

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 October 2009

Estimated monthly return ¹	0.04%
NTA as at 31 October 2009 ^{1,2}	\$2.12
Leverage ratio ³	19%
Distribution for 30 June 2009	7.6 cents

Investment manager summary

Investment managers posting positive returns	22
Investment managers posting negative returns	8
Largest manager allocation	15.5%
Smallest manager allocation	0.1%

Fund NTA returns (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009¹	-2.97% ⁴	0.00%	-0.44%	0.44%	1.75%	1.97% ⁵	0.23%	1.60%	1.02%	0.04%			3.60%
2008	-4.18%	0.77%	-2.29%	1.04%	1.80%	-2.15%	-1.58%	-2.14%	-9.84%	-15.15%	-8.57%	-7.81%	-41.02%
2007	2.60%	-0.13%	2.33%	2.51%	-4.89% ⁶	0.65%	0.00%	-3.44%	1.27%	3.27%	-1.70%	0.74%	2.90%
2006	4.15%	-0.21%	2.63%	2.01%	-3.94%	0.32%	-2.40%	1.72%	1.69%	2.85%	3.70%	2.67%	15.92%
2005	-	-	-	-3.60%	1.00%	2.71%	4.80%	0.23%	3.20%	-3.76%	2.76%	2.46%	9.83%

- 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 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.
- 6 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%.

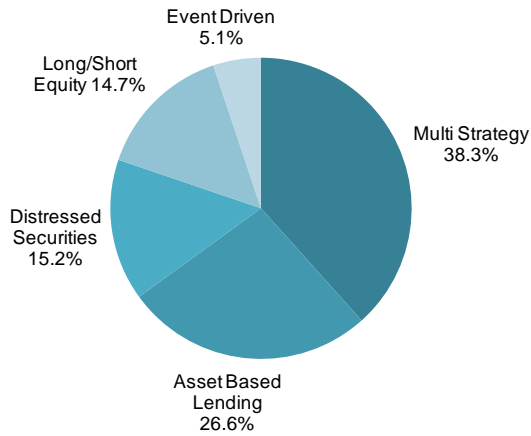
EAIT performance versus market benchmarks as at 31 October 2009

	October 2009	Calendar YTD	Rolling 12 months	Since Inception ¹	Annualised Rate of Return Since Inception
EAIT ²	0.04% ⁵	3.60% ⁵	-12.68% ⁵	-19.94% ⁵	-4.74% ⁵
HFRX Global Hedge Fund Index	-0.06%	10.93%	6.25%	0.64%	0.14%
MSCI World Index ³	-2.24%	17.62%	11.61%	0.52%	0.11%
S&P 500 ⁴	-1.86%	17.05%	9.80%	-3.42%	-0.76%

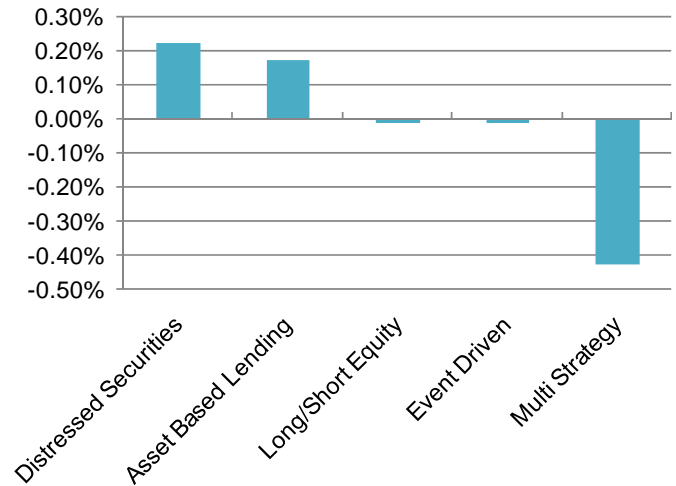
- 1 Cumulative performance since inception not annualised and assumes all distributions are reinvested.
- 2 On 29 January 2009, the portfolio was split proportionately between EAIT and EBI; accordingly historical performance figures before that date are for EBI.
- 3 Refers to The MSCI World net index,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

EAIT Analysis

Investment strategy exposure (excluding cash)*



Gross contribution by investment strategy



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

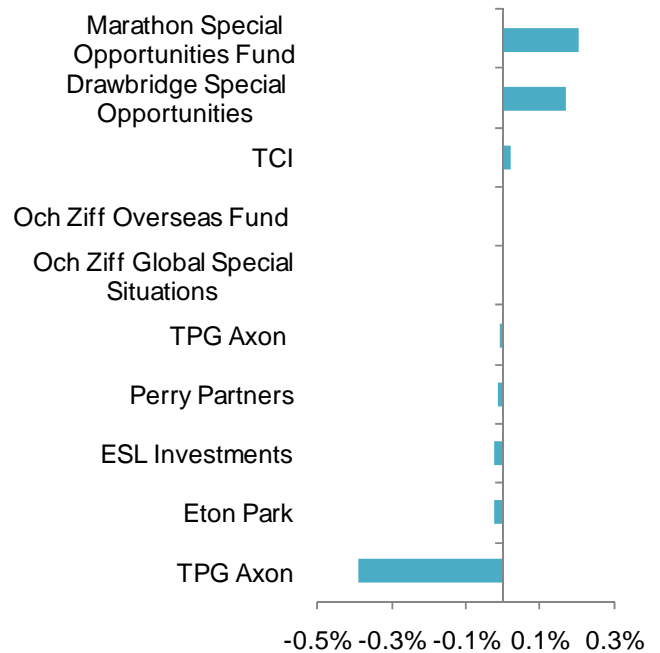
The investment strategy exposures are shown net of cash. As at the date of this report there was approximately US\$ 28 million cash in EAIT. It is our intention to use the cash to cover potential FX liabilities, investor withdrawals and progressively reduce the leverage of EAIT over the medium term.

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

Top ten exposures

Fund	Strategy	Weight
Drawbridge Special Opportunities	Asset Based Lending	17.0%
TPG Axon	Multi Strategy	9.0%
ESL Investments	Long Biased Equity	5.6%
Marathon Special Opportunities Fund	Distressed Securities	3.9%
TCI	Long/Short Equity	2.4%
Eton Park	Multi Strategy	2.4%
Perry Partners	Event Driven	2.0%
Och Ziff Global Special Situations	Multi Strategy	1.7%
Och Ziff Overseas Fund	Multi Strategy	1.6%
Cerberus International	Distressed Securities	1.5%
Total		47.1%

Top ten gross contributions for the month



Market Commentary

During October global equity markets retreated after registering significant gains throughout much of the third quarter. October opened with US equity markets climbing on encouraging jobs and trade deficit data as well as positive company earnings reports. Gains were extended on reports of an increase in core retail sales and additional companies exceeding earnings expectations, sending the Dow Jones Industrial Average above the 10,000 mark for the first time since October 2008. However, the latter half of the month was characterised by increased volatility. US equity markets fell on soft housing, consumer confidence and spending data, shrugging off better-than-expected third quarter GDP figures (with the S&P 500 falling over 5% during the latter stages of the month).

US bond yields moved higher as investors sought riskier assets on the back of encouraging economic data and the US Treasury's planned record sale of \$123 billion of notes. The October 29 release of third quarter US GDP also surpassed market expectations, but it too provided a brief respite amid concern that the data is distorted by large and unsustainable factors (ie gains from inventories, cash-for-clunkers auto sales, and government spending).

Performance Commentary

EAIT's performance for the month was neutral (+0.04%). During the month EAIT elected to take an early redemption from an investment manager via the payment of an early redemption fee to reduce leverage and increase liquidity within the Fund. Without paying this fee EAIT would not have been able to redeem from the investment manager until June 2011.

The actual performance of 0.04% differs from the NTA estimate of 0.40% issued on 14 November 2009 due to this fee and updated information from EAIT's underlying investment managers.

During October EAIT's most significant performance came from allocations to Distressed Securities in particular, strong performance from the Marathon Special Opportunities Fund, which was up 5.2% for the month and Asset Based strategies, including the Drawbridge Special Opportunities Fund (up 1%), which we discuss further in this update. This performance was offset by negative performance from multi strategy managers.

Fund Commentary

During 2009, EAIT has redeemed from underlying investment managers and used the proceeds to progressively reduce EAIT's leverage and provide liquidity for withdrawal offers. As a result of these redemptions, the Fund's portfolio currently consists of investments in underlying investment funds, either in their main share class, (approximately 31% of EAIT) or in liquidating share and side pocket classes (approximately 40% of EAIT).

Side Pockets are situations where an investment manager has elected to designate a portion of an investor's capital to a pool that has slower and less frequent liquidity terms. Side Pocket investments can still appreciate or depreciate in value, however they are usually valued on a periodic (eg monthly, quarterly) basis with exits via a specific event such as a public offering. Accordingly, performance can be flat for an extended period with profits only realised on exit.

Returns from these investments can therefore be lumpy and may be relatively uncorrelated to short term movements in wider equity and credit markets.

Liquidating share classes are generally issued to investors who have requested a return of their capital, but the fund is unable to meet that redemption in full. Investors in liquidating classes will receive capital as assets in the underlying fund are liquidated. These assets are managed with a view to liquidation, and as such may demonstrate different return characteristics than for the underlying investment fund as a whole.

As we have previously discussed, EAIT has requested a full redemption from its largest asset based lending manager and are in the process of receiving redemption amounts on a periodic basis. The Fund, Drawbridge Special Opportunities Fund (DSOF) represents 17.0% of the investment portfolio and is the EAIT's largest investment. At the end of 2008, DSOF transferred all of its redeeming investors, which included EAIT, into its Redemption Capital Account (RCA). The RCA is a portfolio that is being managed as a Liquidating Trust with investors receiving distributions as underlying assets are realised. The investment manager has previously advised that the expected timeframe to complete this liquidation process is 5 years, with 5% expected to be returned to investors per quarter in years 1 and 2, and the remaining 60% in years 3 to 5. To date, DSOF is slightly ahead of this proposed schedule, having returned approximately 30% to investors, however the overall time frame has not been revised by the investment manager at this stage. In the interim, the investment manager continues to actively manage the asset based lending portfolio, which we expect to yield good returns. During October DSOF delivered stable performance, up 1.0%, with positive contributions from its corporate debt, direct loans and asset backed lending positions, Year to date, DSOF is up 15.8%.

Fund Updates

Repayment of Debt

Following the further repayment of debt in October the EAIT portfolio is currently 19% geared on a gross basis, giving the Fund the potential to make active allocations. Over the last 6 months EAIT has reduced its leverage from 57% to 19%. It is intended that the Fund will seek to maintain its leverage at approximately 20% in the future.

Currency Update

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

December 2009 Withdrawal Offer

EAIT unit holders who requested the 31 December 2009 Withdrawal Offer and did not take part in the Early Withdrawal Offer in September 2009 will shortly be sent correspondence to confirm their participation in the 31 December 2009 Withdrawal Offer.

Contact us

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