

14 February 2017

Dear Shareholder

**Blue Sky Alternatives Access Fund Limited (ASX:BAF) (the Alternatives Fund) – Net Tangible Assets ('NTA') per share for January 2017**

The Alternatives Fund is pleased to report a pre-tax NTA increase to \$1.0917 per share in January, a gain of 0.47%. The gain was driven by an uplift in the Blue Sky Water Fund, as well as an uplift in the carrying value of The Alternatives Fund's private equity investment in the Blue Sky Early Learning Fund.

The Alternatives Fund received a 2.0% quarterly distribution from the Blue Sky Student Accommodation Fund I which was accrued in December 2016.

On 10 February 2017, the Alternatives Fund's board was pleased to announce a maiden interim dividend of 1.0 cent per share fully franked in respect of the half-year ended 31 December 2016. The record date for the dividend is 2 March 2017 and will be paid to shareholders on 21 March 2017. The Alternatives Fund's Dividend Reinvestment Plan ('DRP') applies to this dividend and is available to eligible shareholders who elect to participate prior to 5:00pm on 3 March 2017. Shares issued under the DRP will be at a 4.0% discount to the volume-weighted average price on the 5 trading days between 6 March 2017 and 10 March 2017.

As announced on 26 May 2016, the Alternatives Fund is committed to paying annual dividends targeting at least 4.0% of closing post-tax NTA for each financial year, franked to the highest extent possible (provided that the Company has sufficient profit and cash flow to do so).

We look forward to bringing you our next investor update in relation to February 2017.

Yours faithfully



**Andrew Champion**  
Executive Chairman

**Important note**

BSAAF Management Pty Ltd ABN 82 168 923 279 has prepared the information in this document. This document has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance.

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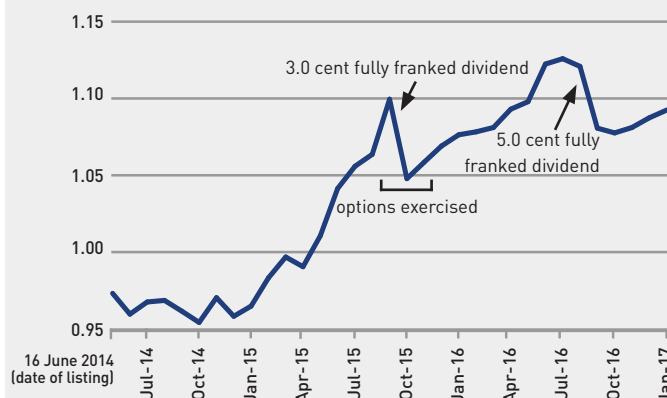
[blueskyfunds.com.au](http://blueskyfunds.com.au)

### NET TANGIBLE ASSETS – AS AT 31 JANUARY 2017<sup>1</sup>

|                                                |           |
|------------------------------------------------|-----------|
| Net Tangible Assets (NTA) per share (pre-tax)  | \$ 1.0917 |
| Net Tangible Assets (NTA) per share (post-tax) | \$ 1.0754 |

1. NTA figures in this report are unaudited.

### PRE-TAX NET TANGIBLE ASSETS – SINCE INCEPTION



### PORTFOLIO VALUATION<sup>2</sup>

|                                           | Current value (\$'m) | % of Portfolio |
|-------------------------------------------|----------------------|----------------|
| <b>PRIVATE EQUITY AND VENTURE CAPITAL</b> |                      |                |
| Private Equity                            | \$34.42              | 18.6%          |
| Venture Capital                           | \$11.33              | 6.1%           |
| <b>Subtotal</b>                           | <b>\$45.75</b>       | <b>24.7%</b>   |
| <b>REAL ASSETS</b>                        |                      |                |
| Water Fund                                | \$41.43              | 22.4%          |
| Other Real Assets                         | \$11.98              | 6.5%           |
| <b>Subtotal</b>                           | <b>\$53.41</b>       | <b>28.9%</b>   |
| <b>PRIVATE REAL ESTATE</b>                |                      |                |
| Residential Development Projects          | \$15.28              | 8.2%           |
| Retirement Living Projects                | \$8.48               | 4.6%           |
| Student Accommodation Projects            | \$32.95              | 17.8%          |
| Cove and Other Real Estate                | \$14.52              | 7.8%           |
| <b>Subtotal</b>                           | <b>\$71.23</b>       | <b>38.4%</b>   |
| Cash                                      | \$14.77              | 8.0%           |
| <b>GRAND TOTAL</b>                        | <b>\$185.16</b>      | <b>100.0%</b>  |

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](http://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.

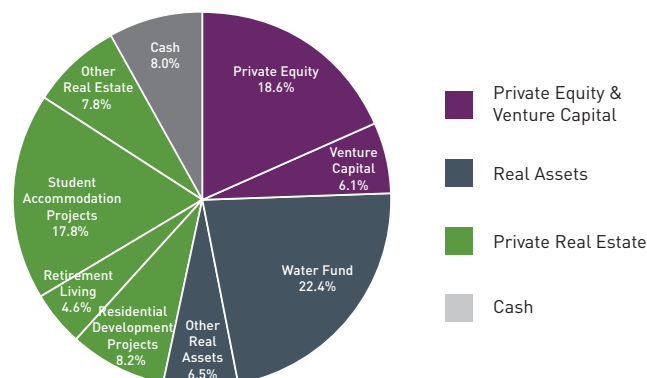
**Important Notice:** BSAAF Management Pty Ltd ACN 168 923 279 ('Manager') has prepared the information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in the Alternatives Fund nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of the Alternatives Fund and conduct its own investigations and analysis. Past performance is not a reliable indicator of future performance. Further, forward looking statements, including projections, guidance on future earnings, opinions and estimates in this announcement ('Forward Looking Statements') are based on assumptions and contingencies which are subject to change, as are statements about market and industry trends, which are based on interpretations of current market conditions. These statements are also subject to known and unknown risks and uncertainties many of which are outside the control of the Manager or the Alternatives Fund. Forward Looking Statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

### FUND PERFORMANCE<sup>3</sup>

| Period                      | Pre-Tax | Post-Tax |
|-----------------------------|---------|----------|
| 1 month                     | 0.47%   | 0.64%    |
| 3 months                    | 1.38%   | 2.01%    |
| 6 months                    | 3.45%   | 4.72%    |
| 12 months                   | 8.20%   | 9.46%    |
| Since inception (per annum) | 8.72%   | 7.90%    |
| Since inception (total)     | 24.56%  | 22.13%   |

3. Includes NTA growth, dividends and franking credits.

### 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.

### 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 \$2.7 billion in fee-earning assets under management and a ten year track record of generating overall returns to investors in its funds of 16.4% p.a. (net of fees compounding since inception).<sup>4</sup>

4. Assets under management as at 31 December 2016. Overall returns to investors in Blue Sky managed funds are equity weighted to 31 December 2016. 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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The pre-tax NTA of the Alternatives Fund increased by 0.5 cents per share, or 0.47%, to \$1.0917 in January. The gain was the result of a positive month for Water Entitlement values in the Blue Sky Water Fund, as well as an uplift in carrying value of the Blue Sky Early Learning Fund. These uplifts were partially offset by the payment of a company tax instalment (which had a neutral effect on post-tax NTA due to a matching reduction in accrued tax liabilities).

During the month a 2.0% quarterly distribution was received from the Blue Sky Student Accommodation Fund I. No new investments or realisations were made during the month.

## INVESTMENT PERFORMANCE

- **Blue Sky Water Fund**

The Alternatives Fund's investment in the Blue Sky Water Fund increased 1.35% in January, with Water Entitlement values strengthening across most of the portfolio during the month. NSW general security Water Entitlements were the best performers with some prices rising 6% over the month.

- **Blue Sky Early Learning Fund**

The carrying value of the Alternatives Fund's investment in the Blue Sky Early Learning Fund increased by 26.3% in January. This fund holds a private equity investment in Foundation Early Learning, a premium Australian childcare operator.

The acquisition of several early learning centres in December and January, as well as a particularly pleasing operating performance through the first half of FY17, has led to a step change in run rate operating earnings. With further business development opportunities progressing, and positive early signs for centre occupancy in 2017, Foundation Early Learning is well placed to continue to deliver its investment case this year.

## DISTRIBUTIONS

During January the Alternatives Fund received a 2.0% quarterly distribution from the Blue Sky Student Accommodation Fund I which was accrued at 31 December 2016, as reported in the previous NTA report.

## NEW INVESTMENTS

The Alternatives Fund did not make any new investments in January.

## INTERIM DIVIDEND TO SHAREHOLDERS

On 10 February 2017, the Alternatives Fund's board was pleased to announce a maiden interim dividend of 1.0 cent per share fully franked in respect of the half-year ended 31 December 2016.

The record date for the dividend is 2 March 2017 and will be paid to shareholders on 21 March 2017.

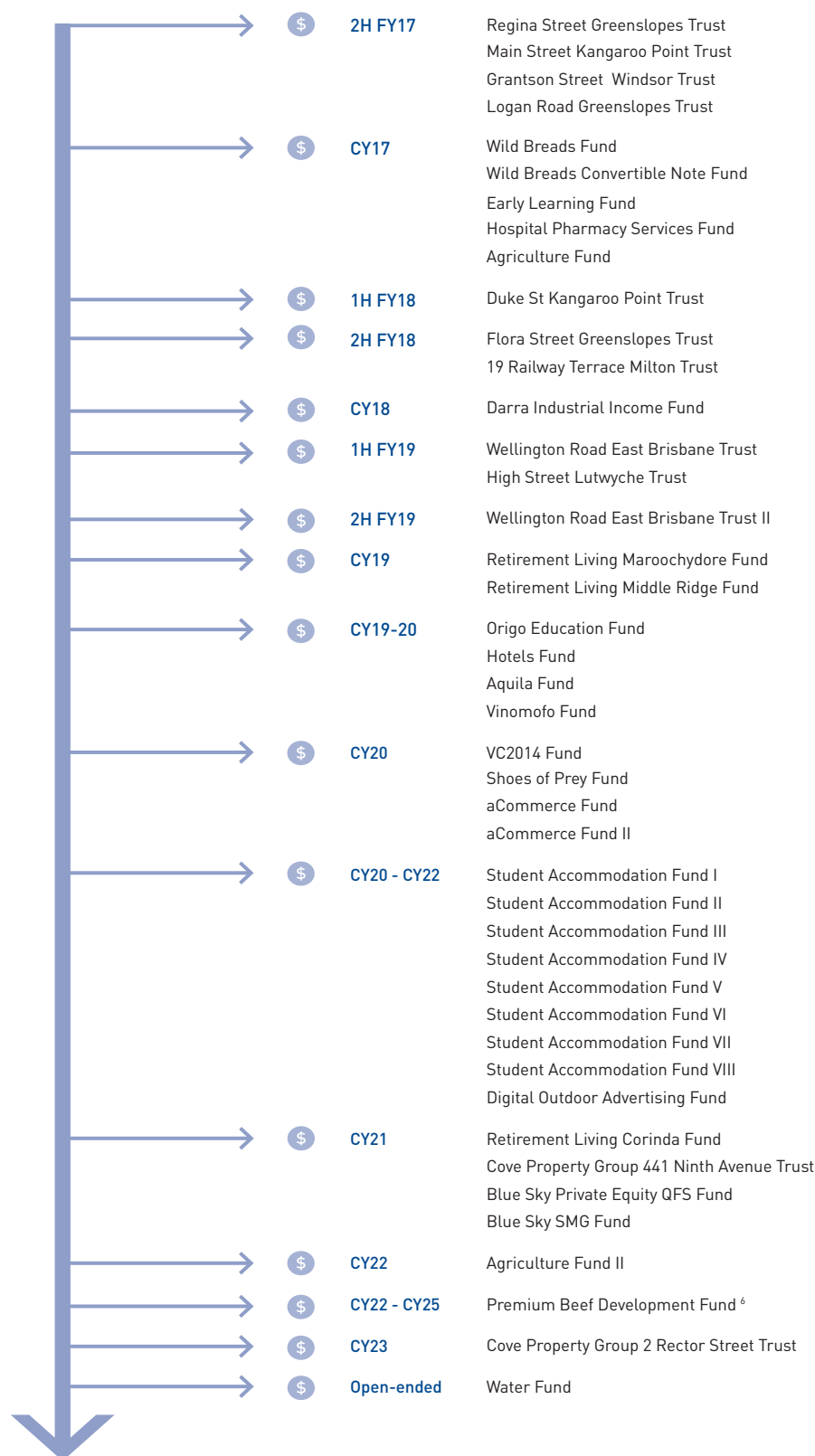
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As announced on 26 May 2016, the Alternatives Fund is committed to paying annual dividends targeting at least 4.0% of closing post-tax NTA for each financial year, franked to the highest extent possible (provided that the Company has sufficient profit and cash flow to do so).

## CHANGE TO REPORT FORMAT

Going forward, the Alternatives Fund will report the full summary table of current investments on a quarterly basis.

### TIMELINE – EXIT HORIZON FOR ALL INVESTMENTS<sup>5</sup>



5. 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.

6. Confidentiality restrictions in force at the time of this report prohibit release of certain transaction details, including the name of the business invested in. Further information will be provided in future reports.

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