BlueSky Alternatives Access Fund

MONTHLY REPORT

JULY 2014

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]

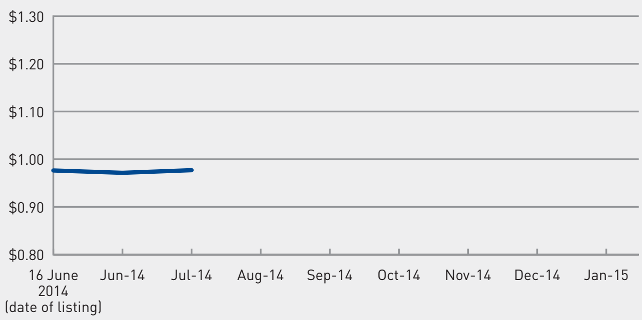
1. Overall returns to investors in Blue Sky managed funds are equity weighted. For more details, please refer to BLA's regular ASX announcements on the investment performance of its funds. Please also note that past performance is not a reliable indicator of future performance.

NET TANGIBLE ASSETS – AS AT 31 JULY 2014[2]

Net Tangible Assets (NTA) per share (pre tax)	$0.9671
Net Tangible Assets (NTA) per share (post tax)	$0.9770

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 0.9835 per share if all of the BAFO options had been exercised on 31 July 2014.

NET TANGIBLE ASSETS – SINCE INCEPTION

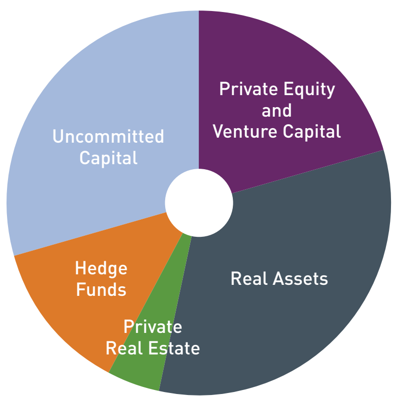


SUMMARY OF INVESTMENT PORTFOLIO[3]

	Current Value ($M)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity investment(s)	$8.21	14.1%
Venture Capital investment(s)	$3.86	6.6%
Subtotal	$12.07	20.7%
REAL ASSETS		
Blue Sky Water Fund	$15.16	26.0%
Other Real Assets	$3.99	6.8%
Subtotal	$19.15	32.8%
PRIVATE REAL ESTATE		
Residential Development Investment(s)	$2.56	4.4%
Subtotal	$2.56	4.4%
HEDGE FUNDS		
SRA Alliance 16Q Fund	$7.47	12.8%
Subtotal	$7.47	12.8%
Uncommitted Capital	$17.11	29.3%
GRAND TOTAL	**$58.36**	**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 July:

Private Real Estate

The Alternatives Fund invested $1.0 million in the Alice Street Kedron Trust. The Alice Street Kedron Trust was established to invest in a residential development in Kedron, Brisbane. The development consists of a 38 apartment complex (comprising 5 one bedroom and 33 two bedroom apartments) in the Brisbane suburb of Kedron, which is 8km 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.

INVESTMENT PERFORMANCE – EXISTING INVESTMENTS

The post-tax NTA of the Alternatives Fund increased by $0.005 in the month of July. Material[1] changes that affected the NTA were:

- A 9.13% increase in the value of units held in the Blue Sky Private Equity Software Services Fund II. The Blue Sky Private Equity Software Services Fund II was established to invest in Readify Pty Ltd ('Readify'). Consistent with the Alternative Fund's valuation policy, an external accountant performed a valuation of Readify based on FY 14 full year financials, resulting in a valuation uplift. Readify has had a strong start to FY 15 and is well positioned to take advantage of supportive industry dynamics (including increasing spend on cloud and mobile applications).
- A 1.54% increase in the value of units held in the Blue Sky Water Fund. The Blue Sky Water Fund is subject to monthly revaluations, which resulted in a 1.54% uplift in July. This uplift is consistent with the Manager's conviction that increasing demand for food exports, combined with transition from low value to high value crops in the Murray-Darling Basin, will drive substantial gains in the value of water entitlements.

INVESTMENTS REALISED

There were no investments realised in the month of July.

1. Movements are considered material if they are greater than 5% of an asset sub-class or greater than $100,000.

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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.
Alice Street Kedron Trust	A 38 apartment complex (comprising 5 one bedroom and 33 two bedroom apartments) in the Brisbane suburb of Kedron, which is 8km from the Brisbane CBD.