

14 March 2017

Dear Shareholder

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

The Alternatives Fund is pleased to report a pre-tax NTA increase to \$1.0945 per share in February, an increase of 0.25% for the month. This result was delivered by gains on the following two assets in the portfolio:

- *The Blue Sky Water Fund* ~ recorded a 0.72% uplift after the majority of the Water Entitlements held in the portfolio appreciated over last month; and
- *The residential development at Duke Street, Kangaroo Point* ~ recorded a 10.0% gain after the residential development project milestones were met during the month.

The Alternatives Fund also received distributions from the following funds:

- *Blue Sky Hotel Fund* – a 2.5% quarterly distribution;
- *Blue Sky Aquila Fund* – a 2.5% dividend in respect of 1H FY17; and
- *Blue Sky Water Fund* – a 2.5% interim distribution in respect of 1H FY17.

No new investments were made in February.

As previously reported, on 21 March 2017 the Alternatives Fund will pay shareholders its maiden interim dividend of 1.0 cent per share fully franked. Shareholders who elected to participate in the Dividend Reinvestment Plan will receive shares priced at a 4.0% discount to the volume-weighted average price on the 5 trading days between 6 March 2017 and 10 March 2017.

We look forward to bringing you our next investor update in relation to March 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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NET TANGIBLE ASSETS – AS AT 28 FEBRUARY 2017¹

Net Tangible Assets (NTA) per share (pre-tax)	\$ 1.0945
Net Tangible Assets (NTA) per share (post-tax)	\$ 1.0778

1. NTA figures in this report are unaudited.

PRE-TAX NET TANGIBLE ASSETS – SINCE INCEPTION



PORTFOLIO VALUATION²

	Current value (\$'m)	% of Portfolio
PRIVATE EQUITY AND VENTURE CAPITAL		
Private Equity	\$34.15	18.3%
Venture Capital	\$11.33	6.1%
Subtotal	\$45.48	24.4%
REAL ASSETS		
Water Fund	\$41.82	22.4%
Other Real Assets	\$11.98	6.4%
Subtotal	\$53.80	28.8%
PRIVATE REAL ESTATE		
Residential Development Projects	\$15.50	8.3%
Retirement Living Projects	\$8.48	4.6%
Student Accommodation Projects	\$32.95	17.7%
Cove and Other Real Estate	\$14.52	7.8%
Subtotal	\$71.45	38.4%
Cash	\$15.62	8.4%
GRAND TOTAL	\$186.35	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.

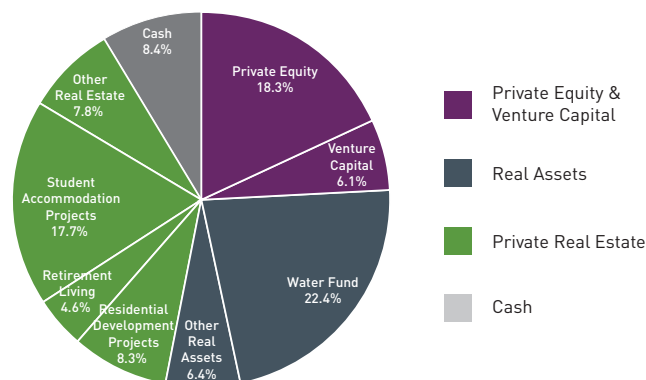
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FUND PERFORMANCE³

Period	Pre-Tax	Post-Tax
1 month	0.25%	0.22%
3 months	1.31%	1.28%
6 months	4.18%	5.29%
12 months	8.28%	9.56%
Since inception (per annum)	8.62%	7.89%
Since inception (total)	25.04%	22.78%

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).⁴

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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During February the pre-tax NTA of the Alternatives Fund increased by 0.28 cents per share, or 0.25%, to \$1.0945. The gain was the result of growth in the value of the Blue Sky Water Fund, as well as an uplift in the value of the residential development at Duke Street, Kangaroo Point.

During the month, several quarterly and half year income distributions were received from underlying funds. No new investments or realisations were made in February.

INVESTMENT PERFORMANCE

- **Blue Sky Water Fund**

The Alternatives Fund's investment in the Blue Sky Water Fund increased 0.72% in February.⁵ Almost all of the Water Entitlements held in the portfolio appreciated over the last month. The price of Water Allocations softened slightly, however the effect was negligible as the Blue Sky Water Fund has now sold the vast majority of its Water Allocations for FY17.

- **Duke Street Kangaroo Point Trust**

The Duke Street Kangaroo Point Trust is developing a 125 apartment development in Kangaroo Point (known as The Duke). Construction of the project is progressing well with the contractor completing the structure to full height during the month. The carrying value of the Alternatives Fund's investment in the Duke Street Kangaroo Point Trust increased by 10% in February after meeting project milestones during the month.

The project is expected to reach completion in the second half of CY17.

DISTRIBUTIONS

In early February, the Alternatives Fund received cash distributions from the following funds (which were accrued in December 2016):

- **Blue Sky Hotel Fund** – a 2.5% quarterly distribution;
- **Blue Sky Aquila Fund** – a 2.5% dividend in respect of 1H FY17; and
- **Blue Sky Water Fund** – a 2.5% interim distribution in respect of 1H FY17.

NEW INVESTMENTS

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

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.

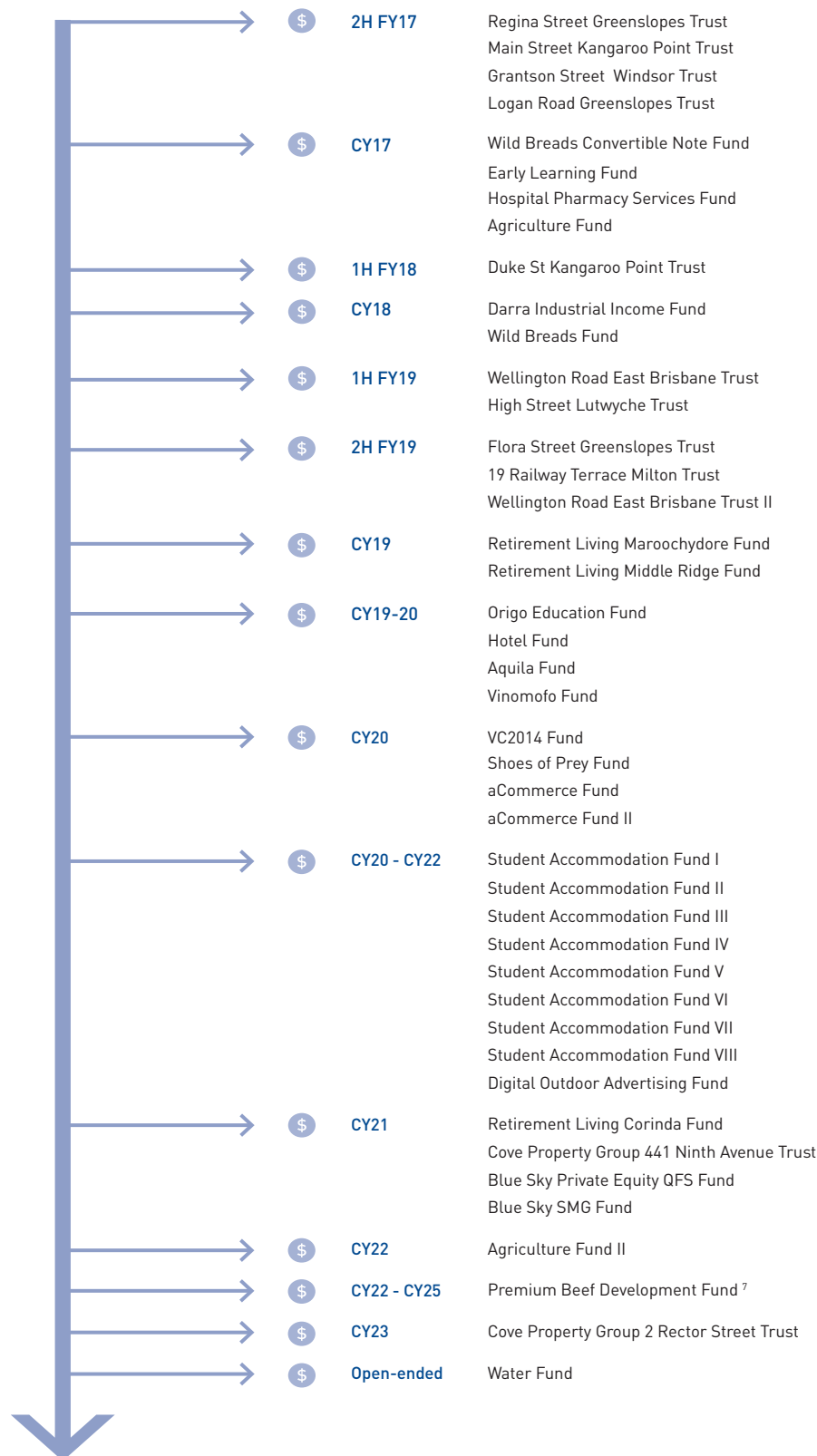
The record date for the dividend was 2 March 2017 and will be paid to shareholders on 21 March 2017.

The Alternatives Fund's Dividend Reinvestment Plan applies to this dividend and was available to eligible shareholders who elected to participate prior to 5.00pm AEDT on 3 March 2017. Shares issued under the DRP will be at a 4.0% discount to the volume-weighted average price on the five trading days between 6 March 2017 and 10 March 2017 (inclusive).

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 the Alternatives Fund has sufficient profit and cash flow to do so).

5. The monthly return reported by the Alternatives Fund is on a post-tax basis and will differ to that separately reported by the Blue Sky Water Fund which is on a pre-tax basis.

TIMELINE – EXIT HORIZON FOR ALL INVESTMENTS⁶



6. 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.

7. 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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