

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 \$1 billion in assets under management and an eight year track record of generating overall returns to investors in its funds of 15.3% p.a. (net of fees, since inception).¹

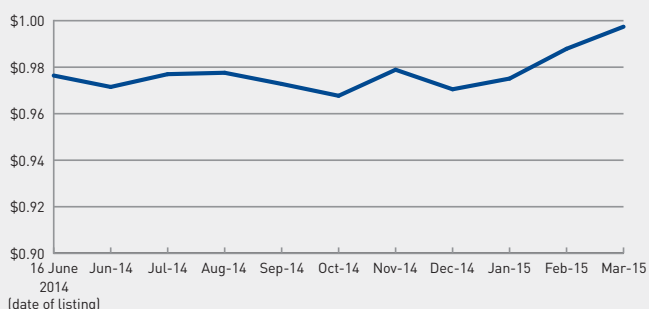
1. Overall returns to investors in Blue Sky managed funds are equity weighted. For more details, please refer to BLA's regular ASX announcements on the investment performance of its funds. Please also note that past performance is not a reliable indicator of future performance.

NET TANGIBLE ASSETS – AS AT 31 MARCH 2015²

Net Tangible Assets (NTA) per share (pre tax) ³	\$0.9963
Net Tangible Assets (NTA) per share (post tax)	\$0.9974

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 0.9981 per share if all of the BAFO options had been exercised on 31 March 2015.
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

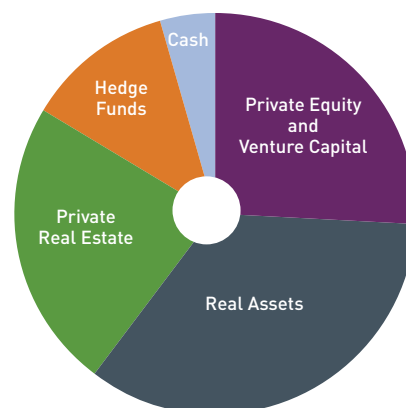


SUMMARY OF INVESTMENT PORTFOLIO⁴

	Current Value (\$M)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity investment(s)	\$12.89	20.7%
Venture Capital investment(s)	\$3.84	6.2%
Subtotal	\$16.73	26.9%
REAL ASSETS		
Water Fund	\$16.11	25.9%
Other Real Assets	\$6.16	9.9%
Subtotal	\$22.27	35.8%
PRIVATE REAL ESTATE		
Residential Development investment(s)	\$7.47	12.1%
Residential Asset Management investment(s)	\$1.89	3.0%
Commercial Asset Management investment(s)	\$5.67	9.1%
Subtotal	\$15.03	24.2%
HEDGE FUNDS		
SRA Alliance Fund (IS 16Q)	\$5.32	8.5%
Subtotal	\$5.32	8.5%
Cash	\$2.84	4.6%
GRAND TOTAL	\$62.19	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:

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NEW INVESTMENTS

The Alternatives Fund made the following new investment in the month of March:

Private Real Estate

The Alternatives Fund invested \$2.5 million in the Blue Sky Student Accommodation Fund II. The Blue Sky Student Accommodation Fund II was established to invest in the development and ownership of a 733 bed purpose built student accommodation facility located in South Brisbane. The investment entails a period of development through to Q4 FY17 following which the asset will move into full operation, contributing an attractive mixture of regular income yield and moderate capital gains to the Alternatives Fund's portfolio.

INVESTMENT PERFORMANCE – EXISTING INVESTMENTS

The post-tax NTA of the Alternatives Fund increased by \$0.0095 in March. Material⁵ changes that affected the NTA were:

- **Real assets:** The Blue Sky Water Fund returned another positive trading month in March, with a 1.0% trading gain being offset by the payment of a 2.0% interim distribution. Although this led to a 1.0% net decrease in the value of the Alternatives Fund's units, the interim dividend represents the partial realisation of gains year to date. The continued strong performance of the Blue Sky Water Fund is evident in the 9.6% FY15 year to date return (net of fees, inclusive of distributions and tax). With the 2015 water year winding down, the Water Fund's managers are now focused on preparing for the coming water year. Lower dam levels and a mixed rainfall outlook, combined with ongoing structural changes in agriculture (as production moves to higher value crops such as cotton and almonds), are likely to continue supporting valuations in the water market. We continue to be of the opinion that the outlook for the Water Fund is positive over the short to medium term.
- **Hedge funds:** The Blue Sky SRA Alliance Fund (16Q sub-trust) in which the Alternatives Fund invests returned its 5th best month in the 88 months since this hedge fund strategy was established, with the portfolio achieving growth of 10.8%. Profits were derived across each asset class rather than being concentrated in any one position. Interest rates had the largest positions and was the best-performing asset class, profiting mainly from falls in interest rates in Australia, the UK and the US. Equities had the second largest positions, and profits in long positions in the rising Europe and US mid and small caps were bolstered by profitable short positions in the falling Canadian and US large caps markets. Commodities contributed returns as the portfolio's short positions benefited from a resumption of the downtrend in gas and crude oil prices and a fall in sugar prices.

INVESTMENTS REALISED

A redemption was made from the Alternatives Fund's most liquid investment, the Blue Sky SRA Alliance Fund (16Q sub-trust), to facilitate the investment in the Blue Sky Student Accommodation Fund II detailed above. The redemption crystallised a 3.3% net return on the units redeemed and brings the Alternatives Fund's remaining hedge fund allocation to approximately \$5.32 million.

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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QUARTERLY INVESTMENT OUTLOOK

In the December quarterly investment outlook, we outlined an expectation that following the initial deployment period, investment performance would become the key driver of NTA movements. Pleasingly, the Alternatives Fund delivered on expectations and generated a 4.0% increase in pre-tax NTA in the three months to 31 March 2015. Investments in the private equity, real assets and hedge funds asset classes performed particularly strongly, laying a foundation for further growth through to the end of the 2014/15 financial year and beyond.

Our view on the short to medium term outlook for each of the asset classes in which the Alternatives Fund invests is as follows:

Private Equity and Venture Capital

No new private equity or venture capital investments were made during the March quarter and our focus remains on monitoring the performance of current investments. We are pleased with the performance of each of these investments, and in each case see factors likely to underpin ongoing value creation in each of these businesses:

- Wild Breads has delivered double-digit year on year earnings growth. The commissioning of a second manufacturing facility in the latter half of 2015 will be a key value inflection point, and we remain pleased with progress on this initiative.
- Foundation Early Learning continues to execute on its expansion strategy through the acquisition of new childcare centres. A number of additional opportunities currently under negotiation are expected to settle in the coming months, and the pipeline of additional centres remains strong.
- Readify continues to benefit from increasing demand for application development services, with its differentiated service offering leading to market share gains against larger competitors.

We remain confident that a substantial allocation to private equity will enhance returns for the Alternatives Fund's shareholders. Blue Sky's private equity investment strategy (focusing on lower mid-market growth capital opportunities) involves investing in growth businesses at attractive valuations (particularly compared to listed markets), and we believe that in a low growth environment these companies represent attractive growth options for corporate buyers or capital markets investors, enhancing exit prospects. We continue to see a solid pipeline of investment opportunities being presented by the Manager.

Real Assets

The Alternatives Fund's primary real assets allocation is to the Blue Sky Water Fund, and we retain our strong conviction as to the attractiveness of water entitlements as an investment class. The dramatically lower AUD/USD exchange rate over the past six months has led to a substantial increase in many commodity prices at the farm-gate, with cotton growers and almond and other tree crop producers also enjoying strong prices. In each case, growers seem willing to pay a premium to secure water for 2015/16.

At the close of February 2015, Webster Limited (ASX:WBA), a listed walnut company, made a takeover bid for Tandou Limited (ASX:TAN), a cotton growing company with a significant southern Murray-Darling Basin water entitlement portfolio. The transaction has certainly focused attention on the value of agricultural water and provides further validation of the strategy.

Also within the real assets class is the Blue Sky Agriculture Fund which holds a stake in a large scale irrigated cotton property near Hay in NSW. The primary value driver for this investment is change of land use: conversion of land from low value crops (in this case rice) to higher value crops (cotton). The development is progressing ahead of schedule and on budget. The property also holds significant, reliable groundwater entitlement assets which are expected to reduce the volatility of returns relative to similar operations. The near term outlook for the property's cropping operations is positive supported by strong prices for relevant commodities and weather conditions to date generating pleasing crop yields.

Private Real Estate

The Alternatives Fund is invested in private real estate through seven Blue Sky residential development projects across Brisbane. With construction currently underway or commencing in the immediate future on the majority of these sites, the Alternatives Fund is capturing the strong demand in the Brisbane apartment market. The momentum behind the market is expected to continue in the near term on the back of continually low interest rates, significant investment in local infrastructure, strong rental yields (particularly relative to Sydney and Melbourne) and attractive demographic trends. We maintain an expectation that many of the Alternatives Fund's real estate investments will trigger a revaluation towards the end of the financial year as revaluation criteria are met.

More recently, the Alternatives Fund has allocated capital to two student accommodation projects. These projects are expected to benefit from ongoing strength in Australia's education export industry and constrained supply for custom built student accommodation. We also expect student accommodation to be less cyclical than other real estate markets.

Hedge Funds

The hedge fund to which the Alternatives Fund is allocated is the Blue Sky SRA Alliance Fund (16Q sub-trust). The fund is a portfolio of quantitative trading strategies diversified across currency, commodity, equity and interest rate markets, taking long and short positions through the use of futures contracts. Despite volatility in global markets, the fund has generated an 11.2% return in the March quarter, offsetting some of the volatility experienced earlier in the period since the Alternatives Fund's investment.

The quantitative trading strategy which the 16Q fund employs is designed to make money across a range of market conditions and we continue to hold the conviction that the fund is well positioned over the coming quarters to contribute to the Alternatives Fund through its compelling long-term track record, strong potential return profile, high liquidity and low correlation to listed equities.

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.
Hospital Pharmacy Services Fund	To hold equity in a market leading provider of outsourced pharmacy services to hospitals, oncology clinics and correctional facilities in Australia.
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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INVESTMENT	DESCRIPTION
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.
Student Accommodation Fund	A social accommodation development project consisting of a 12 storey, purpose-built, 283 bed student accommodation building in the Brisbane suburb of Woolloongabba.
Darra Industrial Income Fund	To hold the freehold title to a 3,479m ² single-tenant industrial manufacturing, distribution and office facility sited on a 7,254m ² land holding in the Brisbane suburb of Darra.
Student Accommodation Fund II	A social accommodation development project consisting of a purpose-built, 733 bed student accommodation building in South Brisbane.
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.