



# Everest Alternative Investment Trust

## March 2010 Factsheet

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 March 2010

|  |        |
|--|--------|
| Estimated monthly return <sup>1</sup>  | 1.84%  |
| NTA as at 31 March 2010 <sup>1,2</sup> | \$2.26 |

### Investment manager summary

|  |       |
|--|-------|
| Investment managers posting positive returns | 35    |
| Investment managers posting negative returns | 0     |
| Largest manager allocation                   | 16.9% |
| Smallest manager allocation                  | 0.1%  |

### Fund NTA returns (net)

|                         | Jan                 | Feb    | Mar    | Apr    | May                 | Jun                | Jul    | Aug    | Sep    | Oct     | Nov    | Dec    | Year           |
|-------------------------|---------------------|--------|--------|--------|---------------------|--------------------|--------|--------|--------|---------|--------|--------|----------------|
| <b>2010</b>             | 1.18%               | 0.60%  | 1.84%  |        |                     |                    |        |        |        |         |        |        | <b>3.65%</b>   |
| <b>2009<sup>1</sup></b> | -2.97% <sup>4</sup> | 0.00%  | -0.44% | 0.44%  | 1.75%               | 1.97% <sup>5</sup> | 0.23%  | 1.60%  | 1.02%  | 0.04%   | 0.75%  | 1.72%  | <b>6.16%</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>6</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 Residual allocation following a redemption.
- 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%.

### Market Commentary

The month of March provided plenty of support for those arguing that we are through the worst of the recession and back on track for growth. Performance was strong across all asset classes during the month as investors showed an increased appetite for risk. Equity and credit markets were up, and safe-haven investments such as gold and Treasuries were sold down.

The increased demand for more risky assets was to a large degree driven by continued low interest rates which lead investors to hunt for yield in assets such as corporate and asset-backed debt instruments. At the same time, the supply of new bonds was high as companies 1) were eager to meet investor demand and 2) saw an opportunity to extend out debt maturities. As such, the month saw record high yield bond issuance of more than \$40 billion globally; this is roughly 20% higher than prior records reached during the credit boom in late 2006/early 2007.

As mentioned above, the month was characterised by companies extending their debt maturities, pushing out the date at which they have to pay back their loans. It is important to bear in mind that a significant amount of this debt was issued at high leverage multiples when companies were trading at peak EBITDAs (peak income) back in 2006/2007. While the economy is stabilising, company earnings are far from back to pre-2008 levels and such high leverage could continue to place pressure on earnings going forward.

### Performance Commentary

EAIT's performance for the month was +1.84%. This continued the positive momentum of the first two months of the year, with a cumulative return in Q1 of 3.7%. This also marked the 12<sup>th</sup> consecutive monthly gain for the fund, and an increase in the rolling 12 month return to 13.9%.

Two managers we've spoken about recently, which follow concentrated investment strategies, continued their recent strong performance, posting attractive numbers in March. ESL Investments ("ESL") was once again the Fund's leading contributor, up an estimated 8.2% for the month and contributing 59 basis points to EAIT's result. ESL's Q1 return was an impressive 16% following its 54.6% return in 2009.

TCI also had a very strong month, up 5.22%. TCI has begun to tentatively increase its exposure to more economically sensitive investments on the back of increasing evidence that the economic recovery in the US is gaining momentum, however overall, they remain defensively positioned due to the risks to the recovery story and the "dark side" of significant government debt and potential for sovereign defaults around the world.

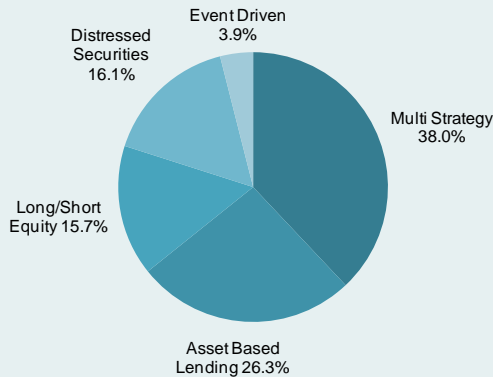
Other strong performers for the month included TPG Axon (+1.7%), Marathon Special Opportunities Fund (+1.7%) and Eton Park (+2.4%), all of whom made material contributions to the EAIT result.



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## Exposure Summary

### By Strategy



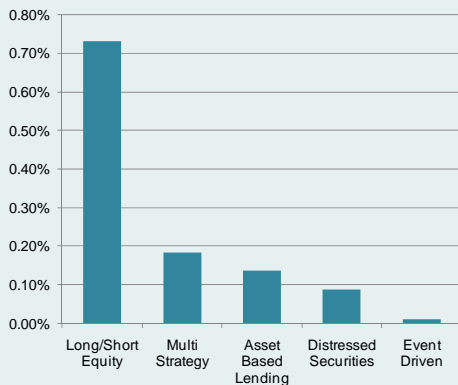
Based on the gross value of the Investment Portfolio. Exposure numbers may not total exactly due to rounding. Does not include impact of FX, interest rate or equity hedges. The investment strategy exposures are shown net of cash. Investment strategy and exposure data as at the first business day of the following month.

### By Investment Manager (top eight managers)

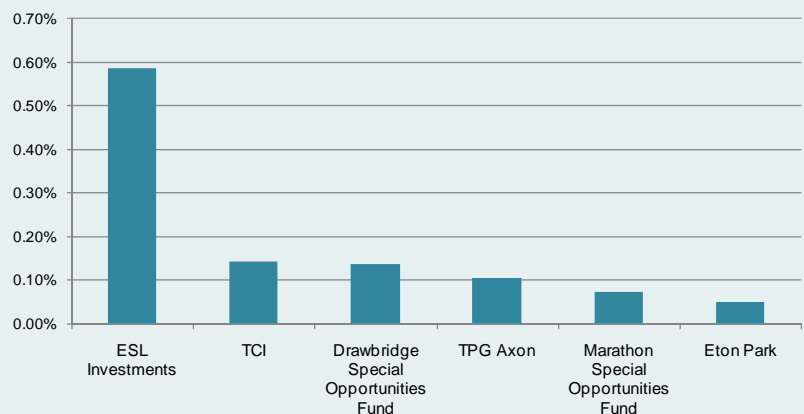
| Fund                                  | Strategy              | Weight       |
|---------------------------------------|-----------------------|--------------|
| Drawbridge Special Opportunities Fund | Asset Based Lending   | 16.9%        |
| TPG Axon                              | Multi Strategy        | 9.1%         |
| ESL Investments                       | Long Biased Equity    | 7.2%         |
| Marathon Special Opportunities Fund   | Distressed Securities | 6.0%         |
| Eton Park                             | Multi Strategy        | 3.7%         |
| Och Ziff Overseas Fund                | Multi Strategy        | 3.1%         |
| TCI                                   | Long/Short Equity     | 2.7%         |
| GSO                                   | Multi Strategy        | 2.0%         |
| <b>Total</b>                          |                       | <b>50.7%</b> |

## Performance Contribution

### By Strategy



### By Investment Manager (top six contributors)



### 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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