BlueSky Alternatives Access Fund

BLUE SKY ALTERNATIVES ACCESS FUND LIMITED (ASX: BAF)

PROPOSAL FOR NEW MANAGER & NEW INVESTMENT MANDATE

OCTOBER 2018

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AGENDA

NEW MANAGER & TRANSITION

1. Response to significant share price discount to NTA

Responses to date include:

- No new capital deployed since March 2018
- Independent valuation reviews of all carrying values undertaken by the Manager (June 2018)
- Announced and commenced share buy back program, with 6.2m shares acquired to date[1] at weighted average price of $0.8347
- Appointment of additional Independent Non-Executive Director (Peter Wade) on 4 October 2018 to create a majority of independents
- Strategic review undertaken by BAF Directors, resulting in today's announcement

2. Unique offering

- BAF remains a unique product offering to the retail market

3. Opportunity to reset

- New Manager in Alterum Investment Management (majority owned by Pinnacle) and a new 'best of breed' multi-manager mandate

1. Up to and including 5 October 2018, when the buy-back program was placed on hold for the 5 trading days prior to release of the Company's September NTA report.

EXECUTIVE SUMMARY

Agreements executed today to effect (subject to shareholder approvals):

1. APPOINTMENT OF A NEW MANAGER	▪ Appointment of a new Manager, Alterum Investment Management ('New Manager'), a majority-owned subsidiary of Pinnacle Investment Management Group Limited (ASX: PNI) ('Pinnacle') (from 1 January 2019)
2. NEW INVESTMENT MANDATE	▪ New investment mandate for a diversified alternatives 'best-of-breed' multi-manager fund ▪ In addition to BLA-managed AUM, the New Manager will select market-leading investment managers ('Underlying Managers') in a particular asset class, including Pinnacle affiliate investment managers
3. TRANSITION ARRANGEMENTS WITH BLA	▪ Mutually agreed cessation of BLA as the Manager of Blue Sky Alternatives Access Fund Limited (ASX: BAF) ('BAF' or the 'Company') (from 31 December 2018) ▪ New agreement with BLA in relation to existing BLA-managed AUM ▪ BLA managed Water Fund and Strategic Agriculture Fund to remain a cornerstone position
4. NEW NAME	▪ BAF to be renamed *Alternative Markets Access Fund Limited* (ASX: AMF)
5. EGM FOR SHAREHOLDER APPROVAL	▪ Extraordinary General Meeting ('EGM') for shareholder approval to be held on 13 December 2018, with Explanatory Memorandum including Independent Expert's Report* ('IER') to be mailed to shareholders on 13 November 2018

* IER to opine on: a) whether the advantages to the Company's shareholders of the proposed transaction outweigh the disadvantages; and b) whether the arrangements with the New Manager are at arm's length.

EXECUTIVE SUMMARY

BlueSky Alternatives Access Fund

PROPOSED NEW MANAGER	▪ Alterum Investment Management, majority owned by Pinnacle ▪ Pinnacle holds equity interests in 12 other specialist investment managers, with $47.8[1] billion FUM ▪ New Manager and LIC services provided by Pinnacle ▪ Employing two executives from current Manager including Andrew Champion (the Company's Executive Chairman), with team to be expanded following shareholder approval of the New Manager's appointment ▪ New Investment Committee to deploy into a multi-manager mandate ▪ 1.0% (ex GST) Management Fee* on NAV (with an initial fee-free period on existing BLA managed investments until 1 July 2019) ▪ Performance fee* of 7.5% (ex GST) of whole of portfolio outperformance over an 8.0% p.a. fixed benchmark (performance period begins 1 July 2019) ▪ * Note: the above fees are in addition to fees payable to managers of underlying funds, including BLA ▪ Mandate for a term of 5 years, or 10 years if approved by the ASX
PROPOSED NEW INVESTMENT MANDATE	▪ Preserve core elements of current unique product attributes ▪ Expanded mandate to allocate to selected 'best of breed' alternative asset managers ▪ Introduce enhanced private market investment classes including private debt and infrastructure ▪ Targeting total fund performance of 8% - 12% p.a., inclusive of a target 4.0% dividend yield franked to the maximum extent possible

1. As at 30 September 2018, at 100% of Pinnacle affiliate investment manager FUM

EXECUTIVE SUMMARY

TRANSITION ARRANGEMENTS WITH BLA	▪ Mutually agreed cessation of BLA mandate to manage BAF portfolio effective 31 December 2018 ▪ New investment mandate implemented with BLA with respect to ongoing management of current portfolio of BLA investments from 1 January 2019 ▪ 1.2% management fee payable to BLA on a fund-by-fund only basis monthly in arrears ▪ 17.5% performance fee in excess of an 8.0% IRR payable to BLA, calculated from 1 January 2019 (payable on exit for closed-ended funds), but with the investment cost base reset to the higher of $1.00 or carrying value at 31 December 2018 ▪ Any period of underperformance to the 8% p.a. hurdle rate in the Current Mandate through to 31 December 2018 must be caught up prior to future performance fees being paid
KEY DATES	▪ Annual General Meeting (no vote on current transaction) ~ 29 November 2018 ▪ Explanatory documents, Independent Expert's Report and EGM notice mailed to shareholders ~ 13 November 2018 ▪ Extraordinary General Meeting seeking shareholder approval of transaction ~ 13 December 2018 ▪ New Manager / new mandate commencement date ~ 1 January 2019

AGENDA

PROPOSED NEW INVESTMENT MANDATE

BlueSky Alternatives Access Fund

Introduce 'best of breed' mandate	• Maintain unique elements of current product attributes: – Liquid access to sought-after private market opportunities – Highly diversified – Yield as well as capital gain opportunity – Low total portfolio volatility – Low correlation to traditional investments • Broader mandate to allocate to 'best of breed' investment managers across a diversified portfolio of private market alternative assets • In addition to BLA-managed AUM, the New Manager will select the market leading Underlying Managers in a particular asset class. This will include Pinnacle affiliate investment managers where they meet this criteria
Broader potential asset class mix	Real Assets; Private Equity; Private Real Estate; Private Debt; Private Infrastructure; Other*
Diversity across managers and asset classes	• Limits on Underlying Manager concentration ~ not greater than 35% of Portfolio NAV[1] • Other prudential limits to be set by the New Manager Investment Committee from time to time
Leverage	• No direct leverage employed at the LIC level • All leverage at the investment level non-recourse to the Company

1. Excluding existing BLA-managed AUM

PROPOSED NEW INVESTMENT MANDATE

BlueSky Alternatives Access Fund

Fund performance	• Maintain target total fund performance of 8.0% - 12.0% per annum • BAF pre-tax fund performance is currently 8.56% p.a. since inception
New Valuation Policy	• Fund performance will be measured based on carrying values provided by Underlying Managers, which are external to the Company • Valuation Policy documents a regime to ensure reliance on Underlying Manager carrying values is prudent • Underlying Managers to conduct independent external valuations or valuation reviews on at least an annual basis
Target yield	• Maintain dividend policy targeting: a) 4.0% p.a. yield to shareholders; b) through interim and final dividends; c) franked to the maximum extent possible; provided there is sufficient profit and cash flow to do so. • Total yield in FY17 & FY18 totalled 4.5% of closing post-tax NTA
Overall risk tolerance	• Target low volatility through portfolio diversification • Avoid higher risk capital loss positions

ABOUT THE NEW MANAGER

- **Majority owned by Pinnacle**
- **Fund & LIC services ~** to be provided by Pinnacle
- **Employing two executives from the current Manager ~** Andrew Champion (currently the Company's Executive Chair) and Adam Sharplin (currently the Company's Portfolio Analyst) to join the New Manager and (consistent with Pinnacle's practice amongst its affiliated investment managers) hold minority equity positions alongside Pinnacle
- **New Investment Committee to be established ~** initially with three members including one independent non-executive member[1] – responsible for investment and redemption decisions
- **Additional team members to be recruited in due course following shareholder approvals**

1. Independent Non-Executive Investment Committee member has not yet been appointed, but the New Manager intends to appoint an individual with appropriate local experience in the alternatives industry, following requisite shareholder approvals.

ABOUT PINNACLE

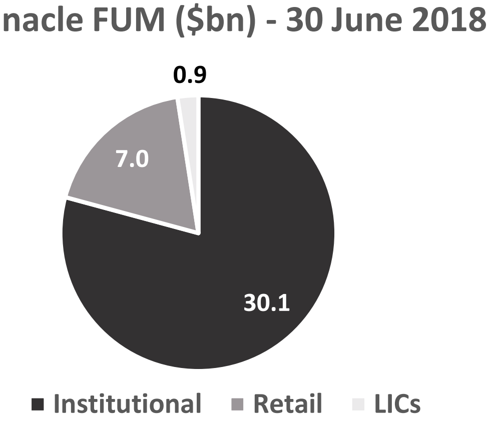
- A 'pure-play' investment management firm providing affiliated investment managers with distribution, infrastructure and other support services
- Founded in 2006, Pinnacle currently holds an existing equity interest in 12 other specialist investment managers
- Pinnacle's affiliated investment managers continue to deliver sustained, long term outperformance over their benchmarks
- Pinnacle was recognised as the Zenith Distributor of the Year for 2018 (3rd consecutive year)
- Recently added to MSCI Australian Small Cap Index and the S&P/ASX 300 Index

Pinnacle's focus:

- Commitment to Listed Investment Company market (4 existing LIC/LIT with $1.88bn of FUM)
- Commitment to growing capabilities in alternative asset market. Existing capabilities include Metrics (unlisted credit), Palisade (unlisted infrastructure) and hedge funds across Two Trees, Antipodes, Solaris and Firetrail.

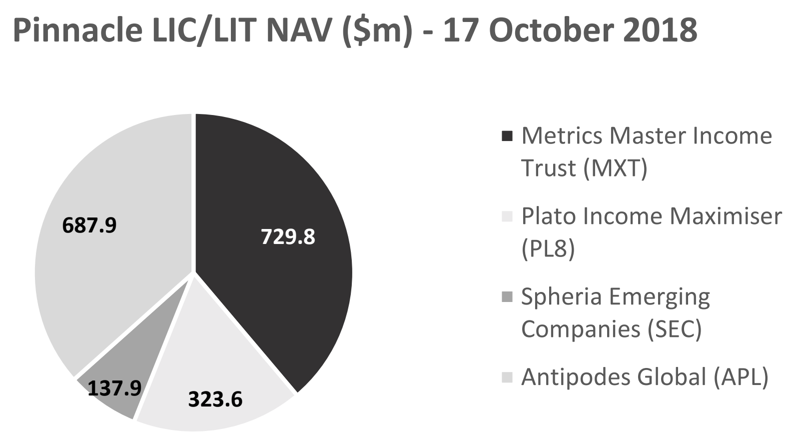
ABOUT PINNACLE

Gross FUM ($bn)(1)



(1) Pinnacle FUM is 100% of FUM managed by Pinnacle Affiliates.

Gross LIC/LIT FUM ($m) (2)



(2) Pinnacle LIC FUM is 100% of LIC NAV (pre-tax NTA) managed by Pinnacle Affiliates.

- FUM of $38.0bn* as at 30 June 2018 (increased to $47.8bn* at 30 September 2018 including Metrics Credit ($2.7bn) and Omega ($4.1bn))
- FUM has grown at a CAGR of 27.0% p.a. over the last ten years
- Of the $7.9bn of net inflows to 30 June 2018, $2.2bn was retail
- Pinnacle is committed to the Listed Investment Company market. Pinnacle's affiliates have four LIC/LITs totalling $1.88bn of FUM as at 17 October 2018.
  - MXT (Metrics Master income trust): $730m
  - APL (Antipodes Global): $688m
  - PL8 (Plato Income Maximiser): $324m
  - SEC (Spheria Emerging Companies): $138m

ABOUT PINNACLE

BlueSky Alternatives Access Fund

Investing in a diversified platform to strengthen future growth

Pinnacle INVESTMENT MANAGEMENT

- Executives of both Pinnacle and Pinnacle Affiliates have significant equity interests
- Equity ownership enhances alignment with shareholders

Seed FUM and working capital	RE, compliance, finance, legal
Distribution and client services	Technology and other firm 'infrastructure'
Middle office and fund administration	Interface for outsourced services

Affiliate	Pinnacle holding	FUM / Strategy / Year	Category
Firetrail Investments	24.4% (4)	$0.1bn High Conviction *2018*	Core/ Conviction
Solaris investment management	40.0%	$8.3bn Australian Core equities *2008*	Core/ Conviction
Antipodes Global Investment Partners	23.5%	$7.5bn Global L/S & long only Equities *2015*	Global
Hyperion Asset Management	49.9%	$6.5bn Global & Aus. Growth equities *1998*	Global
Plato Investment Management	46.6%	$4.9bn Global & Aus. Quant equities *2006*	Global
Spheria Asset Management	40.0% (4)	$0.7bn Small/ Microcaps *2016*	Small Cap
Longwave Capital Partners	40.0% (4)	$0bn Small Cap/Multi-Asset *2018 (5)*	Small Cap/Multi-Asset
Omega Global Investors	40.0% (4)	$4.2bn Smart Beta Plus *2018 (3)*	Smart Beta
Resolution Capital	41.5%	$8.0bn Global REITs *2007*	REIT
MCP Metrics Credit Partners	35.0%	$2.5bn Debt *2018 (2)*	Debt
Palisade	38.3%	$1.8bn Unlisted infrastructure *2007*	Infrastructure
Two Trees Investment Management	44.0%	$0.7bn Global Macro *2017*	Macro

(1) Gross FUM as at 30 June 18. Total Pinnacle FUM at 30 September 2018 was $47.8bn
(2) Founded in 2011. Pinnacle acquired equity in July 2018
(3) Founded in 2008. Pinnacle acquired equity in July 2018
(4) The percentage represents Pinnacle's total shareholding in the Affiliate. Pinnacle currently holds less than 1% of the voting shares in the Affiliate. However, it has full economic rights in respect of its holding.
(5) Founded in September 2018

- Pinnacle is committed to building its presence in alternatives asset markets
- Existing capabilities include Metrics (unlisted credit), Palisade (unlisted infrastructure) and hedge funds (Two Trees, Antipodes, Firetrail, Solaris)

NEW MANAGER FEE STRUCTURE

- The New Manager believes the proposed fee structure represents a **competitive and market-based fee model for a listed multi-manager offering in the illiquid alternatives sector**
- **Management fee* of 1.0% p.a.** (excluding GST) of Portfolio Net Asset Value, calculated and paid monthly in arrears
- **Performance fee* of 7.5%** (excluding GST) of whole of fund outperformance over an **8.0% p.a. fixed benchmark**, commencing from 1 July 2019
- ***Underlying Manager fees:** under a new multi-manager mandate the above fees are payable after fees are paid to / drawn by Underlying Managers
- **Fee-free period on existing BLA managed investments until 1 July 2019** whilst the Company and portfolio strategy is repositioned:
  - Approx. $35m into the new investment mandate from current surplus cash and contracted exits
  - Potential further opportunities to recycle within the new investment mandate over time
  - Reposition the Company with shareholders and the capital markets and address fund ratings
  - Originating and securing medium-term investment opportunities to execute on the new mandate
- **FY19 and beyond:**
  - BLA-managed Water Fund and Strategic Agriculture Fund likely to remain a cornerstone position given Water Fund is open-ended and the Strategic Agriculture Fund has an ‘8 + 2’ year term
  - Other BLA-managed investments to realise and recycle within the new mandate over time, in accordance with their usual investment horizons
  - Identify opportunities to raise new capital to deepen and diversify the portfolio under the new mandate (as and when appropriate)

PROPOSED TRANSITION ARRANGEMENTS WITH BLA

BlueSky Alternatives Access Fund

New fee arrangements with BLA as an Underlying Manager:

From 1 January 2019:

- 1.2% p.a. Management Fee on a fund-by-fund only basis monthly in arrears, equal to:
  - *Closed-ended funds:* based on carrying value at the termination date (31 December 2018)
  - *Blue Sky Water Fund:* 1.2% p.a. of NAV at calculation date

- 17.5% Performance Fee over an 8% IRR hurdle from 1 January 2019 on a fund-by-fund basis, but noting:
  - *Closed-ended funds (paid only on final exit):* investment cost based reset to higher of a) $1.00 per unit, or b) carrying value at the termination date (31 December 2018)
  - *Blue Sky Water Fund:* paid annually subject to a 'high water mark'

- Any period of underperformance to the 8% p.a. hurdle rate in the Current Mandate through to 31 December 2018 must be caught up prior to any future performance fees being paid

NEW VALUATION POLICY

Updated for application to new multi-manager fund-of-funds mandate

Core principles

1. The Company will hold investments in selected alternative asset classes through vehicles which are managed by an Underlying Manager, and will be valued by reference to the values determined by the Underlying Manager.
2. The New Manager must ensure that reliance on an Underlying Manager's Carrying Values is prudent by ensuring:
   a) Due diligence has been applied to the frameworks, policies and practices applied by an Underlying Manager;
   b) The Underlying Manager's practices adhere to industry and market standards;
   c) The Underlying Manager's documented obligations are consistent with the fundamental objectives of the Company's Valuation Policy;
   d) Underlying Manager valuation frameworks and policies are to be reviewed on an annual basis;
   e) The New Manager will request Underlying Managers provide detailed portfolio reporting / reviews on a quarterly basis (and no less than semi-annually) and also provide periodic access to an Underlying Manager's portfolio managers on a reasonable basis; and
   f) Underlying Managers conduct independent external valuations or external valuation reviews on at least an annual basis.[1]
3. The New Manager must seek the Company's approval prior to committing to a new Underlying Manager where the Underlying Manager's valuation policy varies in any material respect to the Company's Valuation Policy having regard to the nature of its underlying investments.

1. As per the current BAF Investment Valuation Policy and practice.

AGENDA

1 Executive Summary

2 New Manager & Mandate

3 **Timetable**

4 BAF Current Portfolio & Performance

TIMETABLE

Announcement of proposal for new manager and new investment mandate	18 October 2018
New manager roadshow and shareholder communications	18-22 October 2018
Annual General Meeting (‘AGM’) – Notice of Meeting and related documents mailed to shareholders	**29 October 2018**
Extraordinary General Meeting (‘EGM’) – Notice of Meeting and related documents mailed to shareholders (including IER)	**13 November 2018**
BAF AGM, Radisson Blu Plaza Hotel, Sydney	**10:00am (Sydney time), 29 November 2018**
BAF EGM ***(time and location to be advised)***	**13 December 2018**
Effective Date – termination of current mandate and commencement of new manager operations	**31 December 2018 / 1 January 2019**
New Manager fee-free period on BLA-managed AUM while New Manager recycles capital where appropriate, resets strategy, and addresses capital markets and fund ratings	1 January 2019 – 30 June 2019
1.0% (ex. GST) p.a. management fee commences on all AUM, New Manager performance fee commences	1 July 2019

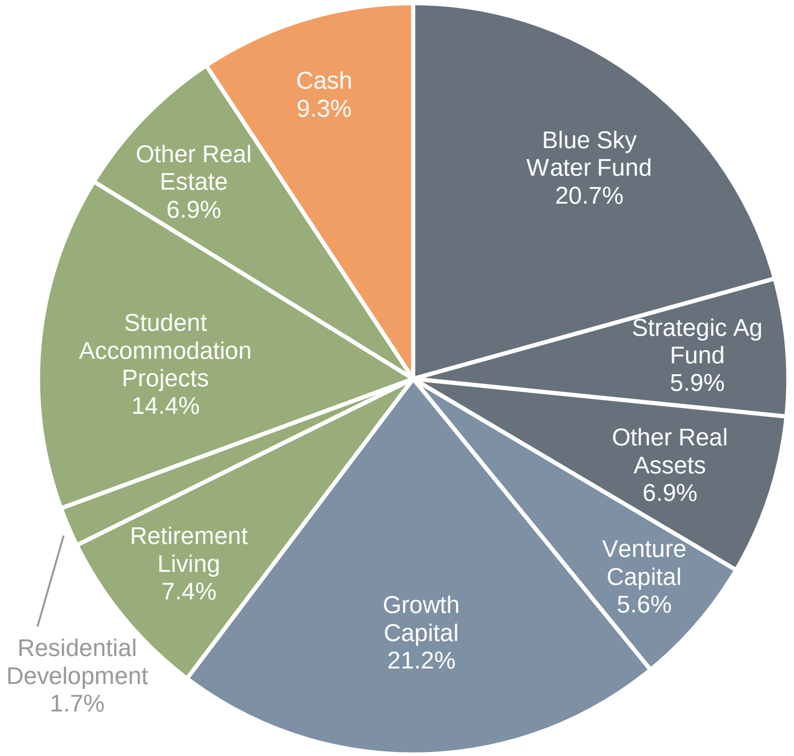
AGENDA

CURRENT BAF PORTFOLIO

BlueSky Alternatives Access Fund

BAF retains an attractive diversified private markets portfolio with cornerstone positions in real assets, private real estate and growth capital

Sector weightings
as at 30 September 2018



Note: The total water fund allocations (including the Strategic Ag Fund) represents 22.9% of the portfolio

Real Assets

- Cornerstone positions in the Blue Sky Water Fund and strategic agricultural investments

Growth Capital / Venture Capital:

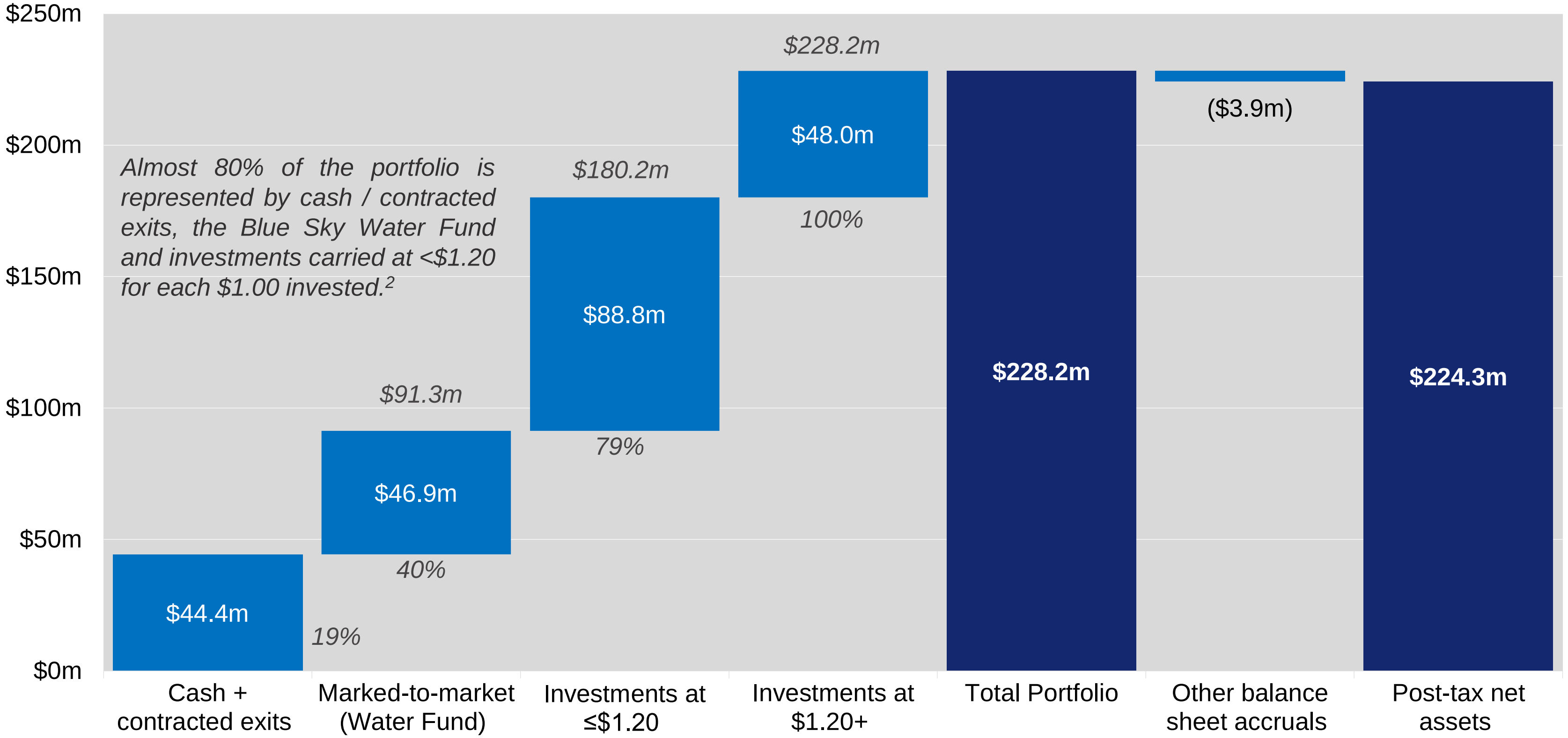
- Diversified portfolio of growth company private equity (15 Growth Capital investments and 6 late stage Venture Capital funds)

Private Real Estate:

- Cornerstone position in Atira-branded student accommodation platform
- Retirement living portfolio contracted for sale (5 assets)
- Commercial property in Australia and NYC
- Residential developments allocation is now <2.0% of the portfolio

NTA SUMMARY

The carrying values of all investments in the Company's portfolio were independently reviewed in 4Q FY18, with pre-tax NTA over this period moving by a net -0.7%.[1]



1. $1.1385 as at 31-Mar-18 to $1.1299 as at 30-Jun-18
2. 'Portfolio' represents cash + investment assets. Excludes other balance sheet accruals such as relating to tax, receivables and payables.

FUND PERFORMANCE

Pre-tax fund performance since inception has been 8.56% p.a.

Fund performance[1] (NTA growth plus dividends and franking credits)		
	Pre-Tax	Post-Tax
1 month	1.7%	1.5%
6 months	1.4%	1.6%
12 months	4.4%	4.8%
Annualised since inception[2]	**8.6%**	**8.0%**
Total since inception	42.2%	39.0%

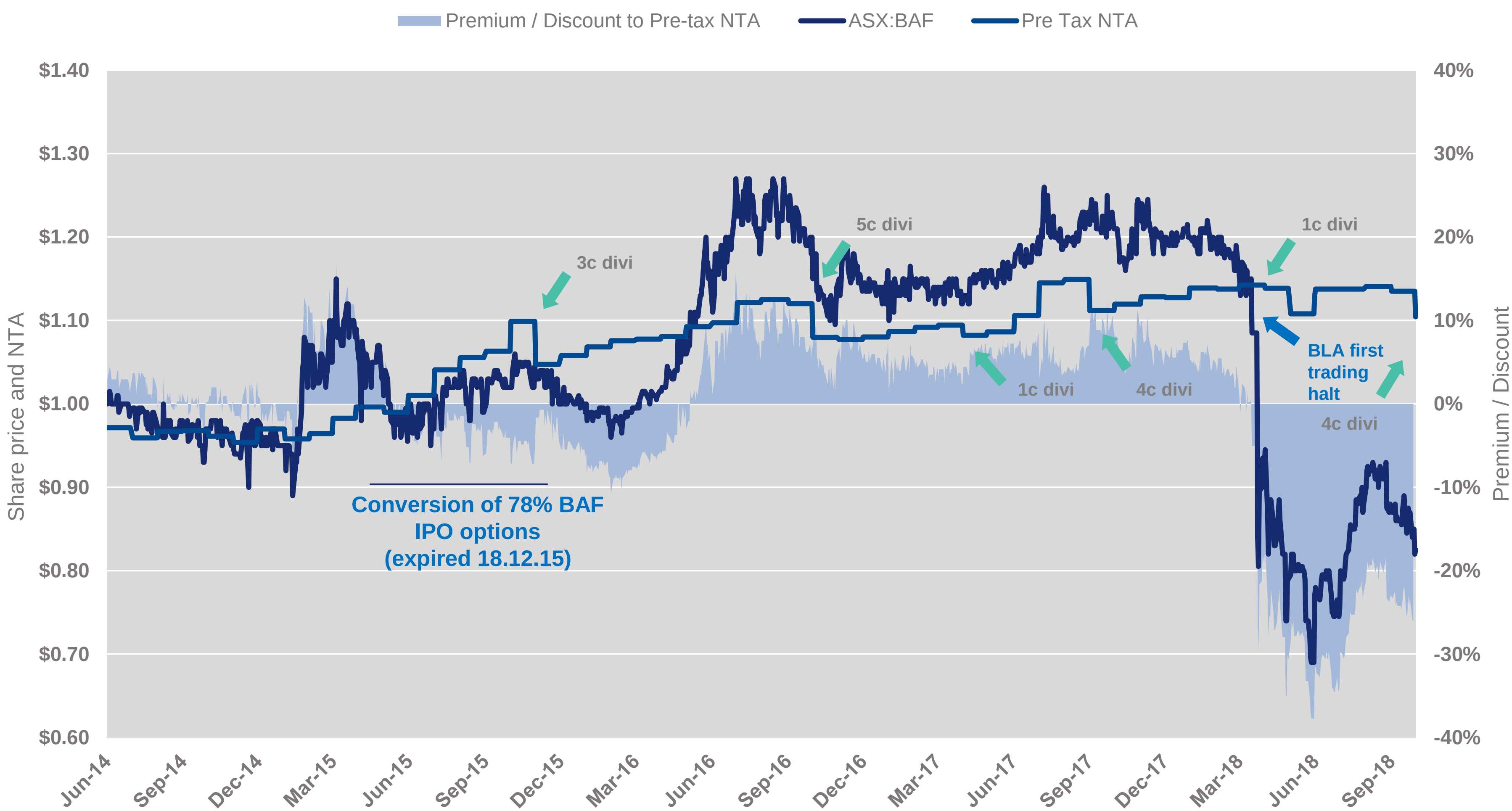
1. Fund NTA performance to 30 September 2018 which includes growth in NTA, plus dividends and franking credits paid. Unrealised investments are valued in accordance with the Accounting Standards and the Access Fund's published valuation policy, which is available on the ASX and the Access Fund's website.
2. Inception date is 16 June 2014.

Past performance is not a reliable indicator of future performance.

SHARE PRICE HISTORY

BlueSky Alternatives Access Fund

Prior to Easter 2018, BAF's shares traded at or above NTA for sustained periods since IPO



DIVIDENDS

A meaningful dividend yield has been delivered since IPO

Market guidance:

On 26 May 2016, the Board announced guidance in relation to dividend intentions:

- *Annual dividends targeting at least 4.0% of closing post-tax NTA at 30 June;*
- *provided that BAF has sufficient profit and cash flow to do so; and*
- *franked to the maximum extent possible.*

Recent dividend history (FY17 & FY18):

- **FY17 ~** 4.0 cent final dividend (fully franked) + 1.0 cent interim dividend (fully franked) = 4.5% of closing post-tax NTA
- **FY18 ~** 4.0 cent final dividend (65% franked) + 1.0 cent interim dividend (fully franked) = 4.5% of closing post-tax NTA

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