

ABOUT THE ALTERNATIVES FUND

Blue Sky Alternatives Access Fund Limited ('Alternatives Fund') is a listed investment company that invests in a diverse range of alternative assets including:

- Private equity and venture capital;
- Real assets;
- Private real estate; and
- Hedge funds.

The Alternatives Fund is the only listed investment company on the Australian Securities Exchange ('ASX') that allows investors to make a strategic allocation to a diverse portfolio of directly managed alternative assets.

The Alternatives Fund is listed on the ASX under the code BAF, with options in the Alternatives Fund trading under the code BAFO.

OBJECTIVES OF THE ALTERNATIVES FUND

The primary objectives of the Alternatives Fund are to:

- Deliver long term absolute returns to shareholders, comprised of both capital appreciation and a dividend yield (franked to either 100% or the maximum extent possible);
- Provide investors with access to a diverse range of alternative assets; and
- Provide investors with the ability to invest in alternative assets through an ASX listed structure that is more readily accessible and liquid than is typical for many alternative assets.

MANAGER OF THE ALTERNATIVES FUND

BSAAF Management Pty Limited ('Manager') is the manager of the Alternatives Fund. All investments made by the Manager on behalf of the Alternatives Fund are directly managed by wholly owned subsidiaries of Blue Sky Alternative Investments Limited (ASX: BLA) ('Blue Sky').

Blue Sky has in excess of \$600 million in assets under management and an eight year track record of generating overall returns to investors in its funds of 13.9% p.a. (net of fees, since inception).¹

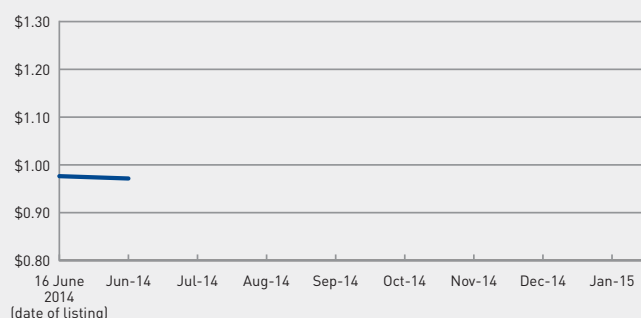
1. Overall returns to investors in Blue Sky managed funds are equity weighted. For more details, please refer to BLA's regular ASX announcements on the investment performance of its funds. Please also note that past performance is not a reliable indicator of future performance.

NET TANGIBLE ASSETS – AS AT 30 JUNE 2014²

Net Tangible Assets (NTA) per share (pre tax)	\$0.9592
Net Tangible Assets (NTA) per share (post tax)	\$0.9715

2. NTA figures in this report are unaudited and no adjustments have been made for future exercises of the BAFO options (exercise price \$1.00 per option). The pre tax NTA would be approximately 0.9796 per share if all of the BAFO options had been exercised on 30 June 2014.

NET TANGIBLE ASSETS – SINCE INCEPTION

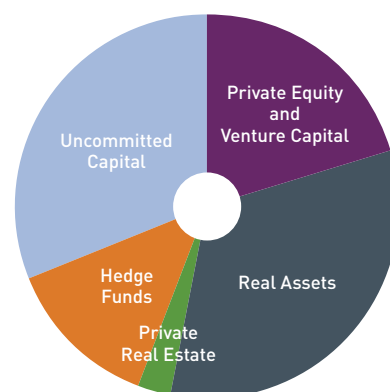


SUMMARY OF INVESTMENT PORTFOLIO³

	Current Value (\$M)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity investment(s)	\$8.01	13.8%
Venture Capital investment(s)	\$3.86	6.7%
Subtotal	\$11.87	20.5%
REAL ASSETS		
Blue Sky Water Fund	\$14.93	25.8%
Other Real Assets	\$4.02	6.9%
Subtotal	\$18.95	32.7%
PRIVATE REAL ESTATE		
Residential Development Investment(s)	\$1.67	2.9%
Subtotal	\$1.67	2.9%
HEDGE FUNDS		
SRA Alliance 16Q Fund	\$7.49	12.9%
Subtotal	\$7.49	12.9%
Uncommitted Capital	\$17.98	31.0%
GRAND TOTAL	\$57.96	100%

3. Figures in this report are unaudited. The current value for each investment in the table above is consistent with the Alternatives Fund's investment valuation policy, which may be found at blueskyfunds.com.au/alternativesfund. Note that the total value of the investment portfolio will not directly reconcile to the NTA due to the impact of interest revenue, management fees, accrued performance fees, etc.

SECTOR WEIGHTINGS



FURTHER INFORMATION:

Website: blueskyfunds.com.au/alternativesfund

Investor enquiries: investorservices@alternativesfund.com.au

Phone: +61 7 3270 7500

NEW INVESTMENTS

The Alternatives Fund made the following new investments in the month of June:

Private Equity and Venture Capital

The Alternatives Fund invested \$4.0 million in the Blue Sky Private Equity Early Learning Fund ('Early Learning Fund'). The Early Learning Fund was established to provide expansion capital to Foundation Early Learning Limited, a premium child care operator which manages 40 child care centres, and which will use the funds raised from Blue Sky's investment to acquire 15 established centres. The child care sector is an attractive industry in which to invest due to supportive demographic trends and the industry's consolidation, and the Foundation Early Learning team have a strong track record of delivering operational improvement and value creation in the space. The Early Learning Fund in which the Alternatives Fund has invested will hold 62.46% of the shares in Foundation Early Learning Limited.

The Alternatives Fund invested \$2.0 million in the Blue Sky Private Equity Wild Breads Fund ('Wild Breads Fund'). The Wild Breads Fund was established to provide expansion capital to Wild Breads Pty Ltd, a leading business in the rapidly growing artisan and specialty bread category in Australia. This category growth, combined with Wild Breads' pipeline of sales opportunities and cost leadership position (to be reinforced by investment in new production facilities) underpin the Alternative Fund's investment in the Wild Breads Fund. The Wild Breads Fund in which the Alternatives Fund has invested will hold 66.62% of the shares in Wild Breads Pty Ltd.

The Alternatives Fund invested \$2.8 million in the Blue Sky Private Equity Software Services Fund II ('Software Services Fund II'). The Software Services Fund II was established to provide expansion capital to Readify Pty Ltd, a leading Australian IT-services company focused on application development and platform deployment in the Microsoft environment. The Alternatives Fund is attracted to Readify's track record of profitability and growth, its income generating profile, the very strong structural tailwinds in Readify's target markets (particularly those focused on the cloud and mobility) and the broad range of potential acquirers for Readify once it comes time to exit. The Software Services Fund II in which the Alternatives Fund has invested will hold 17.78% of the shares in Readify Pty Ltd.

The Alternatives Fund allocated \$4.0 million to the Blue Sky VC2014 Fund LP ('VC2014'), an incorporated limited partnership established to invest in venture capital. As at 30 June 2014, 30% of this capital commitment had been drawn by VC2014, with the remainder to be called when required to fund new investments by VC2014. VC2014 has not yet made any investments. The Manager views venture capital as an attractive investment opportunity for the Alternatives Fund given the scarcity of competitive capital in the market and Blue Sky's track record of commercialising early stage companies.

Real Assets

The Alternatives Fund invested \$15.0 million in the Blue Sky Water Fund ('Water Fund'). The Water Fund was established to invest in a diversified portfolio of agricultural water entitlements, largely in the Southern Murray-Darling Basin. The Manager expects the Water Fund to generate strong returns over the next 24 to 36 months, with returns expected to be generated from yield (as the investment manager sells water allocations into the temporary market each year) and capital growth (as scarcity – driven by increasing Asian demand for Australian commodities and change of land use to higher value crops – increases the value of water entitlements).

The Alternatives Fund invested \$4.365 million in the Blue Sky Agriculture Fund ('Agriculture Fund'). The Agriculture Fund was established to invest in Gundaline Pty Ltd, the owner and operator of a large scale irrigated cropping business east of Hay in NSW. Gundaline provides the Alternatives Fund with exposure to a potential step change in capital values as the property is converted from low-value to high-value cropping. In addition, Gundaline benefits from access to secure water supply (through groundwater entitlements) and is run by a strong management team with a track record of value creation. The Agriculture Fund in which the Alternatives Fund has invested holds 31.99% of the shares in Gundaline Pty Ltd.

Hedge Funds

The Alternatives Fund invested \$7.5 million in the Blue Sky SRA Alliance Fund, with this allocation dedicated to the IS 16Q sub-trust. The IS 16Q sub-trust is a portfolio of quantitative trading strategies, diversified across currency, commodity, equity and interest rate markets, utilising derivatives and short selling in its strategy execution. Blue Sky uses a quantitative method for allocating exposures (and risks) to the underlying strategies. The IS 16Q sub-trust provides the Alternatives Fund with access to a hedge fund strategy with a strong track record of generating returns, with different volatility, correlation and liquidity characteristics to other investments in the Alternatives Fund, creating useful diversification.

Private Real Estate

The Alternatives Fund invested \$1.0 million in the Regina Street Greenslopes Trust. The Regina Street Greenslopes Trust was established to invest in a residential development in Greenslopes, Brisbane. The development consists of a 61 apartment complex (comprising 29 one bedroom and 32 two bedroom apartments) in the Brisbane suburb of Greenslopes, which is 4km from the Brisbane CBD. The project's attractive location and price points are expected to fit well with market demand and generate strong returns, and Blue Sky's track record of developing very similar projects helps to mitigate risk.

The Alternatives Fund invested \$1.0 million in the 37 Regent Street Woolloongabba Trust. The 37 Regent Street Woolloongabba Trust was established to invest in a residential development in Woolloongabba, Brisbane. The development consists of a 44 apartment complex (comprising 9 one bedroom and 35 two bedroom apartments) in the Brisbane suburb of Woolloongabba, which is 3km from the Brisbane CBD. As with the Regina Street Greenslopes Trust, this project's attractive location and price points are expected to fit well with market demand and generate strong returns, and Blue Sky's track record of developing very similar projects helps to mitigate risk.

INVESTMENT PERFORMANCE – EXISTING INVESTMENTS

As the portfolio was established in late June 2014, initial performance commentary will be provided in the next NTA report (released in August to cover the month of July).

INVESTMENTS REALISED

There were no investments realised in the month of June.

DESCRIPTION OF INVESTMENTS

INVESTMENT	DESCRIPTION
PRIVATE EQUITY AND VENTURE CAPITAL	
Early Learning Fund	To hold equity in Foundation Early Learning Limited, a premium Australian child care operator.
Wild Breads Fund	To hold equity in Wild Breads Pty Ltd, a leading business in the rapidly growing artisan and specialty bread category in Australia.
Software Services Fund II	To hold equity in Readify Pty Ltd, a leading Australian IT-services company focused on application development and platform deployment in the Microsoft environment.
VC2014	To hold a diversified portfolio of venture capital investments.
REAL ASSETS	
Water Fund	Invests in a diversified portfolio of agricultural water entitlements, largely in the Southern Murray-Darling Basin.
Agriculture Fund	To hold equity in Gundaline Pty Ltd, the owner and operator of a large scale irrigated cropping business east of Hay in NSW.
HEDGE FUNDS	
SRA Alliance Fund (16Q)	A portfolio of quantitative trading strategies, diversified across currency, commodity, equity and interest rate markets, utilising derivatives and short selling in its strategy execution.
PRIVATE REAL ESTATE	
Regina Street Greenslopes Trust	A residential development consisting of a 61 apartment complex (comprising 29 one bedroom and 32 two bedroom apartments) in the Brisbane suburb of Greenslopes.
37 Regent Street Woolloongabba Trust	A residential development consisting of a 44 apartment complex (comprising 9 one bedroom and 35 two bedroom apartments) in the Brisbane suburb of Woolloongabba.