BlueSky
Alternatives Access Fund

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Blue Sky Alternatives Access Fund Limited (ASX: BAF) (BAF)
Update on proposed transition to new manager and new investment mandate

- Independent expert's report received by BAF's independent non-executive directors in relation to the proposed transition to Alterum Investment Management Pty Ltd (**Alterum**) as BAF's new manager.
- The independent expert's report concludes that:
  1. the advantages to BAF's shareholders of the proposed new arrangements (**Alterum Proposal**) outweigh the disadvantages; and
  2. the Alterum management services agreement (**Alterum MSA**) is at an arms' length.
- Wilson Asset Management (**WAM**) proposal is incomplete and no agreement has been entered into between WAM and Blue Sky Alternative Investments Limited (ASX: BLA) (**BLA**).
- BAF's independent non-executive directors intend to put the Alterum Proposal before shareholders for consideration at an EGM currently expected to be held on 13 December 2018 with their unanimous recommendation subject to BAF receiving a superior proposal.

Independent expert report

As previously announced, BAF's independent non-executive directors engaged an independent expert (BDO Corporate Finance) (**Independent Expert**) to provide an independent expert's report to the shareholders of BAF in relation to the Alterum Proposal. The Independent Expert's report has now been received by BAF's independent non-executive directors. The Independent Expert has concluded that:

1. the advantages to BAF shareholders of the Alterum Proposal outweigh the disadvantages; and

2. the Alterum MSA is at an arm's length.

Summary of EGM process

BAF's independent non-executive directors also wish to take this opportunity to update shareholders on the process surrounding the proposed EGM (as announced on 18 October 2018) and the resolutions intended to be put to shareholders at that meeting. Relevantly, BAF's independent non-executive directors note the following.

1. After conducting a strategic review, BAF entered into an agreement dated 18 October 2018 with BLA and its current manager BSAAF Management Pty Ltd (**BSAAF**) pursuant to which the parties agreed to a mutual termination of the existing management services agreement in place between BAF and BSAAF on the condition that BAF:

   (a) enter into a new management services agreement with an affiliate of Pinnacle Investment Management Group Limited (ASX: PNI) (**Pinnacle**); and

   (b) obtain all necessary shareholder approvals in connection with termination of the existing management services agreement and the entry into the new management services agreement with an affiliate of Pinnacle.

2. As announced on 24 October 2018, BAF received a proposal from WAM for its appointment as BAF's new manager. Promptly following receipt of that proposal, BAF's independent non-executive directors wrote to WAM noting that before BAF could further consider WAM's proposal they would require:

(a) confirmation from BLA that it was willing to agree to terminate the existing management services agreement on the basis that WAM (rather than an Affiliate of Pinnacle) is appointed as BAF's ongoing manager; and

(b) a draft of the management services agreement WAM would propose be entered into between BAF and WAM.

3. WAM provided BAF with a draft management services agreement on 25 October 2018.

4. As at the date of this announcement, BLA has not agreed to the termination of the existing management services agreement in place between BAF and BSAAF on the basis that WAM is appointed as BAF's new manager.

Consequently, as at the date of this announcement, the WAM proposal is not a proposal which BAF is able to put to shareholders for consideration. In any event, BAF's independent non-executive directors note that:

5. the proposal and draft management services agreement put forward by WAM:

(a) provide for WAM to deliver a significantly narrower scope of services than those to be provided under the Alterum Proposal;

(b) do not identify key personnel or resources with experience in private market alternatives; and

(c) in the case of the management services agreement, do not include any provision for the fee-free period in respect of BLA-managed assets as described in WAM's proposal;

6. these matters have been communicated to WAM;

7. on 4 November BAF's independent non-executive directors received correspondence from Alterum whereby Alterum agreed to amend the Alterum MSA to:

(a) delete the provisions relating to the performance fee such that the only fee payable by BAF to Alterum under the Alterum MSA will be a 1.00% per annum (ex GST) management fee with an initial fee-free period on existing investments until 1 July 2019; and

(b) amend the initial fixed term of the Alterum MSA to five years, following which shareholders will be entitled to vote to terminate the Alterum MSA on three months' notice by ordinary resolution;

8. Alterum will be solely focused on managing BAF's portfolio and will be majority-owned and backed by Pinnacle, a 'pure-play' investment management firm providing affiliated investment managers with best in class established distribution, infrastructure and other support services;

9. Pinnacle and Alterum's management team have significant experience and track record in private market alternatives and their proposal demonstrates a strong commitment to the desired core product attributes;

10. the Alterum management team maintains a deep working knowledge of the current investment portfolio which includes a diverse and illiquid range of investments managed by BLA, which currently account for

approximately 75% of portfolio net asset value[1]. This remains a significant point of difference to the alternative proposal received;

11. in their (BAF's independent non-executive directors) view, the Alterum proposal preserves the unique elements of BAF's core product attributes, including:

    (a) liquid access to sought-after private market opportunities typically only available to institutional and wholesale investors;

    (b) a highly diversified portfolio of private market alternative assets;

    (c) low total portfolio volatility;

    (d) low correlation to traditional asset classes such as listed equities and fixed income; and

    (e) opportunities to generate attractive absolute returns comprising both yield and capital gain.

Recommendation by BAF's independent non-executive directors

Having regard to all of the above matters, subject to receipt from a third party of a superior proposal (supported by an agreement between the relevant third party and BLA allowing the proposal to be implemented), BAF's independent non-executive directors intend to put the Alterum proposal before shareholders for consideration at an EGM currently expect to be held on 13 December 2018 with their unanimous recommendation.

A notice of meeting for the EGM, which will include a copy of the independent expert's report, will be dispatched to shareholders in the coming days.

For more information, please contact:

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[1] As at 30 September 2018, adjusting for settlement of the announced exit from BAF's retirement living investments.