

ANNUAL GENERAL MEETING

BLUE SKY ALTERNATIVES ACCESS FUND LIMITED

NOVEMBER 2016

BlueSky Alternatives Access Fund

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ACCESS FUND UPDATE AND OUTLOOK



BLUE SKY ALTERNATIVES ACCESS FUND

Blue Sky Alternatives Access Fund Limited (Access Fund) (ASX:BAF) is a listed investment company that is mandated to invest in a diverse range of alternative assets including:



The Access Fund provides investors with:

- ✓ A diverse portfolio of Blue Sky managed alternative investments
- ✓ Low expected correlation of returns to listed equities and fixed interest
- ✓ Liquidity as an ASX listed security
- ✓ Access to the strong investment track record of Blue Sky
- An investment strategy aimed at achieving attractive investment returns via dividend income and an increase in NTA
- ✓ Low cost structure



CURRENT SCORECARD

What we promised	Current status
Diversified and balanced portfolio of alternatives	Real Assets (33%), Private Real Estate (39%) and Private Equity (25%)
Of alternatives	37 different funds in total
	Access Fund returns annualised since inception: Fund Performance: 9.0% p.a. ¹ ; TSR: 10.6 p.a. ²
Attractive returns with low	✓ Cornerstone allocation to Blue Sky Water Fund
correlation to traditional investment classes	Focus in Private Real Estate on thematics with non-cyclical long term drivers (Student Accommodation and Retirement Living)
	Focus in Private Equity on "essentials"
Meaningful dividend yield	Dividend intentions are to target a minimum 4.0% of closing post-tax NTA at 30 June franked to the extent possible FY16 dividend: 5c fully franked (4.6% of closing post-tax NTA)
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Low cost structure	Lowest Blue Sky fee structure for retail / wholesale investors \$5.6m in fee rebates to the Access Fund in FY16

^{1.} Fund pre-tax NTA performance annualised since inception to 31 October 2016 which includes growth in pre-tax NTA, plus dividends and franking credits paid. Unrealised investments are valued in accordance with the Accounting Standards and the Access Fund's published valuation policy, which is available on the ASX and the Access Fund's website.

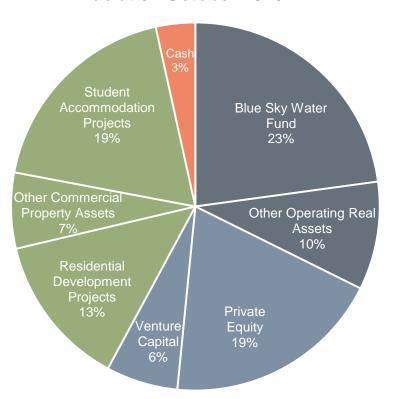
^{2.} Includes closing price of ASX:BAF as at 17 November 2016, plus dividends and franking credits. No adjustment has been made for brokerage or transaction costs.

Past performance is not a reliable indicator of future performance.



CURRENT ASSET ALLOCATION

Sector weightings as at 31 October 2016





Real assets

- Cornerstone position in the Blue Sky Water Fund
- 4 other agricultural investments



Private Equity / Venture Capital:

- 9 Private Equity (expansion capital) funds
- 4 late stage Venture Capital funds



Private Real Estate:

- 6 purpose-built student accommodation projects
- Commercial property in Australia and New York
- 1 retirement living project
- Residential developments allocation will reduce to ~5% by the end of FY17



DEPLOYMENT OPPORTUNITIES

The Access Fund continues to see a strong flow of investment opportunities and it is anticipated that proceeds of the November 2016 **Entitlement Offer** will be substantially **invested within a 3-5 month** period:

- Blue Sky Water Fund ~ will remain a cornerstone investment given its yield characteristics and long term value drivers
- Other Real Assets ~ strategic agricultural investments backed by real assets provide strong diversification benefits and returns through a combination of yield and capital growth
- <u>Private Real Estate</u> ~ retirement living, student accommodation and Cove US joint venture continue to deliver exposure to attractive long term investment themes
- Private Equity & Venture Capital ~ growth capital opportunities provide the
 potential for outsized capital gains, with a number of attractive opportunities currently in
 due diligence
- Hedge Funds ~ no intention to deploy into hedge funds from the current raise (due to the strength of the closed-ended fund pipeline), although the Access Fund retains the mandate to do so

REAL ASSETS

Deliberate *value seeking strategies* based on Blue Sky's decades of collective *experience in the agricultural sector*

Uncorrelated risk adjusted returns, while mitigating operational and seasonal risks

A portfolio *backed by real assets* with *direct exposure* to Australia's *globally competitive agribusinesses*







Snapshot of current investments

Water Fund

Holds diversified portfolio of agricultural water entitlements, largely in the Southern Murray-Darling Basin.

Agriculture Fund (Gundaline Pty Ltd)

Expansion capital used to convert a large-scale irrigated cropping business east of Hay in NSW from low value rice to higher value cotton.

Agriculture Fund II (Hillston Citrus)

Expansion capital used to increase citrus production to supply export markets.

Water Utilities Australia Fund II Defensive, yield generating water infrastructure with long term supply and customer contracts.



PRIVATE EQUITY AND VENTURE CAPITAL

Expansion capital into rapidly growing small and medium-sized enterprises

- Invest equity alongside founders
- Sector agnostic, but an investment theme around "the essentials" (nondiscretionary consumption)
- Key differentiator is emphasis on a partnership model

We look to invest in businesses with the following characteristics:

- An established track record
- Positive market trends / structural tail-winds
- Outstanding management team committed to driving future growth
- A well defined growth plan and a clear path to exit within 3-5 years

Private Equity

Venture Capital

















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PRIVATE REAL ESTATE

An active approach ('private equity into real estate') that invests in different parts of the real estate market depending on the cycle

Student Accommodation



- Greenfield purpose-built student accommodation
- Undersupplied, highly attractive emerging investment class in Australia
- Underpinned by a very large, acyclical education market
- Currently have 7 sites representing 3,900 beds
- All sites are in premium, inner-city locations very close to universities
- Build and operate to deliver capital growth and yield
- Blue Sky formed a student accommodation JV with leading global investment firm Goldman Sachs to build a portfolio of 5,000 to 10,000 beds. The JV has bought a majority stake in The PAD to manage the portfolio

Retirement Living



- Medium rise, purpose-built retirement living apartments in inner metropolitan areas
- Attractive industry trends present a significant market opportunity
- 1 site has been acquired. The design provides for a retirement living facility comprising 250 independent living units
- Very attractive pipeline of potential sites



PRIVATE REAL ESTATE (CONTINUED)

An active approach ('private equity into real estate') that invests in different parts of the market depending on the cycle

Cove Property Group



- Blue Sky formed a joint venture with Cove Property Group ('Cove') in late 2015
- Cove is focused on investing in commercial real estate in New York
- The Access Fund has invested in Cove's first deal to acquire and reposition the iconic 2 Rector Street building in Manhattan
- The total transaction value exceeds A\$280 million, with the majority of co-investment equity provided by a North American institutional investor

Residential Development



- Boutique unit developments in South-East Queensland with < c. 100 lots per development with premium amenities
- Targets the affordable segment (\$350,000 \$600,000)
- Geographically selective high demand rental catchments
- Close proximity and access to infrastructure
- <70% construction cost in non-recourse financing
- 50% of projects scheduled to exit in FY2017 meeting their original ROE targets, reducing total allocation to 5% of the Access Fund portfolio





Fund performance ¹ (NTA growth plus dividends and franking credits)			
	Pre-Tax	Post-Tax	
6 months	5.1%	5.7%	
12 months	9.6%	9.5%	
Annualised since inception ⁴	9.0%	8.0%	

Total shareholder return (Performance of ASX:BAF plus dividends and franking credits)			
ASX:BAF ²	ASX 200 TR ³		
14.7%	2.7%		
19.1%	10.7%		
10.6%	6.2%		

^{1.} Fund NTA performance to 31 October 2016 which includes growth in NTA, plus dividends and franking credits paid. Unrealised investments are valued in accordance with the Accounting Standards and the Access Fund's published valuation policy, which is available on the ASX and the Access Fund's website.

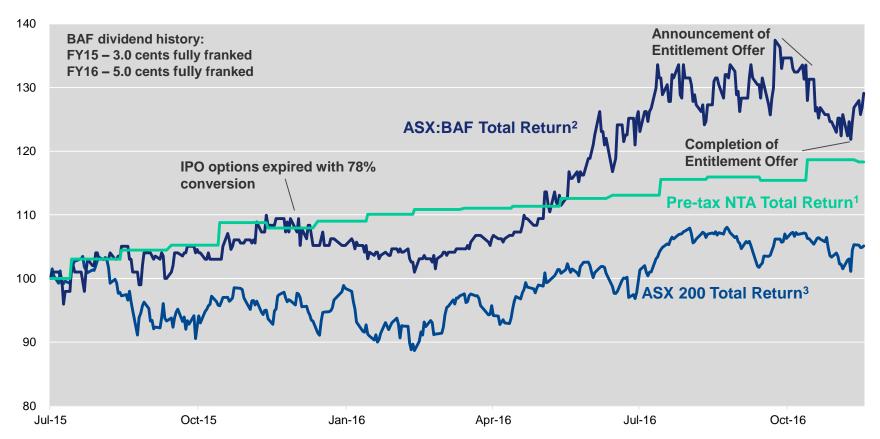
^{2.} Includes closing price of ASX:BAF as at 17 November 2016, plus dividends and franking credits. No adjustment has been made for brokerage or transaction costs.

^{3.} S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index (Tax-exempt) to 17 November 2016.

^{4.} Inception date is 16 June 2014.



PERFORMANCE AGAINST PUBLIC MARKETS (FY16 to date)



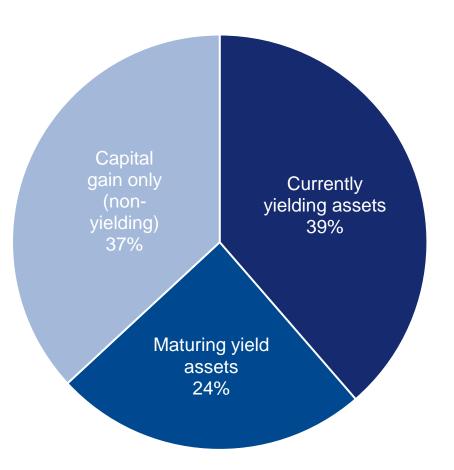
^{1.} Pre-Tax NTA Total Return includes growth in NTA, plus dividends and franking credits paid. Unrealised investments are valued in accordance with the Accounting Standards and the Access Fund's published valuation policy, which is available on the ASX and the Access Fund's website.

^{2.} ASX:BAF Total Return includes closing price of ASX:BAF as at 17 November 2016, plus dividends and franking credits. No adjustment has been made for brokerage or transaction costs.

S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index (Tax-exempt) to 17 November 2016.



DIVIDEND YIELD



- ✓ In FY16 the Board announced its future dividend intentions:
 - Annual dividends targeting at least
 4.0% of closing NTA at 30-Jun
 - Franked to the maximum extent possible
 - Interim dividends from FY17
- 5.0 cent fully franked final dividend paid in relation to FY16 (4.6% of closing post-tax NTA)
- √ 39% of the current portfolio is yielding, forecast to increase to >60% as student accommodation and agricultural investments mature





Software Services Fund II



- Held equity in Readify Limited a leading Australian software services business
- Readify was sold to Telstra in June 2016
- Delivered a 36% net IRR and 1.76x return on investment¹
- Exit was above Blue Sky's original IRR target and 12 months earlier than planned under the investment case

Alice Street Kedron Trust



- Developed a 38 apartment boutique residential development known as 'Harvest', in the north Brisbane suburb of Kedron
- Received a \$1.44 million first and final distribution during **June 2016**, comprising a return of the original \$1.0 million capital outlay, a profit distribution and performance fee rebate
- Delivered a **36% net IRR** and **1.7x return on investment** net of fees and inclusive of franking credits

^{1.} The returns presented are specific to the Access Fund's investment in Software Services Fund II and are net of fees, and inclusive of interim yield, franking credits and fee rebates. These returns may differ to returns presented by the Manager for its investment in Readify Limited, which are a composite of returns to all investors in Software Services Funds I & II.

REALISED INVESTMENTS



Blue Sky Management Rights Income Fund IV



- Management rights to 788 apartment Southport Central precinct
- Delivered 10%+ p.a. franked yield monthly since investment
- Sold to Mantra Group in August 2016
- Generated a 21% net IRR and 1.35x return on investment

37 Regent Street Woolloongabba Trust



- Developed a 44 apartment boutique development known as Empire, in South Brisbane
- In October 2016, the Alternatives Fund received a \$1.50 million initial distribution from the 37 Regent Street Woolloongabba Trust after investing \$1.0 million in **June 2014**
- **1.5x return on investment** to date, with additional capital and fee rebate distributions expected over the coming weeks

Blue Sky Hedge Funds



- Redeemed from Diversified Quant in **May 2016** realising a negative 5.5% net IRR
- Redeemed from Dynamic Macro in **August 2016** for a positive 7.4% net IRR
- No intention to deploy into hedge funds from the current raise (due to the strength of the closed-ended fund pipeline), although the Access Fund retains the mandate to do so



THE ACCESS FUND'S CAPITAL MARKET POSITIONING

FY16 BAF Options

- 78% of BAF options exercised in FY16, raising \$46.4 million
- All converted or expired in December 2015
- Funds fully deployed by February 2016

1H FY17 Entitlement Offer

- 1 for 3 entitlement offer and shortfall offer closed November 2016
- 48% entitlements take up
- Shortfall offer closed same day heavily over-subscribed
- \$47 million raised with strong demand from a wide range of financial planners nationally

Benefits of responsible scaling

- Shareholder spread and liquidity
- Ongoing access to attractive investment pipeline
- Increasing depth and diversity of investment portfolio
- Off-market entry points for financial planner networks



INCOME STATEMENT: SUMMARY

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Net gains/(losses) on financial assets held at fair value through profit and loss	12,109	3,354
Rebates	5,637	3,264
Dividend and trust distribution income	3,020	756
Interest income	90	208
Management fees	(1,494)	(812)
Performance fees	(1,285)	-
Director fees	(154)	(149)
Other expenses	(514)	(392)
Profit/(loss) before income tax	17,409	6,229
Income tax benefit/(expense)	(3,913)	(1,559)
Profit/(loss) after income tax	13,496	4,670
Other comprehensive income	-	-
Total comprehensive income	13,496	4,670
Earnings per share	Cents	Cents
Basic earnings per share (profit/(loss) per share)	12.17	7.43
Diluted earnings per share (profit/(loss) per share)	12.17	7.43

Commentary on FY16 results:

- Growth in net assets (NTA) per share of 11.9% (pre-tax), or 10.1% on a post-tax basis, in FY16.
- Gains were recorded across all of the Access Fund's asset classes.
- In FY16, the Access Fund generated realised gains on investments of c. \$5.9 million, comprising largely of yield from the portfolio, profit and fee rebates on realised investments and interest income.
- Portfolio capital growth has been supplemented by cash yields from investments in the portfolio (\$3.0m) and interest on cash reserves (\$0.1m).
- Rebates are paid by Blue Sky to reimburse the Access Fund for certain fees, reflecting its lowercost structure and ensuring no-double dipping of fees.
- Management fees (\$1.5m) and performance fees (\$1.3m) were the primary contributors to operating costs, with listing fees, insurance, director fees, registry costs and audit fees making up 69% of other expenses.

Note: the above Statement of Comprehensive Income should be read in conjunction with the accompanying notes available in the Company's FY16 Annual Report at www.blueskyfunds.com.au/alternativesfund.



	As at 30 June 2016	As at 30 June 2015
Assets	\$'000	\$'000
Cash and equivalents	6,717	2,018
Trade and other receivables	1,776	42
Other assets	3,549	1,568
Financial assets held at fair value through profit and loss	133,990	83,073
Total assets	146,032	86,701
Liabilities		
Trade and other payables	(1,626)	(2,419)
Current tax payable	(2,209)	-
Deferred rebates	(927)	(443)
Deferred tax liabilities	(1,315)	(677)
Total liabilities	(6,077)	(3,539)
Net assets	139,995	83,162
Shareholders' equity		
Issued shares and options	125,558	78,987
Retained profits	14,397	4,175
Net assets	139,995	83,162
Not Taxatilla Assata a sa shara (sas tax)	\$1.1216	\$1.0408
Net Tangible Assets per share (pre-tax)	•	· · · · · · · · · · · · · · · · · · ·
Net Tangible Assets per share (post-tax)	\$1.0940	\$1.0324



Commentary on FY16 results:

- \$53.3 million was deployed in FY16 in new and follow-on investments, and over \$135 million has been deployed since the Access Fund's IPO in 2014.
- Trade and other receivables ~ fee rebates receivable plus distributions receivable from the portfolio.
- Other assets ~ primarily accrued performance fee rebates (\$1.7m current, \$1.6m non-current). As the underlying funds in which the Access Fund invests grow in value, performance fees and corresponding rebates are accrued.
- Trade and other payables ~ largely management fees (\$0.14m) and performance fees payable (\$1.29m).
- The Access Fund remains debt free.

Note: The adjacent Statement of Financial Position should be read in conjunction with the accompanying notes available in the Company's FY16 Annual Report at www.blueskyfunds.com.au/alternativesfund.





	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Cash flows from operating activities		
Rebates of transaction costs and fees (including GST)	4,082	3,049
Dividends and trust distributions received	2,026	737
Payments to suppliers (including GST)	(2,920)	(1,979)
Interest received	90	208
Income tax paid	(1,066)	-
Net cash from operating activities	2,212	2,015
Cash flows from investing activities		
Payments for financial assets held at fair value through profit and loss	(53,335)	(43,500)
Proceeds from disposal of financial assets held at fair value through profit and loss	12,527	2,950
Net cash used in investing activities	(40,808)	(40,550)
Cash flows from financing activities		
Proceeds from issue of shares	196	20,132
Proceeds from exercise of options	46,373	25
Fundraising costs (including GST)	-	(419)
Dividends paid	(3,274)	-
Net cash from financing activities	43,295	19,738
Net increase/(decrease) in cash and cash equivalents	4,699	(18,797)
Cash and cash equivalent at beginning of the year	2,018	20,815
Cash and cash equivalents at the end of the year	6,717	2,018

Commentary on FY16 results:

- Rebates and distributions from the portfolio contributed to a \$2.2m positive operating cash flow in FY16
- Total dividends and trust distributions income: \$2.0m
- Realisations from the portfolio contributed \$12.5m in cash during FY16, including:
 - Alice Street Kedron ~ a residential development project which was received in Jun-16
 - Readify Limited ~ a private equity investment sold to Telstra in Jun-16
 - Hedge Funds ~ redemptions from the hedge funds in August 2015 and April 2016
- \$46.4 million received from exercise of BAF options prior to their expiry in Dec-15, a conversation rate of more than 78%
- The Company paid its first dividend in Nov-15 at 3.0 cents per share fully franked. This grew to a 5.0 cents per share fully franked dividend in respect of FY16 and paid in Sep-16

Note: the adjacent Statement of Cash Flows should be read in conjunction with the accompanying notes available in the Company's FY16 Annual Report at www.blueskyfunds.com.au/alternativesfund.



OUR KEY PRIORITIES FOR FY17

- ✓ Fund performance and total shareholder returns
- ✓ Deployment of \$47 million Entitlement Offer proceeds within 3-5 months
- ✓ Introduction of interim dividend, and total FY17 dividends in line with published intent
- ✓ Strong ongoing engagement with financial planners nationally.

QUESTIONS

FORMAL BUSINESS





RESOLUTION 1

Approval and adoption of the Remuneration Report

Resolution 1 seeks approval:

"THAT the Company's Remuneration Report for the financial year ended 30 June 2016 is approved."



PROXIES RECEIVED (1 OF 3)

RESOLUTION 1

Approval and adoption of the Remuneration Report

Resolution 1 seeks approval:

"THAT the Company's Remuneration Report for the financial year ended 30 June 2016 is approved."

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			



ORDINARY BUSINESS

Re-election of Directors

Resolution 2 seeks approval:

RESOLUTION 2a

a. "THAT Lazarus Siapantas, who was appointed as a director by the Board of the Company on 21 March 2016 and will retire at the close of the Meeting in accordance with clause 19.2(b) of the Company's Constitution, being eligible, be re-elected as a director of the Company."



PROXIES RECEIVED (2 OF 3)

Re-election of Directors

Resolution 2 seeks approval:

RESOLUTION 2a

a. "THAT Lazarus Siapantas, who was appointed as a director by the Board of the Company on 21 March 2016 and will retire at the close of the Meeting in accordance with clause 19.2(b) of the Company's Constitution, being eligible, be re-elected as a director of the Company."

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			



ORDINARY BUSINESS

Re-election of Directors

Resolution 2 seeks approval:

RESOLUTION 2b

a. "THAT Lachlan McMurdo, who was appointed as a director by the Board of the Company on 30 September 2016 and will retire at the close of the Meeting in accordance with clause 19.2(b) of the Company's Constitution, being eligible, be re-elected as a director of the Company."



PROXIES RECEIVED (3 OF 3)

Re-election of Directors

Resolution 2 seeks approval:

RESOLUTION 2b

a. "THAT Lachlan McMurdo, who was appointed as a director by the Board of the Company on 30 September 2016 and will retire at the close of the Meeting in accordance with clause 19.2(b) of the Company's Constitution, being eligible, be re-elected as a director of the Company."

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			



Blue Sky Alternatives Access Fund Limited

Suite 1808, Level 18, Australia Square 264-278 George Street Sydney NSW Australia

T +61 (0) 7 3270 7500

F +61 (0) 7 3270 7599

E investorservices@blueskyalternativesfund.com.au

blueskyfunds.com.au/alternativesfund