

The Everest Alternative Investment Trust (EAIT) has exposure to a portfolio of absolute return funds. The objective of the Investment Portfolio is to generate attractive risk-adjusted absolute returns over the medium-to-long term.

## Fund Facts as at 31 July 2009

Estimated monthly return <sup>1</sup>	0.38%
NTA as at 31 July 2009 <sup>1,2</sup>	\$2.07
Leverage ratio <sup>3</sup>	36%
Distribution for 30 June 2009	7.6 cents

## Investment manager summary

Positive return	29
Negative return	2
Largest allocation	13%
Smallest allocation	0.1%

## Separation of EAIT and EDIF

On 31 July 2009, Everest implemented the separation of EAIT into two funds, the Everest Alternative Investment Trust (EAIT) and the EAIT Direct Investments Fund (EDIF). EAIT Unitholders were distributed 1 unit in EDIF for each unit they held in EAIT. Unitholders should have recently received a new holding statement for their EDIF units.

## Distribution

As announced on 13 August 2009, EAIT will make an income distribution of 7.6 cents per unit for the period ended 30 June 2009. The record date for this distribution was 30 June 2009 and payment will be made on or around 7 September 2009.

## Early Withdrawal Offer

EAIT has recently announced that it has sufficient cash reserves to offer all unitholders an Early Withdrawal Offer. This new withdrawal offer will allow you the opportunity to withdraw up to 22% of your EAIT units at a 5% discount to EAIT's 31 July 2009 NTA. As noted above the estimated NTA per unit for 31 July 2009 was \$2.07, therefore, the Early Withdrawal Offer will take place at an estimated price of \$1.97, being a 5% discount to 31 July NTA.

## Fund NTA returns (net)<sup>2</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2009<sup>1</sup></b>	-2.97% <sup>4</sup>	0.00%	-0.44%	0.44%	1.75%	1.97% <sup>6</sup>	0.38%						<b>1.06%</b>
<b>2008</b>	-4.18%	0.77%	-2.29%	1.04%	1.80%	-2.15%	-1.58%	-2.14%	-9.84%	-15.15%	-8.57%	-7.81%	<b>-41.02%</b>
<b>2007</b>	2.60%	-0.13%	2.33%	2.51%	-4.89% <sup>5</sup>	0.65%	0.00%	-3.44%	1.27%	3.27%	-1.70%	0.74%	<b>2.90%</b>
<b>2006</b>	4.15%	-0.21%	2.63%	2.01%	-3.94%	0.32%	-2.40%	1.72%	1.69%	2.85%	3.70%	2.67%	<b>15.92%</b>
<b>2005</b>	-	-	-	-3.60%	1.00%	2.71%	4.80%	0.23%	3.20%	-3.76%	2.76%	2.46%	<b>9.83%</b>

1 Unaudited – In calculating the NTA, EAIT asset values have been calculated using unaudited absolute return fund performance estimates for the month being reported.

2 For the purposes of calculating the above figures, the Australian Equivalents to International Financial Reporting Standards (AEIFRS) have been applied (other than for classification of net assets attributable to unitholders of EAIT where Australian Generally Accepted Accounting Principles (AGAAP), as applied before the introduction of AEIFRS, have been used).

3 Gross Debt / Gross Assets

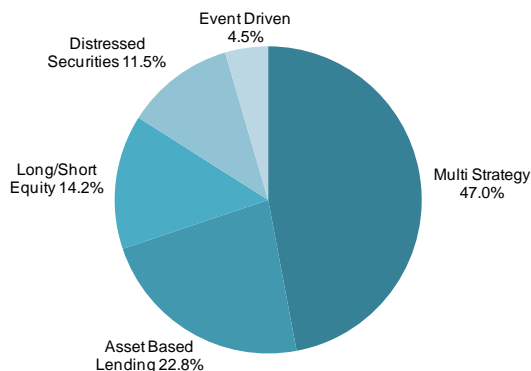
4 On 29 January 2009, the EBI portfolio was split proportionately between EAIT and EBI; accordingly historical performance figures before that date are for EBI.

5 The May 2007 monthly NTA performance was impacted by the EBI rights issue and placement which were completed that month and does not include the implied value of EBB shares received by investors who successfully participated in the EBI capital raising. The May 2007 performance of the underlying investment portfolio (excluding the effect of the capital raising) was +2.40%.

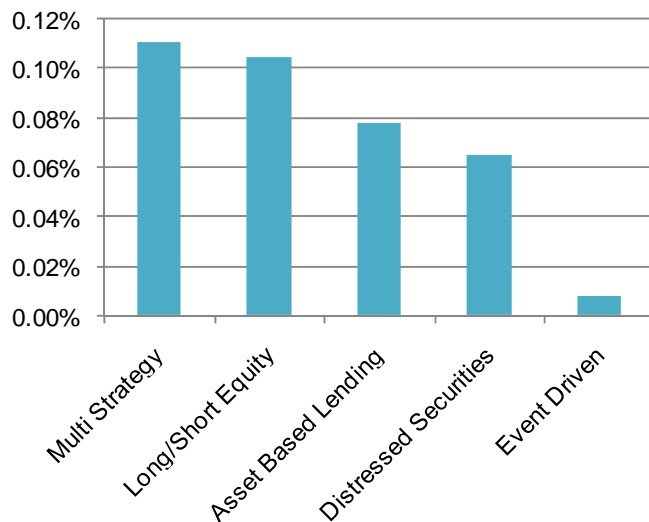
6 Following the announcement of our intention to separate EAIT into two funds, performance data from 1 June 2009 onwards represents the underlying absolute return funds only. Prior to 1 June 2009 the performance data reflects both the absolute return funds and direct investments.

## EAIT Analysis

### Investment strategy exposure (excluding cash)\*



### Contribution by investment strategy



\* Exposure numbers may not total exactly due to rounding. Based on the gross value of the Investment Portfolio. Does not include impact of FX, interest rate or equity hedges. The exposure chart shows the actively managed allocations of the Trust.

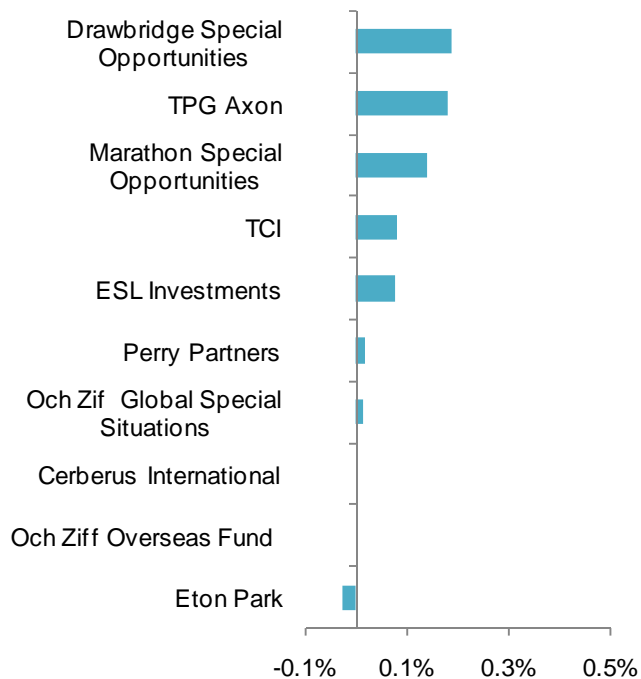
The investment strategy exposures are shown net of cash. As at the date of this report there was approximately U.S.\$ 44 million cash in EAIT, following the repayment of U.S.\$ 60 million in July. It is our intention to use the cash to cover potential FX liabilities, investor withdrawals and progressively reduce the leverage of EAIT over the medium term.

Investment strategy and exposure data as at the first business day of the following month.

### Top ten exposures\*

Fund	Strategy	Weight
TPG Axon	Multi Strategy	13.1%
Drawbridge Special Opportunities	Asset Based Lending	11.6%
ESL Investments	Long Biased Equity	3.8%
Marathon Special Opportunities	Distressed Securities	3.3%
Eton Park	Multi Strategy	2.4%
TCI	Long/Short Equity	2.0%
Perry Partners	Event Driven	1.4%
Och Ziff Overseas Fund	Multi Strategy	1.2%
Och Ziff Global Special Situations	Multi Strategy	1.1%
Cerberus International	Distressed Securities	1.1%
<b>Total</b>		<b>41.0%</b>

### Top ten gross contributions for the month



## EAIT performance versus market benchmarks as at 31 July 2009

	July 2009	Calendar YTD	Rolling 12 months	Since Inception <sup>1</sup>	Annualised Rate of Return Since Inception
EAIT <sup>2</sup>	0.38% <sup>5</sup>	1.06% <sup>5</sup>	-36.23% <sup>5</sup>	-22.91% <sup>5</sup>	-5.55% <sup>5</sup>
HFRX Global Hedge Fund Index	1.59%	7.25%	-14.42%	-2.69%	-0.63%
MSCI World Index <sup>3</sup>	7.42%	12.54%	-19.40%	-3.82%	-0.89%
S&P 500 <sup>4</sup>	7.56%	10.97%	-19.96	-8.44%	-2.01%

<sup>1</sup> Cumulative since inception performance not annualised. <sup>2</sup> On 29 January 2009, the portfolio was split proportionately between EAIT and EBI; accordingly historical performance figures before that date are for EBI. <sup>3</sup> Refers to The MSCI World net index, local currency. <sup>4</sup> Refers to S&P 500 Total Return Index. <sup>5</sup> Performance numbers from the 1 June 2009 represent absolute return fund portfolio performance only

### Market Commentary

Global equity markets performed strongly during the month, aided by positive economic data and corporate earnings that surpassed many analysts' expectations.

In the U.S., markets rose approximately 8% (S&P 500) and in Asia, the Hang Seng and Nikkei indices were up 12% and 4%, respectively. In Europe, markets also rallied with the CAC and DAX gaining 9% and 11%, respectively. The global leveraged finance markets continued to rally, benefiting from robust capital markets issuance. Many companies have taken advantage of the capital markets to, among other things, refinance debt and repair their balance sheets.

In the U.S., equity markets shifted lower during the first part of the month on negative consumer sentiment data and a worse than expected employment report. The second half of the month brought more encouraging news, notably better than expected quarterly earnings from a number of major financial institutions (including Goldman Sachs) as well as positive retail sales, manufacturing and industrial production data. At month end, equity markets continued to climb on better than predicted GDP estimates, promising housing figures and additional upbeat company earnings estimates.

However the global economy continues to face significant headwinds, particularly in the U.S. and UK. While stimulus packages have provided a modicum of stability and prevented an 'armageddon' type scenario, the impacts of these packages are likely to diminish over time, which many investment managers believe will lead to a slow recovery in the real economy.

### Fund Commentary

EAIT returned 0.38% for the month reflecting a small positive performance from all investment sectors and the impact of significant cash holdings in the portfolio. The Early Withdrawal Offer will reduce the cash drag, which should result in better performance.

The key factors in EAIT's performance relative to the market are:

- The strong relative performance of equity markets, as increased investor optimism based on improved economic data, caused equity markets to rally during July. Sentiment swung towards a focus on the strengthening global economy and many investors rotated towards more risky assets. Our investment managers believe that the recent gains are caused more by 'growth euphoria' than a real economic recovery and have not increased their exposures dramatically.
- EAIT's significant cash holdings, which have been accumulated to reduce leverage and provide unitholders with liquidity. The cash holdings will be significantly reduced next month following the repayment of a total of U.S. \$70 million of debt, the payment of the EAIT distribution and the anticipated payment of the Early Withdrawal Offer.
- The proportion of EAIT assets that are in 'side pockets', (currently approximately 11% of the investment portfolio). Side pocket investments are typically assets that are illiquid and/or difficult to price, however the rising market and increased investor confidence should have a positive impact on side pocket investments.

EAIT's side pocket investments are typically debt securities or hybrid debt/equity investments that may have some private equity characteristics. As market liquidity has declined due to the well publicised market stresses, investment managers have increasingly designated once seemingly liquid investments as "side pockets" (as they are permitted under their Fund terms). This designation typically occurs when an investment manager feels they are unable to realise the investments at reasonable prices under the current market conditions.

Unfortunately we are unable to provide accurate forecasts of the timeframe in which the side pocket investments of EAIT will be realised. While the investment managers are typically attempting to find buyers or exits for their side pocket investments, the current market for illiquid and difficult to price investments is very thin. Accordingly a

multi-year time frame for disposal is possible for some of these investments.

## Performance Commentary

During the month, the most significant performance came from EAIT's allocation to multi strategy and long/short investment managers.

EAIT's multi strategy investment managers benefited from exposure to the U.S. insurance sector, where companies seem to have emerged from the financial crisis in relatively strong condition. Select investments in U.S. Banks also lifted performance. Investment managers expect company specific opportunities in the Healthcare sector to continue to emerge as U.S. healthcare reform creates significant differentiation among healthcare subsectors and companies. Detracting from performance in the multi strategy sector were short positions in industrials, as European industrials rallied during the month, driven largely by the focus on economic recovery. Investment managers note that July was a volatile month for equity markets with significant market swings and sector rotation, these dislocations provided EAIT's investment managers with significant investment opportunities.

Long/short equity investment managers recorded gains across their portfolios. EAIT's largest equity manager continues to lighten their position in AutoZone (a large car parts retailer) into the market strength, having made several purchases at their market lows during the turmoil of October 2008. Their position in AutoNation (a leading U.S chain of new and used car dealerships) faces a brighter outlook. As smaller competitors leave the industry, AutoNation faces increased market share amid record low levels of U.S. new car sales across the industry. AutoNation is also benefiting from the U.S. government's 'Cash for Clunkers' legislation. The investment manager also owns 51.9% of Sears. While U.S. retailers have been under significant pressure in recent months, Sears has shown some resilience. The company refinanced its debt arrangements helping improve sentiment in the stock which is up 70% YTD after a large selloff in 2008.

Distressed securities investment managers had a solid month with gains across autos, chemicals, financials, while the gains were partially offset by losses from certain financials such as Banco Santander and CIT. EAIT's underlying investment managers remain confident that while the short term market volatility may impact these names, the medium to long term opportunities are compelling.

## Fund Updates

### EAIT Early Withdrawal Offer

Everest as responsible entity of EAIT has recently announced that EAIT currently has sufficient cash reserves to offer all unitholders an Early Withdrawal Offer. This new withdrawal offer will allow you the opportunity to withdraw up to 22% of your EAIT units at a 5% discount to EAIT's 31 July 2009 NTA, which based on the estimated 31 July 2009 NTA of \$2.07 equates to an estimated withdrawal price of \$1.97. Unitholders should note the closing date for the Early Withdrawal Offer is the 7 September 2009.

### Repayment of Debt

As announced on 13 August 2009, during July EAIT repaid U.S. \$60 million of debt, in addition EAIT is also scheduled to pay down a further U.S. \$10 million of debt during August 2009.

EAIT remains focused on reducing leverage in the near term. Following the July 2009 debt reduction, the EAIT portfolio is currently geared to approximately 36% on a gross basis (prior to the impact of withdrawal offers and the further U.S. \$10 million debt reduction in August) and it is intended that the Fund will continue to reduce its leverage. The current levels of gearing, and the resulting restrictions imposed by the Leverage Facility Provider limit the amount of rebalancing of exposures within the portfolio. We expect to have greater flexibility to make active allocation decisions once the deleveraging process is completed.

### Currency Update

The net currency exposures associated with EAIT continue to be hedged back into Australian dollars.

## Contact us

For further information please visit [www.everest.com.au](http://www.everest.com.au) or email [info@everest.com.au](mailto:info@everest.com.au)

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