BlueSky Alternatives Access Fund

MONTHLY UPDATE
SEPTEMBER 2015

NET TANGIBLE ASSETS – AS AT 30 SEPTEMBER 2015[1]

Net Tangible Assets (NTA) per share (pre tax)	$1.0988
Net Tangible Assets (NTA) per share (post tax)	$1.0757

1. 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 $1.0504 per share if all of the BAFO options had been exercised on 30 September 2015.

NET TANGIBLE ASSETS – SINCE INCEPTION

PORTFOLIO VALUATION[2]

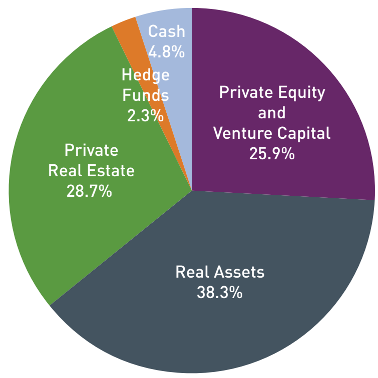
	Current value ($'m)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity	$20.05	21.8%
Venture Capital	$3.80	4.1%
Subtotal	**$23.86**	**25.9%**
REAL ASSETS		
Water Fund	$28.76	31.3%
Other Real Assets	$6.43	7.0%
Subtotal	**$35.20**	**38.3%**
PRIVATE REAL ESTATE		
Residential Development	$12.59	13.7%
Commercial Asset Management	$11.48	12.5%
Residential Asset Management	$2.34	2.5%
Subtotal	**$26.41**	**28.7%**
HEDGE FUNDS		
SRA Alliance Fund (Diversified Quant)	$2.07	2.3%
Subtotal	**$2.07**	**2.3%**
Cash	$4.42	4.8%
GRAND TOTAL	**$91.95**	**100.0%**

2. 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.

FUND NTA PERFORMANCE

Period	Pre-Tax	Post-Tax
1 month	3.37%	2.65%
3 months	5.57%	4.19%
6 months	10.30%	7.85%
12 months	14.33%	10.58%

SECTOR WEIGHTINGS



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 $1.35 billion in assets under management and an eight year track record of generating overall returns to investors in its funds of 15.4% p.a. (net of fees, since inception).[3]

3. 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.

FURTHER INFORMATION

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NEW INVESTMENTS

The Alternatives Fund invested $2.0 million into two new Inner Brisbane residential development opportunities during September.

- **19 Railway Terrace Milton Trust**

  The Alternatives Fund invested $1.25 million into the 19 Railway Terrace Milton Trust ('Milton Trust'), and has an option to increase this investment to a total of $2.0 million, which is subject to additional capital being raised from the exercise of BAFO options.

  The Milton Trust will construct an 82 apartment residential development project in the Brisbane suburb of Milton. Utilising a mix of one, two and three bedroom apartments with ground floor commercial space, the project is located approximately 1.5 kilometres from Brisbane City and adjoins the suburbs of Rosalie, Bardon and Auchenflower.

  The project is targeting an IRR of circa 20% per annum over a 2.5 – 3 year investment period, in accordance with the Fund manager's feasibility studies.

- **Wellington Road East Brisbane Trust**

  The Alternatives Fund invested $0.75 million into the Wellington Road East Brisbane Trust ('Wellington Road Trust'), and has an option to increase this investment to a total of $2.0 million, which is subject to additional capital being raised from the exercise of BAFO options.

  The Wellington Road Trust will construct a 71 apartment residential development project in the suburb of East Brisbane. Utilising a mix of one, two and three bedroom apartments, the project is located approximately 2.5 kilometres from Brisbane City and will enjoy a combination of river and city views. With nearby public transport corridors linking the area to the city, ready access to major tertiary institutions and several major shopping centres within 15 minutes' drive, feasibility studies target an IRR of circa 20% per annum over a 2.5 – 3 year investment period.

INVESTMENT PERFORMANCE - EXISTING INVESTMENTS

The post-tax NTA of the Alternatives Fund increased by $0.0278 per share or 2.65% in September. Material changes that affected NTA were:

- **Water Fund**

  The Alternatives Fund's investment in the Blue Sky Water Fund increased by 1.4% in September, driven by incremental gains in the Water Fund's holdings of southern Murray Darling Basin water entitlements. Water allocation prices also increased in value as the winter wet season failed to deliver any significant catchment inflows and irrigators continued to seek additional water volumes in order to secure their summer irrigation needs.

  Throughout the month the Water Fund incrementally sold annual water allocations into a strengthening water market ahead of the usual summer irrigated crop planting period (e.g. for cotton and rice) taking advantage of strong demand from irrigators seeking to secure sufficient supplies for the 2015/16 irrigation season.

  While global financial markets experienced rising volatility and significant sell-offs, Australia's water markets were driven by their own dynamics, underlining the Fund's lack of correlation with traditional investment markets.

- **SRA Alliance Fund (Diversified Quant) (formerly IS 16Q)**

  The Alternatives Fund's investment in the Diversified Quant Fund returned 5.0% in September with positive contributions from all asset classes.

  The largest contribution to returns was from interest rates as markets pushed back expectations of a rate cut in Australia, Canada, the United Kingdom, and the United States. A depreciating AUD:USD exchange rate and falling global equities markets through September also delivered positive returns to the Fund.

  In October the Diversified Quant portfolio has again increased its strong bearish bias, looking for a continuation in the decline of equities markets and interest rates.

- **Water Utilities Australia Fund II**

  The value of the Alternatives Fund's investment in the Water Utilities Australia Fund II increased by 12.1% in September. The movement was driven by the receipt of additional rebates for up-front fees and expenses after the investment manager decided to raise less capital (and charge less fees) than had originally been planned.

Residential Development Investments

The carrying value of the Alternatives Fund's units in three residential development investments increased in September as shown in the table below. As set out in the Alternatives Fund's revaluation policy (available at www.blueskyfunds.com.au/alternativesfund), residential development investments are initially revalued when all of the following conditions are met:

i) purchase of land becomes unconditional;

ii) pre-sales reach a level sufficient to secure debt funding;

iii) a fixed price construction contract is signed; and

iv) senior debt is secured.

All three of the below funds satisfied these conditions in September:

Project	Issue price	Aug 15 price	Sept 15 price	Revaluation uplift	Unrealised return on equity
37 Regent Street Woolloongabba Trust	$1.00	$0.64	$1.21	88.2%	21.0%
Regina Street Greenslopes Trust	$1.00	$0.59	$1.20	101.9%	20.0%
Main Street Kangaroo Point Trust	$1.00	$0.72	$1.20	66.9%	20.0%

Further, the revaluation uplifts highlight the 'J-curve' typical of many residential property projects of this nature. From original investment through to when the project reaches the level of presales required to secure senior project finance, many of the project's up-front costs (such as project design, legal fees, marketing and agents' commissions) are expensed as incurred, incrementally reducing the net assets of each fund.

On revaluation, the net assets, and therefore unit price, of each fund is marked to a value reflective of the expected future cash flows of each project, discounted appropriately for the risks remaining to develop each project to completion.

SUMMARY OF CURRENT INVESTMENTS

Fund name	Amount invested[4]	Date invested[5]	% allocated capital	Target IRR[6]	Anticipated exit[7]	Description
PRIVATE EQUITY & VENTURE CAPITAL						
PRIVATE EQUITY						
Early Learning Fund	4,000,000	Jun-14	4.9%		2016 - 2017	Holds equity in Foundation Early Learning Limited, a premium Australian child care operator.
Wild Breads Fund	2,000,000	Jun-14	2.4%		2017 - 2018	Holds equity in Wild Breads Pty Ltd, a leading business in the rapidly growing artisan and specialty bread category in Australia.
Software Services Fund II	2,800,000	Jun-14	3.4%		2016 - 2017	Holds equity in Readify Pty Ltd, a leading Australian IT-services company focused on application development and platform deployment in the Microsoft environment.
Hospital Pharmacy Services Fund	3,500,000	Dec-14	4.3%		2019 - 2020	Holds equity in Hospital Pharmacy Services Pty Ltd, Australia's largest outsourced hospital and oncology pharmacy business.
Origo Education Fund	1,500,000	Jun-15	1.8%		2019 - 2020	To hold equity in Origo Education, a rapidly growing Australian business providing digital and print education instructional materials to in the United States of America, Australia, Canada and New Zealand.
Hotel Fund	6,000,000	Jun-15	7.4%		2019 - 2020	To hold equity in GM Hotels, a portfolio of three freehold and seven long-term leasehold pubs in South Australia.
Total Private Equity	**19,800,000**		**24.5%**	**25.0% - 30.0%**		
VENTURE CAPITAL						
VC2014 Fund LP	4,000,000	Jun-14	4.9%		2020	A fund to invest in a diversified portfolio of venture capital investments, the first being Parcel Point, logistics software developer and operator of Australia's largest network of consumer parcel collection points outside of Australia Post.
Total Venture Capital	**4,000,000**		**4.9%**	**30.0%**		
Total Private Equity & Venture Capital	**23,800,000**		**29.4%**			

4. Total capital deployed to date, inclusive of follow-on investments and net of capital returned.

5. Date of initial investment.

6. These figures represent the Manager's general expectations as to the returns the relevant asset class can generate over time. These figures are not intended to represent a forecast or guidance and do not take into account the performance to date of the existing portfolio of investments or the Manager's view on the likely future performance of any one or more specific assets.

7. These dates reflect the most recent information provided to the Manager by the manager of the relevant fund. An exit in this context generally refers to a disposal of the underlying fund assets by the fund's manager rather than the disposal by the Alternatives Fund of its investment (for which there is typically no secondary market or redemption mechanism). These dates are subject to change at the discretion of the relevant fund's manager taking into account factors including investment performance and prevailing market conditions.

SUMMARY OF CURRENT INVESTMENTS (CONT.)

Fund name	Amount invested[4]	Date invested[5]	% allocated capital	Target IRR[6]	Anticipated exit[7]	Description
REAL ASSETS						
WATER RIGHTS						
Water Fund	24,000,000	Jun-14	29.3%		Open-ended	Invests in a diversified portfolio of agricultural water entitlements, largely in the Southern Murray-Darling Basin.
Total Water Rights	**24,000,000**		**29.3%**	**10.0% - 14.0%**		
OTHER REAL ASSETS						
Agriculture Fund	4,365,000	Jun-14	5.4%		2020	Holds 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 II	2,500,000	Oct-14	3.1%		2018	Holds equity in Water Utilities Group, which owns and operates a portfolio of high-quality water infrastructure assets.
Total Other Real Assets	**6,865,000**		**8.5%**	**15.0%**		
Total Real Assets	**30,865,000**		**38.2%**			
PRIVATE REAL ESTATE						
RESIDENTIAL DEVELOPMENT INVESTMENTS						
Regina Street Greenslopes Trust	1,000,000	Jun-14	1.2%		2H FY16	A residential development of 61 apartments (29 one bedroom and 32 two bedroom) in the South Brisbane suburb of Greenslopes.
37 Regent Street Woolloongabba Trust	1,000,000	Jun-14	1.2%		2H FY16	A residential development of 44 apartments (9 one bedroom and 35 two bedroom) in the South Brisbane suburb of Wolloongabba.
Alice Street Kedron Trust	1,000,000	Jul-14	1.2%		1H FY16	A residential development of 38 apartments (5 one bedroom and 33 two bedroom) in the North Brisbane suburb of Kedron.
Logan Road Greenslopes Trust	1,000,000	Aug-14	1.2%		1H FY17	A residential development of 53 apartments (12 one bedroom, 36 two bedroom and 5 three bedroom) in the South Brisbane suburb of Greenslopes.
Main Street Kangaroo Point Trust	2,000,000	Aug-14	2.5%		1H FY17	A residential development of 104 apartments (25 one bedroom, 71 two bedroom and 8 three bedroom) in the Central Brisbane suburb of Kangaroo Point.

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SUMMARY OF CURRENT INVESTMENTS (CONT.)

Fund name	Amount invested[4]	Date invested[5]	% allocated capital	Target IRR[6]	Anticipated exit[7]	Description
Granston Street Windsor Trust	1,000,000	Aug-14	1.2%		2H FY16	A residential development of 65 apartments (2 one bedroom, 49 two bedroom and 14 three bedroom) in the North Brisbane suburb of Windsor.
Duke Street Kangaroo Point Trust	2,000,000	Sep-14	2.5%		2H FY17	A residential development of a 82 apartments (28 one bedroom, 50 two bedroom and 4 three bedroom) in the Central Brisbane suburb of Kangaroo Point.
Flora Street Greenslopes Trust	1,000,000	Jun-15	1.2%		1H FY18	A residential development of 112 apartments (30 one-bedroom and 82 two-bedroom) in the South Brisbane suburb of Greenslopes.
19 Railway Terrace Milton Trust	1,250,000	Sep-15	1.5%		1H FY18	A residential development of 82 apartments (11 one-bedroom, 65 two-bedroom and 6 three-bedroom) in the Brisbane suburb of Milton.
Wellington Road East Brisbane Trust	750,000	Sep-15	0.9%		1H FY18	A residential development of 71 apartments (17 one-bedroom, 46 two-bedroom and 8 three-bedroom) in the suburb of East Brisbane.
Total Residential Development investments	**12,000,000**		**14.8%**	**20.0% - 25.0%**		
COMMERCIAL ASSET MANAGEMENT INVESTMENTS						
Darra Industrial Income Fund	2,000,000	Dec-14	2.5%		2018	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	1,500,000	Dec-14	1.9%		2020	A social infrastructure development project consisting of a 12 storey, purpose-built, 283 bed student accommodation building in the Brisbane suburb of Woolloongabba.
Student Accommodation Fund II	5,000,000	Mar-15	6.2%		2020 - 2021	A social infrastructure development project consisting of a purpose-built, 733 bed student accommodation building in South Brisbane.
Student Accommodation Fund III	2,500,000	Jun-15	3.1%		2022	A project to develop and operate a purpose-built, 789-bed student accommodation precinct on La Trobe street in the Melbourne CBD and in close proximity to six university campuses.
Student Accommodation Fund IV	1,000,000	Jun-15	1.2%		2022	A social accommodation project to develop and operate a 400 bed purpose-built student accommodation facility in the West End of Adelaide.
Total Commercial Asset Management Investments	**12,000,000**		**14.8%**	**13.0% - 18.0%**		

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SUMMARY OF CURRENT INVESTMENTS (CONT.)

Fund name	Amount invested[4]	Date invested[5]	% allocated capital	Target IRR[6]	Anticipated exit[7]	Description
RESIDENTIAL ASSET MANAGEMENT INVESTMENTS						
Management Rights Income Fund IV	2,200,000	Oct-14	2.7%		2017	Management rights for the 3 tower, 788 apartment 'Southport Central' precinct on the Gold Coast, plus the freehold title to the manager's office.
Total Residential Asset Management investments	**2,200,000**		**2.7%**	**12.0% - 16.0%**		
Total Private Real Estate	**24,200,000**		**29.9%**			

Fund name	Amount invested[4]	Date invested[5]	% allocated capital	Target IRR[6]	Anticipated exit[7]	Description
HEDGE FUNDS						
SRA Alliance Fund (Diversified Quant)	2,015,200	Jun-14	2.5%		Open-ended	A portfolio of quantitative trading strategies, diversified across currency, commodity, equity and interest rate markets, utilising derivatives and short selling in its strategy execution.
Total Hedge Funds	**2,015,200**		**2.5%**	**Cash + 6.0% - 10.0%**		
Total portfolio	**80,880,200**		**100.0%**			

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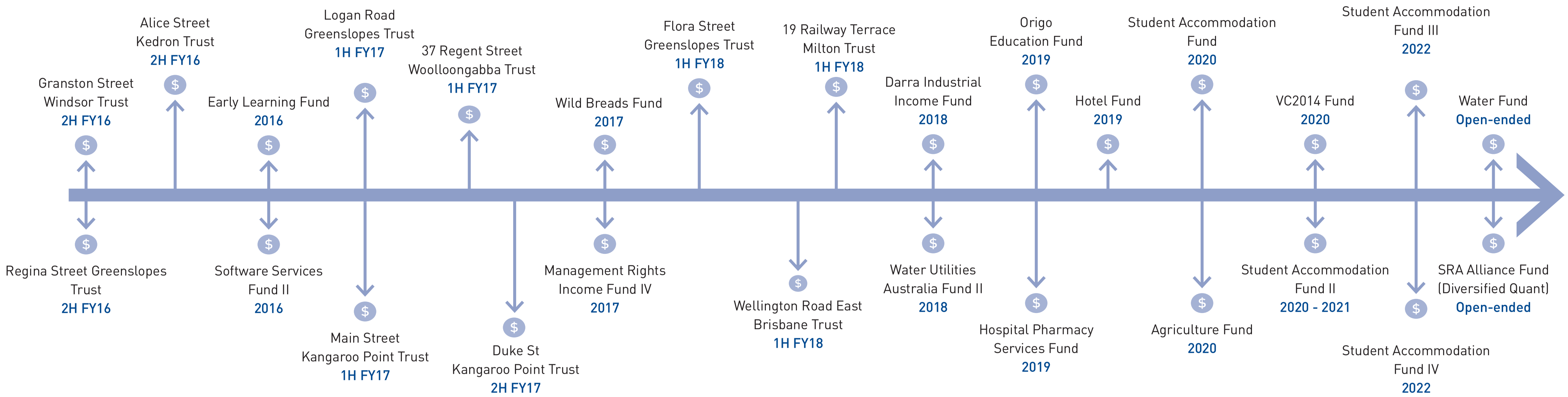
TIMELINE – EXIT HORIZON FOR ALL INVESTMENTS[7]



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