BlueSky Alternatives Access Fund

MONTHLY REPORT

NOVEMBER 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 $700 million in assets under management and an eight year track record of generating overall returns to investors in its funds of 14.9% p.a. (net of fees, since inception).[1]

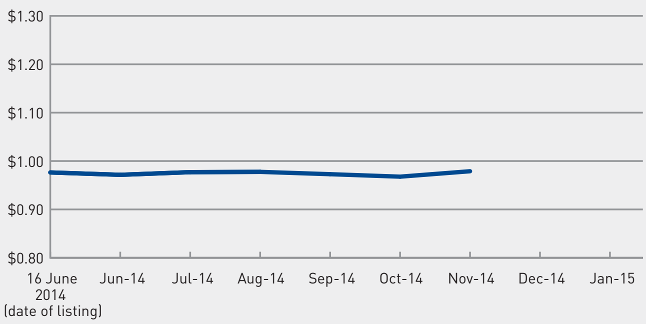
1. Overall returns to investors in Blue Sky managed funds are equity weighted. For more details, please refer to BLA's regular ASX announcements on the investment performance of its funds. Please also note that past performance is not a reliable indicator of future performance.

NET TANGIBLE ASSETS – AS AT 30 NOVEMBER 2014[2]

Net Tangible Assets (NTA) per share (pre tax)[3]	$0.9699
Net Tangible Assets (NTA) per share (post tax)	$0.9789

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 0.9850 per share if all of the BAFO options had been exercised on 30 November 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

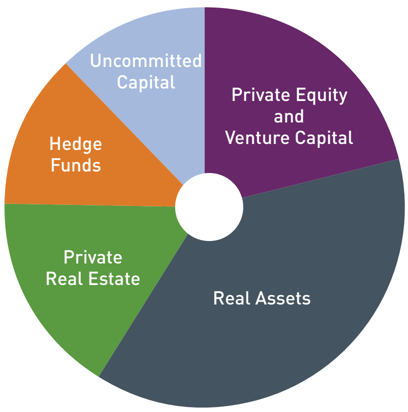


SUMMARY OF INVESTMENT PORTFOLIO[4]

	Current Value ($M)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity investment(s)	$8.59	14.6%
Venture Capital investment(s)	$3.84	6.6%
Subtotal	$12.43	21.2%
REAL ASSETS		
Water Fund	$15.94	27.2%
Other Real Assets	$6.20	10.6%
Subtotal	$22.14	37.8%
PRIVATE REAL ESTATE		
Residential Development investment(s)	$7.66	13.1%
Residential Asset Management investment(s)	$1.86	3.2%
Subtotal	$9.52	16.3%
HEDGE FUNDS		
SRA Alliance Fund (IS 16Q)	$7.46	12.7%
Subtotal	$7.46	12.7%
Uncommitted Capital	$7.02	12.0%
GRAND TOTAL	**$58.57**	**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

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NEW INVESTMENTS

The Alternatives Fund made no new investments in the month of November.

INVESTMENT PERFORMANCE – EXISTING INVESTMENTS

The post-tax NTA of the Alternatives Fund increased by $0.0112 in the month of November, underpinned by strong investing conditions in the four alternative asset classes in which the Alternatives Fund is invested. Material[5] changes that affected the NTA were:

- **Private equity and venture capital:** The value of the Alternatives Fund's units in the Blue Sky Private Equity Early Learning Fund (which holds shares in Foundation Early Learning Limited ('FEL')) increased by 12.37% in November. Under the Alternatives Fund's valuation policy (available on our website) private equity assets must be valued annually, and more frequently if it is considered that the value has changed to an extent that would be material to the Alternatives Fund's NTA. In November, units in the Blue Sky Private Equity Early Learning Fund were revalued.

  In the case of FEL, the Blue Sky Private Equity Early Learning Fund attracted additional capital at a valuation higher than the Alternatives Fund's original investment, with this higher valuation supported by the growth and operating metrics within FEL. We are pleased with the management team's progress in acquiring and integrating new child care centres, and we view an exit in the second half of calendar 2015 as a potential outcome.

- **Real assets:** The value of the Alternatives Fund's units in the Blue Sky Water Fund increased by 1.62% in November. This growth reflects seasonal conditions, with this irrigation season forecast to be among the driest on record. However, in our view a more important driver is ongoing structural changes where a well-functioning market allows water to move to its highest economic use. Examples of this trend include reductions in rice plantings (leading to the recent closure of SunRice's Coleambally mill), expansions in cotton plantings and increases in almond plantings in the Murray-Darling Basin. In each case, the application of water to crops generating a higher return per megalitre increases the clearing price for water.

- **Private real estate:** There were no material changes to the value of the Alternatives Fund's investments in private real estate in November. Residential development projects are revalued when four key criteria are met (land unconditional, pre-sales, fixed price construction contract signed and senior debt secured). None of the Alternatives Fund's investments met all of these criteria in November. We expect projects to begin meeting these criteria towards the end of FY15, requiring revaluation at that point.

- **Hedge funds:** The value of the Alternatives Fund's units in the Blue Sky SRA Alliance Fund - IS 16Q increased by 6.00% in November. Much of this growth was generated from interest rate flattening positions which returned 4.40% in the month. Positive returns were also made across most other asset classes including volatility, foreign exchange and commodities. A bearish domestic equities market all but reversed October's strong gains and drove a minor detraction in the fund's positions in this sector.

INVESTMENTS REALISED

There were no investments realised in the month of November.

5. 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 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.
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 650m^2 of ground floor commercial space in the Brisbane suburb of Greenslopes.
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.

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PRIVATE REAL ESTATE	
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.
HEDGE FUNDS	
SRA Alliance Fund (IS 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.

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