

The EAIT Direct Investments Fund (EDIF) has exposure to a portfolio of direct investments.

Fund Facts as at 31 July 2009

Estimated Monthly return	0.00%
NTA as at 31 July 2009	\$0.19
Leverage ratio	0.0%

Directs Summary

Number of investments	7
Largest allocation	53.4%
Smallest allocation	0.5%

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.

Market Commentary

Financial markets staged a significant recovery during the first half of the year as vigorous intervention by central banks and governments persuaded investors that the investing environment was 'less worse' than that which prevailed in Q4, 2008 and Q1, 2009. However, the current economic environment continues to face significant headwinds, particularly in the US 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.

With the continued deteriorating economic conditions many companies are undertaking cost cutting initiatives in an attempt to maintain profitability. In this environment, the rate of economic growth and therefore utilisation rates are not expected to increase for some time to come. In light of this, we expect that many companies and assets will face increasingly difficult trading conditions.

Fund Commentary

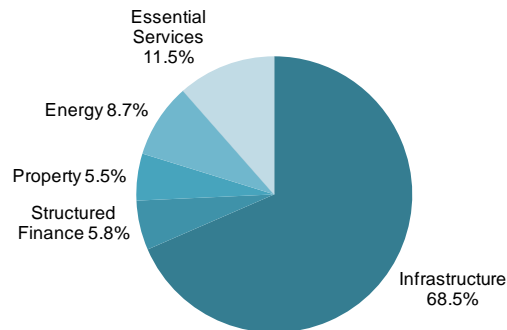
In the current environment of deleveraging and constrained liquidity, there is considerable stress on investments that require senior debt refinancing, loan restructuring or that have breached or are close to breaching their covenants. The key objective for us has been to focus the attention of management of our respective portfolio companies on reducing leverage, preservation of cash flows and, if necessary, the restructuring of the debt arrangements to maximise the chances of stability of their operations over the current economic cycle.

During July EDIF made a return of capital to EAIT, which was reflected in a corresponding decrease in the July 2009 NTA from 0.26 cents per unit in June 2009 to 0.19 cents per unit in July 2009. EDIF continues to be managed with the objective of an orderly realisation of all assets. However, this process will take time as the underlying direct assets, as discussed above, are generally illiquid and the issuers of such assets are typically highly geared and often require complex capital restructuring.

As per our prior correspondence, the 31 July 2009 NTA estimate includes a degree of uncertainty with respect to the valuation of the underlying investments and is based on a number of assumptions. The valuation process has and remains extremely difficult in the current market conditions given the challenges and uncertainties that some of the investments face over the next 12 months. We will provide Unitholders with further details as and when there are developments and will continue to provide regular monthly updates.

EDIF Analysis

Direct Investment strategy exposure (excluding cash)*



* Exposure numbers may not total exactly due to rounding. The exposure chart shows the actively managed allocations. Investment strategy and exposure data as at the first business day of the following month. Exposures shown on a look through basis, as appropriate.

Direct exposures (excluding cash)*

Investment	Sector	Weight
European Ports	Infrastructure	66.4%
New Parking	Essential Services	11.5%
Coogee	Energy	8.7%
TAHL	Property	5.5%
CDO Equities	Structured Finance	5.2%
BBRX1	Infrastructure	2.1%
Seiza	Structured Finance	0.6%
Total		100.0%

Investment

Description

Status as at 31 July 2009

Babcock & Brown European Ports Investments	Mezzanine loan to a special purpose vehicle used to finance the acquisition of two European ports.	Like many assets around the world reliant on GDP growth and 'traffic' to drive revenues, this asset is underperforming. The investment is currently being restructured to preserve value for investors. Ultimate returns will be reliant on strong long term financial and operational management to turn the investment around and therefore we would not anticipate realising this investment for a number of years.
New Parking Holdings Inc	Mezzanine loan to a special purchase vehicle used to finance the acquisition of the third largest car parking operator in North America	The mezzanine loan is generally performing in line with expectations, senior debt being amortised and coupons being paid.
Coogee Resources Limited	Investment in a special purpose vehicle to acquire an interest in Coogee Resources Limited. Coogee is the owner and operator of two oil fields in the Timor Sea.	Following the sale of Coogee Resources, we have now received a good proportion of anticipated proceeds. There are, however, other remaining balances subject to escrow arrangements for release over the next 1-2 years.
Tourism Asset Holdings Limited (TAHL)	Tourism Asset Holdings Limited (TAHL) is a hotel investor with most properties leased to Accor.	Whilst the loan has recently been restructured, TAHL has been making all agreed interest and principal repayments. We currently expect full repayment by 31 December 2009.
Babcock & Brown CDO Investments Pty Ltd	Investment in the Babcock & Brown CDO Investment Fund. The investment fund was established to focus on taking advantage of the distressed opportunities as well as purchasing quality CDO equity tranches based on a detailed and cautious loan level analysis.	The last six months continued to be tumultuous in the structured finance markets with generally no real improvement in the US housing sector or unemployment. Despite significant losses to date, our expectation is that these CDO bonds will continue to receive future cash flows.
BBRX1	Mezzanine loan to BBRX1, the owner and lessor of freight car rolling stock which are leased for use in the North American markets.	The global financial recession continues to impact BBRX1, in terms of declining pressures on leasing rates and a market with few financiers. Additionally, there are asset specific and capital structure considerations which will likely require a restructuring of the investment as part of any sale or strategy to survive the downturn should no sale eventuate.
Seiza Series 2006-1 & Seiza Augustus 2007-1	Australian Residential Mortgage Backed Securities ("RMBS")	The structures are effectively in wind-down with payments to RMBS noteholders being made on a priority waterfall. Currently the most senior notes are being paid down with our notes not currently receiving capital as they are lower down in the structure.

Contact us

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