

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 \$700 million in assets under management and an eight year track record of generating overall returns to investors in its funds of 14.8% 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.

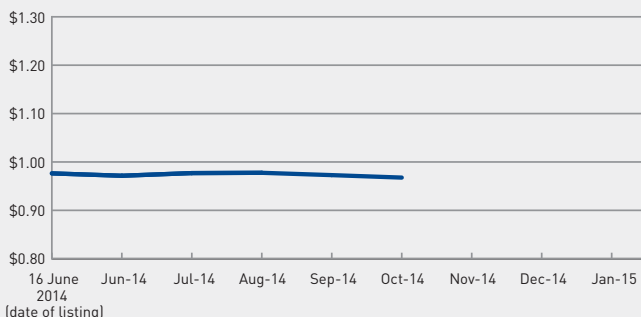
NET TANGIBLE ASSETS – AS AT 31 OCTOBER 2014²

Net Tangible Assets (NTA) per share (pre tax)³ \$0.9538

Net Tangible Assets (NTA) per share (post tax) \$0.9677

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 0.9769 per share if all of the BAFO options had been exercised on 31 October 2014.
3. The pre-tax NTA per share is lower than the post-tax NTA per share due to the net Deferred Tax Asset (DTA) position of the company. The net DTA relates to future tax benefits to be received in relation to the retained losses of the company since inception and costs associated with listing on the ASX.

NET TANGIBLE ASSETS – SINCE INCEPTION

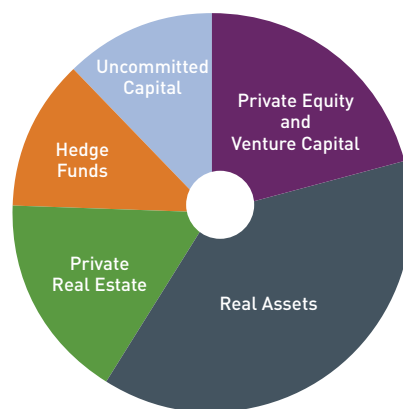


SUMMARY OF INVESTMENT PORTFOLIO⁴

	Current Value (\$M)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity investment(s)	\$8.15	14.2%
Venture Capital investment(s)	\$3.85	6.7%
Subtotal	\$12.00	20.9%
REAL ASSETS		
Blue Sky Water Fund	\$15.69	27.2%
Other Real Assets	\$6.21	10.8%
Subtotal	\$21.90	38.0%
PRIVATE REAL ESTATE		
Residential Development investment(s)	\$7.66	13.3%
Residential Asset Management investment(s)	\$1.96	3.4%
Subtotal	\$9.62	16.7%
HEDGE FUNDS		
SRA Alliance Fund (16Q)	\$7.04	12.2%
Subtotal	\$7.04	12.2%
Uncommitted Capital	\$7.03	12.2%
GRAND TOTAL	\$57.59	100%

4. 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 October:

Private Real Estate

The Alternatives Fund invested \$2.2 million in the Blue Sky Management Rights Income Fund 4. The Blue Sky Management Rights Income Fund 4 was established to invest in the management rights for the 3 tower, 788 apartment 'Southport Central' complex on the Gold Coast. The asset acquired by the fund includes management rights for an initial 513 apartments all of which are long-term residential tenancies (not short term holiday rentals), plus the freehold title to the manager's office. The fund is targeting a strong cash yield and modest capital growth.

Real Assets

The Alternatives Fund invested \$2.5 million in the Water Utilities Australia – Fund 2 ('WUA Fund 2'). The WUA Fund 2 was established to acquire additional equity in, and provide expansion capital to, the Water Utilities Group, a business established by Blue Sky in December 2012 to capture a first mover advantage and become Australia's leading privately-owned water utility. The Water Utilities Group currently owns the Willunga Basin Water Company (the irrigation network for South Australia's McLaren Vale grape growing district) and Lightsview ReWater, a small residential scheme. Water Utilities Group is well positioned to invest in a range of water infrastructure assets that are expected to generate a cash yield and capital growth.

INVESTMENT PERFORMANCE – EXISTING INVESTMENTS

The post-tax NTA of the Alternatives Fund decreased by \$0.005 in the month of October. Material⁵ changes that affected the NTA were:

- A 2.26% decrease in the value of units held in the Blue Sky SRA Alliance Fund – IS 16Q (the Alternatives Fund's hedge fund allocation). During the first half of the month, the fund was positioned well for a "risk off" market environment, with net short equity positions, and interest rate exposures set to profit from a decline in rates. However, around mid-month, equities markets staged a strong rally, with the S&P 500 returning to record highs, reversing the month-to-date gains for the fund. FX positions were broadly positive, offsetting losses in commodities, with short Euro and short Yen positions adding value late in the month. For November, the equity models have shifted to hold a net positive exposure, providing the fund with early gains for the new month.
- A 1.17% increase in the value of units held in the Blue Sky Water Fund, as a result of increased market prices for both water entitlements and unsold temporary water allocations. 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 increases in the value of water entitlements.
- The investments in the Blue Sky Management Rights Income Fund 4 and WUA Fund 2 had a negative impact on the Alternatives Fund's NTA, as the Alternatives Fund bore its share of transaction costs and establishment fees in the underlying investment trusts.

INVESTMENTS REALISED

There were no investments realised in the month of October.

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

Important Notice: BSAAF Management Pty Ltd ACN 168 923 279 ('Manager') has prepared the information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in the Alternatives Fund nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of the Alternatives Fund and conduct its own investigations and analysis. Past performance is not a reliable indicator of future performance.

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 Fund LP	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.
Water Utilities Australia Fund 2	To hold equity in the Water Utilities Group, which owns and operates a portfolio of high-quality water infrastructure assets.
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 residential development consisting 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.
Main Street Kangaroo Point Trust	A residential development consisting of a 104 apartment complex (comprising 25 one bedroom, 71 two bedroom and 8 three bedroom apartments) in the Brisbane suburb of Kangaroo Point.
Logan Road Greenslopes Trust	A residential development consisting of a 53 apartment complex (comprising 12 one bedroom, 36 two bedroom and 5 three bedroom apartments) and 650 m ² of ground floor commercial space in the Brisbane suburb of Greenslopes.

DESCRIPTION OF INVESTMENTS

INVESTMENT	DESCRIPTION
PRIVATE REAL ESTATE	
Grantson Street Windsor Trust	A residential development consisting of a 65 apartment complex (comprising 2 one bedroom, 49 two bedroom and 14 three bedroom apartments) in the Brisbane suburb of Windsor.
Duke Street Kangaroo Point Trust	A residential development consisting of a 82 apartment complex (comprising 28 one bedroom, 50 two bedroom and 4 three bedroom apartments) in the Brisbane suburb of Kangaroo Point.
Management Rights Income Fund 4	Management rights for the 3 tower, 788 apartment 'Southport Central' precinct on the Gold Coast, plus the freehold title to the manager's office.