

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 30 September 2009

Estimated monthly return ¹	1.07%
NTA as at 30 September 2009 ^{1,2}	\$2.12
Leverage ratio ³	34%
Distribution for 30 June 2009	7.6 cents

Investment manager summary

Investment managers posting positive returns	30
Investment managers posting negative returns	1
Largest manager allocation	15.4%
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%	1.07%				3.61%
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%.

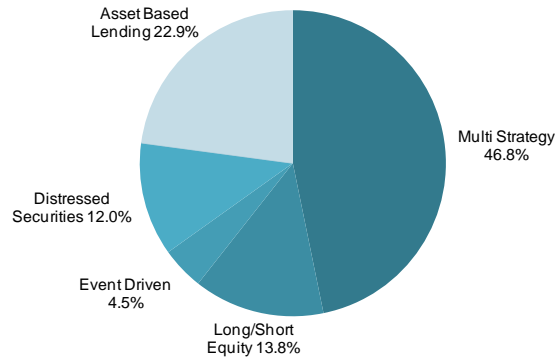
EAIT performance versus market benchmarks as at 30 September 2009

	September 2009	Calendar YTD	Rolling 12 months	Since Inception ¹	Annualised Rate of Return Since Inception
EAIT ²	1.07% ⁵	3.61% ⁵	-25.90% ⁵	-19.99% ⁵	-4.82% ⁵
HFRX Global Hedge Fund Index	2.22%	11.00%	-3.63%	0.71%	0.16%
MSCI World Index ³	3.07%	20.32%	-4.52%	2.83%	0.62%
S&P 500 ⁴	3.73%	19.26%	-6.91%	-1.59%	-0.36%

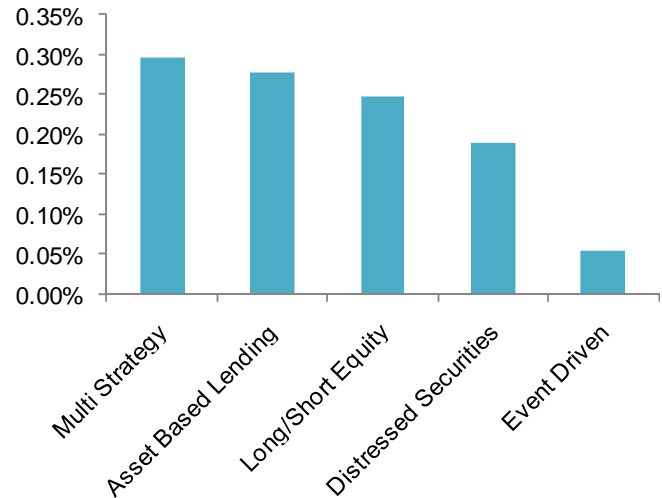
- 1 Cumulative performance since inception not annualised and assumes all distributions are reinvested.
- 2 On 29 January 2009, the portfolio was split proportionately between EAIT and EBI; accordingly historical performance figures before that date are for EBI.
- 3 Refers to The MSCI World net index, 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)*



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.

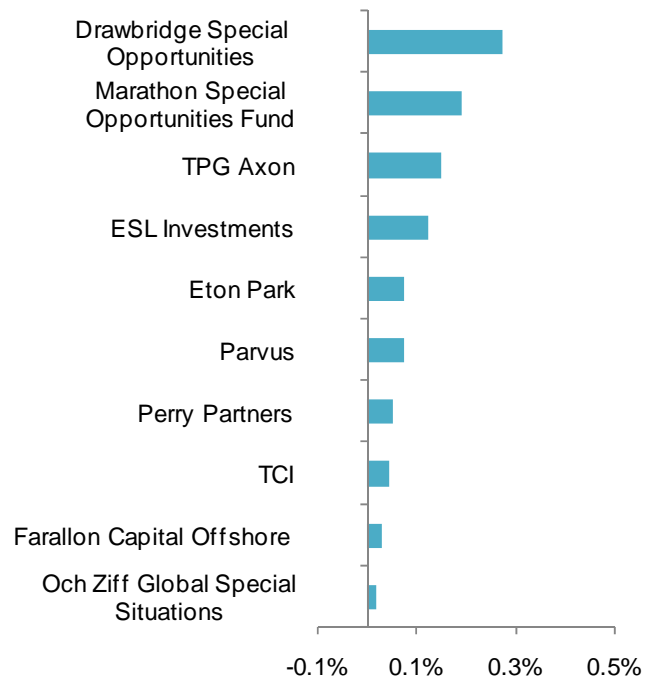
The investment strategy exposures are shown net of cash. As at the date of this report there was approximately US\$ 39.8 million cash in EAIT, post the payment of the 30 June 2009 Distribution and the Early Withdrawal Offers. It is our intention to use the cash to cover potential FX liabilities, investor 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	15.4%
Drawbridge Special Opportunities	Asset Based Lending	13.6%
ESL Investments	Long Biased Equity	4.6%
Marathon Special Opportunities Fund	Distressed Securities	3.0%
Eton Park	Multi Strategy	2.0%
TCI	Long/Short Equity	2.0%
Perry Partners	Event Driven	1.7%
Och Ziff Overseas Fund	Multi Strategy	1.4%
Och Ziff Global Special Situations	Multi Strategy	1.3%
Cerberus International	Distressed Securities	1.3%
Total		43.6%

Top ten gross contributions for the month



Market Commentary

During the month of September, global equity markets, with the exception of Japan, continued to climb, with US, European and Emerging markets rising between 4% (S&P 500) and 9% (India SENSEX). In the US, equity markets were bolstered by rising consumer sentiment data and news that the G20 nations remain committed to monetary policy measures aimed at supporting the global economic recovery. By mid-month, US equity markets surged on positive economic news, notably encouraging manufacturing data, increased industrial production figures and better-than-expected retail sales.

Global bond yields generally fell in September. In the US bond yields declined on news that the Federal Reserve would keep the federal funds rate near zero, asserting that the rate will likely remain at 'exceptionally low levels' for an extended period. UK bond yields also fell after the Bank of England announced it would leave the interest rate unchanged and continue its quantitative easing program. Cyclical and lower-rated debt continued their outperformance during the month. In currency markets, the USD continued to slide versus most of its global counterparts.

Fund Commentary

EAIT's performance for the month was +1.07% reflecting positive performances from all investment strategies. EAIT remains defensively positioned. During the month, the most significant performance came from EAIT's allocation to multi strategy (46.8% of the portfolio) and asset based strategies (22.9% of the portfolio).

Performance Commentary

In this environment, EAIT's largest multi strategy investment manager returned 1.10% for the month. Specific drivers of the investment manager's performance included investments based on the improved M&A dynamics in the agriculture/fertiliser industry where the investment manager believes companies have strong underlying fundamentals, still trade at low multiples and could benefit from ongoing merger activity.

An additional contributor to performance was the investment manager's investment in dividend swap positions on some of the major global indices. Dividend swaps are traded derivatives that provide an investor the right to the dividend streams of index companies in upcoming periods. Earlier this year, the investment

manager noted significant dislocations in pricing of dividend swaps, driven by both fundamental and practical factors. Following extensive underlying research, the investment manager took positions in a number of European indices which have generated attractive returns. The investment manager also benefitted from exposure to Latin American Markets, specifically Brazil, although performance was impacted by the investment managers continued exposure to China.

As previously communicated, EAIT has requested full redemptions from its largest asset based lending manager and are in the process of receiving redemption amounts on a periodic basis. A consequence of this slow repayment schedule is an increase in the relative size of the asset based lending strategy as a proportion of overall portfolio size as redemptions from other investment managers are received. In the interim, the investment manager continues to actively manage the asset based lending portfolio. The investment manager returned positive performance for the month.

Fund Updates

Repayment of Debt

The EAIT portfolio is currently 34% geared on a gross basis and it is intended that the Fund will continue to reduce its leverage over the coming months. Since the date of this report, EAIT has repaid a further US\$20 million of debt to further reduce the leverage ratio from 34% at the end of September, to a current level of approximately 21%. We expect to have greater flexibility to make active allocations once the deleveraging process is completed, an outcome we hope to achieve by the end of the year.

US Manager visit

As a part of our ongoing process, five members of our investment team have just returned from a due diligence trip to the United States where we met with over 25 investment groups. We found our trip to be insightful in providing an update on current and expected market conditions. More than ever, investment managers have been generous with their views and information on how they are positioning their portfolios to take advantage of the current environment. From a portfolio management perspective, we noted the biggest near term opportunity from a risk return perspective lies with credit markets with a strong bias toward distressed credit. We expect to increase our allocation to credit over the next couple of months.

Currency Update

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

Contact us

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