BlueSky Alternatives Access Fund

MONTHLY REPORT
MAY 2015

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.

SUMMARY OF INVESTMENT PORTFOLIO[3]

	Current Value ($M)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity investment(s)	$12.81	15.3%
Venture Capital investment(s)	$3.83	4.6%
Subtotal	$16.64	19.9%
REAL ASSETS		
Water Fund	$26.77	32.0%
Other Real Assets	$5.91	7.1%
Subtotal	$32.68	39.1%
PRIVATE REAL ESTATE		
Residential Development investment(s)	$7.65	9.2%
Residential Asset Management investment(s)	$1.83	2.2%
Commercial Asset Management investment(s)	$5.66	6.8%
Subtotal	$15.14	18.2%
HEDGE FUNDS		
SRA Alliance Fund (IS 16Q)	$4.95	5.9%
Subtotal	$4.95	5.9%
Cash	$14.11	16.9%
GRAND TOTAL	**$83.52**	**100%**

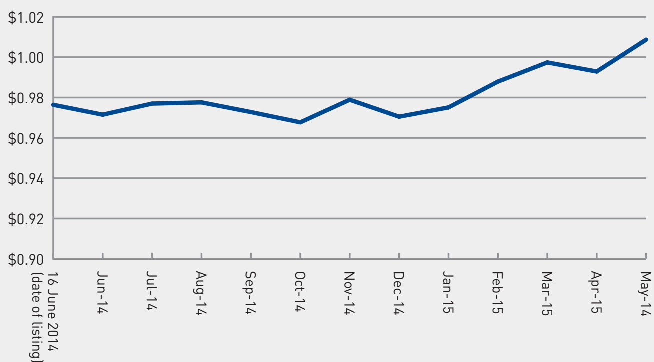
3. Figures in this report are unaudited. The current value for each investment in the table above is consistent with the Alternatives Fund's investment valuation policy, which may be found at blueskyfunds.com.au/alternativesfund. Note that the total value of the investment portfolio will not directly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

NET TANGIBLE ASSETS – AS AT 31 MAY 2015[2]

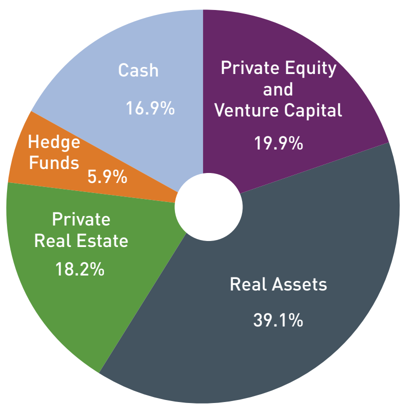
Net Tangible Assets (NTA) per share (pre tax)	$1.0101
Net Tangible Assets (NTA) per share (post tax)	$1.0086

2. NTA figures in this report are unaudited and no adjustments have been made for future exercises of the BAFO options (exercise price $0.9827 per option). The pre-tax NTA would be approximately $0.9984 per share if all of the BAFO options had been exercised on 31 May 2015.

NET TANGIBLE ASSETS – SINCE INCEPTION



SECTOR WEIGHTINGS



FURTHER INFORMATION:

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NEW INVESTMENTS

On 21 May 2015 the Alternatives Fund announced the successful completion of an entitlement offer to raise $20,131,924 ('Entitlement Offer'). The Entitlement Offer will ensure that the Alternatives Fund can continue to take advantage of the strong pipeline of investment opportunities that the Manager is continuing to see across multiple asset classes.

Following the completion of the Entitlement Offer, a further $9.0 million has been invested into the Blue Sky Water Fund ('Water Fund'). Following this investment, the Water Fund comprises approximately 32% of the Alternatives Fund's investment portfolio.

The Manager believes that the Water Fund is a compelling investment for the Alternatives Fund at present given:

- it has low correlation to traditional asset classes;
- it is a liquid investment and is low cost to deploy;
- it provides a cash yield as well as capital gains opportunities; and
- the Manager maintains strong conviction on the short and long term trends that are driving the yield and fundamental value of the Water Fund.

Since the Alternatives Fund first invested in the Water Fund in June 2014, the value of its investment has increased 18.51% to the end of May 2015.

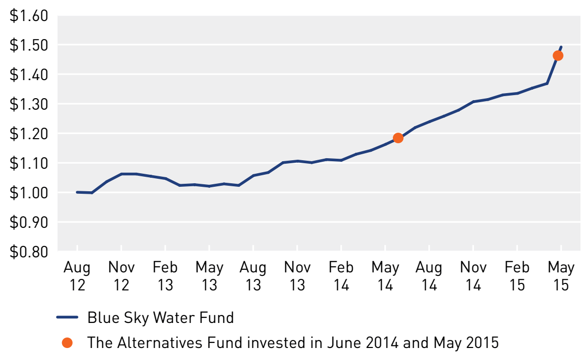
The Manager expects the remainder of capital from the Entitlement Offer to be fully deployed in the next two months across a range of opportunities within Private Equity and Private Real Estate.

INVESTMENT PERFORMANCE – EXISTING INVESTMENTS

The post-tax NTA of the Alternatives Fund increased by $0.0157 in May. Material[4] changes that affected the NTA were:

- **Real assets:** The Water Fund increased by 8.99% in May. After 15 consecutive monthly gains this is a strong result but in our view is entirely justified by market fundamentals. Water entitlements are becoming scarce in the southern Murray-Darling Basin region; capital is being invested in developing new areas of high value crops and the Murray-Darling Basin Plan and its associated buy-backs have removed a significant amount of water available to the agricultural markets. In addition, the Bureau of Meteorology has declared that an El Nino event is likely to influence rainfall for 2015/16.

Blue Sky Water Fund - Performance index since inception*



* Net of fees and distributions, gross of tax.

- **Hedge funds:** The Blue Sky SRA Alliance Fund (16Q sub-trust) returns in May were 0.46%, in what was a low volatility month across most asset classes.
- **Private Real Estate:** The value of the Alternatives Fund's units in the Alice Street Kedron Trust increased by 45.21% in May as a result of satisfying all four of the key criteria of the development project (purchase of land becomes unconditional, pre-sales reach a level sufficient to secure debt funding, a fixed-price construction contract is signed and senior debt is secured). In addition to meeting these criteria, the increase in the value of the units in the Alice Street Kedron Trust is also attributable to decreased construction and planning risk for the project.

Artist impression, Alice Street Kedron development

4. 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.
Hospital Pharmacy Services Fund	To hold equity in Hospital Pharmacy Services Pty Ltd, 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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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.