

EVEREST BABCOCK & BROWN  
ALTERNATIVE INVESTMENT TRUST

Everest Babcock & Brown Alternative Investment Trust • ARSN 112 129 218  
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28 May 2008

Company Announcements Office  
Australian Stock Exchange

**Everest Babcock & Brown Alternative Investment Trust (EBI)  
Annual General Meeting**

Please find attached Chairman's address and presentation for the EBI Annual General Meeting to be held on Thursday, 28 May 2008 at 4.00pm.

Yours faithfully

**Azra Popo**  
Company Secretary

Att.

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# Everest Babcock & Brown Alternative Investment Trust (EBI)

Annual General Meeting

Wednesday 28 May 2008, 4.00pm

InterContinental Hotel  
Bridge Room  
Corner of Bridge and Phillip Streets  
Sydney NSW 2000

# AGENDA

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## 1. Chairman's Address

EBI Update

Board Review

## 2. Questions, Ordinary Business and Voting

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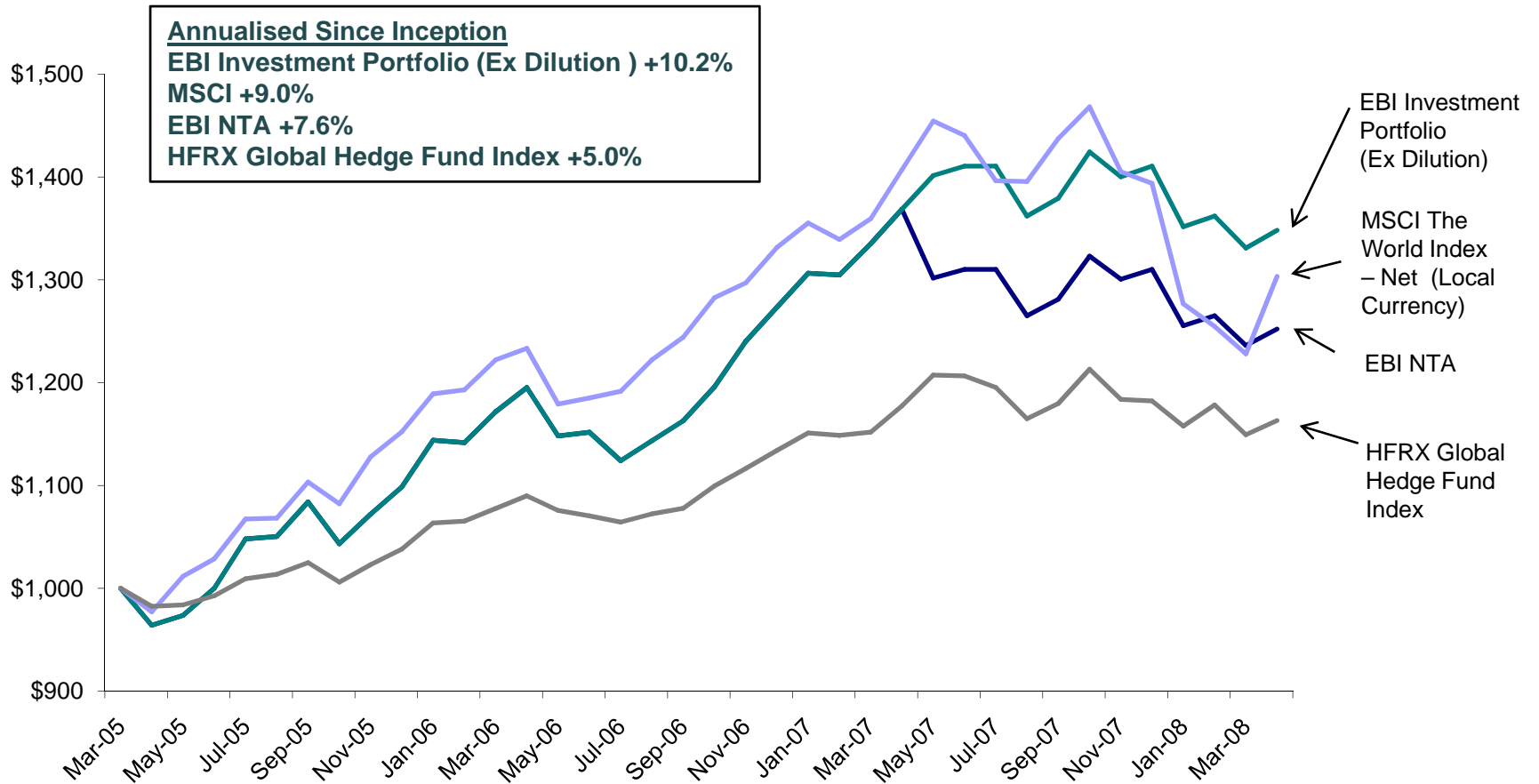
## Chairman's Address

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# EBI Update

# RETURNS WITH LESS VOLATILITY

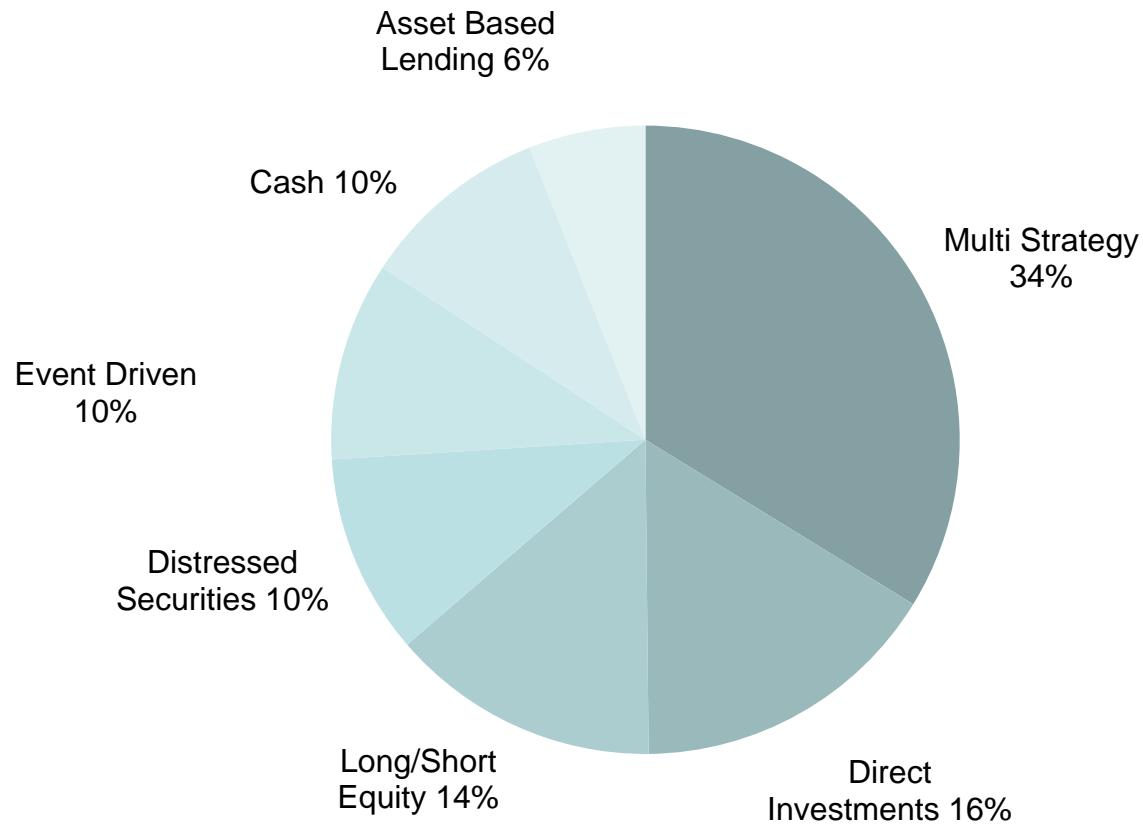
**EBI PERFORMANCE SINCE INCEPTION**  
 Value of \$1000 Invested to April 2008



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# INVESTMENT PORTFOLIO<sup>1</sup>

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<sup>1</sup> Exposures may not total 100% due to rounding.

# THE FUND – EBI

## Current Portfolio – Absolute Return Funds

### Absolute Return Funds 82% of Portfolio Top 10 exposures

- 5 investment strategies
- 34 investment firms
- 44 absolute return funds

Fund Manager	Strategy	Allocation	Weight
Eton Park	Multi-Strategy	US\$86.8m	7.5%
TPG-Axon	Multi-Strategy	US\$77.5m	6.7%
Drawbridge Special Opportunities	Asset-Based Lending	US\$71.5m	6.2%
Och-Ziff Overseas	Multi-Strategy	US\$44.5m	3.9%
Contrarian Capital	Distressed Securities	US\$35.2m	3.0%
Och-Ziff Europe	Multi-Strategy	US\$33.7m	2.9%
Perry Partners	Event Driven	US\$30.0m	2.6%
Taconic	Event Driven	US\$29.2m	2.5%
Shumway	Long/Short Equities	US\$25.5m	2.2%
Silver Point	Distressed Securities	US\$23.9m	2.1%

Data as at 1 May 2008



# THE FUND – EBI

## Current Portfolio – Direct Investments

### Direct Investments 18% of Portfolio

- Investment in 'real' assets e.g. essential services
- Diversifies the portfolio, lowers correlation to equity markets
- Top 5 investments

Investment	Sector	Allocation	Weight
TAHL	Property	US\$27.4m	2.4%
Hospital PPP	Infrastructure	US\$22.8m	2.0%
Coogee Resources	Oil & Gas	US\$16.0m	1.4%
B&B Apartment Investment Trust	Property	US\$15.5m	1.3%
European Ports	Infrastructure	US\$14.0m	1.2%

Data as at 1 May 2008

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# Board Review

## REDUCING THE DISCOUNT

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- The EBI Board believes that the current discount is unwarranted considering the quality and track record of our underlying portfolio of leading international absolute return funds
- The Board considers that a buy-back is an efficient use of capital
  - Previously undertaken an on-market program; near completion
  - Refreshing on-market capacity to preserve flexibility
- Provides unitholders with the prospect of improved liquidity and trading performance

## REDUCING THE DISCOUNT

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- Separately the Board is looking at structural initiatives to improve EBI trading performance and liquidity over the long term

Continuing review	Implemented	Current proposals
<ul style="list-style-type: none"> <li>• Listing in the UK</li> <li>• Introduction of third party capital</li> </ul>	<ul style="list-style-type: none"> <li>• Greater disclosure and on-going communications to the market</li> </ul>	<ul style="list-style-type: none"> <li>• On-market buy-back</li> <li>• Off-market buy-back and discount control mechanism</li> </ul>

# OVERVIEW OF PROPOSED DISCOUNT CONTROL MECHANISM

Significant off-market buyback of EBI units

- Off-market buy-back of EBI units
- Seeking to buy-back 20% within 12 months (subject to liquidity)
- Minimum 10% buy-back expected to be undertaken by end Q3 2008

Introduce a Discount Control Mechanism (DCM)

- A semi-annual liquidity facility that is conditional on where EBI trades relative to NTA
- If EBI trades at greater than a 10% discount to NTA over a three month period to 30 June and 31 December each year, EBI will launch a buyback of 10% of the fund at a 5% discount to NTA

## CONCLUSION

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- Board continues to believe that the core strategy of EBI, which is to provide investors with exposure to high quality absolute return funds, continues to provide an attractive investment proposition
- The Board is seeking to optimise fund structure to establish best practice for listed investment funds
  - Greater disclosure
  - Significant off-market buy-back
  - Permanent ongoing off-market buy-back facility
- The Board continues to explore further options

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## Questions, Ordinary Business and Voting

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# Everest Babcock & Brown Alternative Investment Trust (EBI)

Annual General Meeting

Wednesday 28 May 2008, 4.00pm

InterContinental Hotel  
Bridge Room  
Corner of Bridge and Phillip Streets  
Sydney NSW 2000

## **CHAIRMAN'S ADDRESS**

### **EVEREST BABCOCK & BROWN ALTERNATIVE INVESTMENT TRUST ANNUAL GENERAL MEETING**

**HELD ON WEDNESDAY, 28 May AT 4:00 PM**

**BRIDGE ROOM, INTERCONTINENTAL HOTEL, SYDNEY**

### **CHECK AGAINST DELIVERY**

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#### **Slide 0 – Everest Babcock & Brown Alternative Investment Trust (EBI)**

Ladies and gentlemen, welcome to the Annual General Meeting of Everest Babcock & Brown Alternative Investment Trust, which I shall hereafter call EBI. The Responsible Entity of EBI is Everest Capital Investment Management Limited (ECIML).

My name is Trevor Gerber and I am the Chairman of ECIML.

I believe we have the required number present for a quorum to allow the meeting to proceed. May I remind you that only unitholders are entitled to speak at this meeting and there will be a forum to ask questions at the end of the meeting.

Firstly, I would like to introduce my fellow Directors.

Our independent directors, Marea Laszok and Peter Williams and our executive director Jeremy Reid. Apologies were received from Independent Director, Warick Leeming.

I also welcome Azra Popo our General Counsel and Company Secretary and Brian O'Sullivan our Chief Financial Officer and Company Secretary.

We also have representatives present from our legal advisors Malleson Stephen Jacques, our auditor Ernst & Young and our financial adviser UBS.

### **Slide 1 - Agenda**

The agenda for this afternoon includes:

- The Chairman's Address including EBI and Board review updates
- Questions, Ordinary Business and Voting

### **Slide 2 – Chairman's address**

The formal business of the meeting is to receive and consider the Annual Report of EBI for the year ended 31 December 2007 and to consider and pass the ordinary resolution for the approval of a further on-market buy-back of EBI units. Before we move to that, I would like to take this opportunity to provide unitholders with an overview of EBI's activities for 2007 and the outlook for the coming year.

### **Slide 3 – EBI Update**

### **Slide 4 – Returns with less volatility**

The Board and management of EBI are dedicated to providing investors with access to a diversified portfolio comprising leading international absolute return funds and quality direct investments.

The EBI investment portfolio produced a return of 10.8% for the full year 2007 while, the NTA performance – which includes the dilutionary effect of the capital raising in May 2007, was 2.9%.

We are pleased to report that the investment portfolio return is higher than returns from major equity and hedge fund indices.

As the chart above reflects, EBI has provided growth in line with major market indices but has provided a greater level of capital preservation during the recent market volatility. Since EBI's inception in April 2005, the EBI investment portfolio, which excludes the dilutionary effect of the May 2007 capital raising, has produced an annualised return of 10.2%.

During the first half of 2007, EBI produced good performance, driven primarily by exposures to long/short equity and multi-strategy investment managers. More importantly, since the bout of market turmoil that began in June 2007 with the collapse of the US subprime sector, EBI largely preserved capital and outperformed the major stock market indices. This ability to preserve capital in falling markets is one of the defining features of our investment philosophy and approach.

We believe that EBI is well positioned to take advantage of the opportunities that will flow from the current situation. We also believe that the current environment plays to our strengths in providing our investors with access to, what we believe, are some of the smartest and most experienced global investment managers, including the co-investment deal flow provided by Babcock & Brown.

## Slide 5 – Investment Portfolio

The current outlook for financial markets and the global economy remains clouded. At the beginning of 2008, many economists thought that the US economy would avoid recession. The debate has now evolved to how long and deep the economic downturn will be.

Similarly at the start of the 2008, US corporate profit growth was forecast to slow, but remain positive. Now first and second quarter earnings are expected to decline and there is no certainty as to when the recovery will begin.

Optimists point to the aggressive action by the Fed in slashing interest rates and the concerted efforts by other central banks to stabilise the financial system. Pessimists contend that the spread of the financial crisis into the real economy is only just beginning.

This uncertainty in the US markets has been reflected by increased volatility in global markets. In response to this, the Trust has been carefully reviewing the prospects of each of its underlying investments and adjusting the portfolio accordingly. As EBI moves to exit from relatively less attractive strategies, the cash weighting of the Fund has temporarily increased and we will look to allocate this capital to new opportunities over the coming period or use for capital management purposes, such as a buy-back.

EBI continues to have exposure to a range of leading international absolute return funds diversified across investment strategies including long/short equity, distressed securities, multi strategy, event driven and asset based lending. The Investment Portfolio is well diversified, having 56 individual investments, with the largest investment representing just 7.5% of the portfolio.

The Board remains confident in EBI's investment philosophy.

## **Slide 6 – The Fund – EBI, Current portfolio – Absolute Return Funds**

Turning to our investments,

- 82% of our current portfolio (excluding cash and foreign exchange gains) is invested in absolute return funds.
- We invest in 5 investment strategies - multi-strategy, long/short equity, distressed securities, asset based lending and event driven absolute return funds
- As you can see from this chart, we invest with some of the world's leading absolute return managers.

## **Slide 7 – The Fund – EBI, Current Portfolio – Direct Investments**

Direct investments currently make up 18% of the portfolio (excluding cash and foreign exchange gains)

As part of our review process we are examining the appropriateness of an exposure to direct investments. We are aware that some investors may prefer for EBI to have a greater exposure to absolute return funds.

The direct investments provide diversification and income benefits to the portfolio. It is expected that 50% of the current direct investment portfolio (by value) will be running off over the next 12 months. These cashflows are before the repayment of leverage against the portfolio.. As these investments roll off, the Board will consider carefully the overall exposure of the portfolio to direct investments. To be clear about the nature of the portfolio:

- The portfolio undergoes impairment testing semi annually, and as required, should market indicators suggest a review is necessary.
- The direct investment portfolio focuses on holding investments to maturity and typically the investments have an expected investment horizon of less than two to three years.

## **Slide 8 – Board Review**

Now let me provide you with an update on the Board Review.

## **Slide 9 – Reducing the Discount**

Along with our external adviser UBS, the Board has conducted a review and assessed a range of strategic initiatives to develop an effective and equitable long-term solution to EBI's current discount to NTA.

As noted in the EBI Notice of AGM, the Board believes that one alternative is a further on-market buy-back which represents an attractive opportunity to create value for EBI unitholders. The Board has asked unitholders to approve a further on-market buy-back of up to 20% of the units on issue as a means to maximise capital management flexibility.

The advantages of a buy-back include providing liquidity to investors wishing to sell their units, and being accretive to the resulting NTA backing per unit for remaining investors if units are bought back at a price below the NTA. Any buy-back implementation remains at the Board's discretion.

## **Slide 10 – Reducing the Discount**

The scope of the review with UBS has additionally considered longer term permanent capital management measures.

The review continues to look at initiatives for reducing the discount to NTA, including the introduction of third party capital and listing in alternative jurisdictions. We have begun to increase the disclosure and on-going communications to the market.

EBI is currently considering, subject to relevant approvals and signoffs, the implementation of an on-going off-market buyback facility that would automatically be activated should the fund trade at a discount to NTA of greater than 10% for a defined period of time. While common in European

markets, this type of structure is not widely used in the Australian market and will require a consultation process with the various regulators as well as potential amendments to EBI's constitution.

Our proposed facility would be the first of its kind for a large Australian trust and based on the experience in the UK we believe it will lead to the prospect of improved liquidity and trading performance over the long term. In the UK many funds that have implemented discount control strategies either trade very close to NTA or at a premium to NTA. It is likely that this initiative would be implemented in preference to an on-market buy-back program.

### **Slide 11 – Overview of Proposed Discount Control Mechanism**

The discount control strategy that we propose to adopt, will involve two sequential steps :

Step one. A significant off market buy-back of EBI units. As typical for other off-market buybacks in Australia, the price will be set via a tender process.

Our current portfolio liquidity analysis shows that a minimum buy-back of approximately 10% is achievable over the next 4 months. The Board will continue to monitor liquidity and make a determination on final size at a point closer to implementation. However we are seeking to source liquidity to achieve a total 20% buy-back within 12 months.

Step two. The introduction of a Discount Control Mechanism, a semi-annual liquidity facility that is conditional on where EBI trades relative to its NTA.

If EBI trades at greater than a 10% discount to its NTA, over a three month period to 30 June and 31 December each year, EBI will launch an off-market buyback of up to 10% of the fund at a 5% discount to NTA.

This means that unitholders can have confidence that EBI will buy-back units should the trust trade at worse than a 10% discount over a three month period going forward.



In implementing the strategies, we will take into account the balance between sourcing liquidity and maintaining a balanced portfolio, to ensure returns and risk are optimised for continuing unitholders. The extent of the reduction in EBI's units will be determined by price and liquidity. Depending on these factors, this may result in a cumulative reduction in capital of up to 30% to 40%.

The implementation of these strategies is subject to consultation with regulators and obtaining any necessary approvals. Assuming these are obtained, and the proposed Discount Control Mechanism is implemented, it is unlikely that EBI would also draw upon the additional 20% on-market buy-back capacity that unitholders have been asked to approve at this meeting.

### **Slide 12 – Conclusion**

To conclude, your Board remains confident in the strength of EBI's investment philosophy and believe EBI offers investors an attractive investment proposition.

We believe that EBI is well positioned to take advantage of the significant new opportunities that are flowing as a result of the current state of investment markets. In addition, we are committed to taking appropriate steps designed to encourage the trading of EBI units in line with the underlying asset value.

The Board have identified a range of options in its recent review. As described today, we have begun to implement key initiatives to drive a better trading environment for EBI.

We will also continue to explore further opportunities particularly in relation to introducing new external capital to the trust.

Once we have finalised our preparation and discussions with regulators in regard to the capital management initiative we intend to seek any necessary approvals.

Ladies and gentlemen, I now turn to the formal business of the meeting.

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Ladies and gentlemen, the meeting is now concluded. I thank you very much for attending today. We invite you to stay and enjoy some light refreshments with the Board.

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