/earnings per unit in cents	(1.29)	0.25

**10. RELATED PARTY TRANSACTIONS**

The Responsible Entity of Alternative Investment Trust is The Trust Company (RE Services) Limited.

**Responsible Entity's fees**

The Trust Company (RE Services) Limited charges 0.1% per annum (excluding GST) of average gross assets, subject to a minimum of \$80,000 (excluding GST) per annum. For the half-year ended 30 June 2016, The Trust Company (RE Services) Limited received \$41,800 (30 June 2015: \$41,800) which includes non-refundable GST, for services rendered to AIT.

Directors of the Responsible Entity do not receive any fees directly from AIT.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. RELATED PARTY TRANSACTIONS (Continued)**

**Investment Manager's fees**

Laxey receives fees equal to the lower of \$200,000 or 0.75% of the average value of gross assets of AIT with no distribution fees. These fee arrangements are subject to both the overall fee cap of 1.25% per annum of the average value of gross assets of AIT and the Responsible Entity fee of \$80,000.

	<b>Half-year ended</b>	
	<b>30 June</b>	30 June
	<b>2016</b>	2015
	\$	\$
Fees paid and payable to the Responsible Entity	41,800	41,800
Fees paid and payable to Laxey	66,866	81,876
Custody fees paid and payable to The Trust Company Limited	15,876	15,000
	<u>124,542</u>	<u>138,676</u>

As of 30 June 2016, AIT had a total of \$57,547 (31 December 2015: \$53,715) payable to the related parties.

**11. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

There are no commitments or contingencies as at 30 June 2016 (31 December 2015: nil).

**12. SEGMENT INFORMATION**

AIT engages in one business activity from which it earns revenues, being investment returns, and its results are analysed as a whole by the chief operating decision maker, Laxey. As such, AIT has only one reportable operating segment.

**13. SUBSEQUENT EVENTS**

On 26 July 2016, the Responsible Entity made a capital return of \$2.0 million at a rate of \$0.015 per unit.

A Notice of Meeting was announced to the market on 9 August 2016 with the meeting to take place on 12 September 2016. This is to consider and vote on resolutions to remove Perpetual as the responsible entity of AIT and appoint One Managed Investment Funds Limited as the responsible entity.

There has not been any other matter or circumstances, other than referred to in the financial statements or notes thereto that has arisen since the end of the financial period, that has significantly affected, or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial periods.



**DIRECTORS' DECLARATION**

In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Alternative Investment Trust:

(a) the financial statements and notes, set out on pages 11 to 21, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of AIT as at 30 June 2016 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that AIT will be able to pay its debts as and when they become due and payable; and

(c) the financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the AASB and IFRS applicable to interim reporting as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



Director  
Sydney, 30 August 2016

## Independent auditor's report to the unitholders of Alternative Investment Trust

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alternative Investment Trust (the 'Trust'), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Responsible Entity's Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Alternative Investment Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alternative Investment Trust is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young



Rohit Khanna  
Partner  
Sydney  
30 August 2016