

14 January 2019

Dear Shareholder

Blue Sky Alternatives Access Fund Limited (ASX: BAF) (the 'Alternatives Fund') – Net Tangible Assets ('NTA') per share for December 2018

The pre-tax NTA of the Alternatives Fund decreased by 0.3 cents per share, or 0.25%, to \$1.1075 per share in December. The reduction in NTA was primarily driven by a net decline in carrying values of a range of investments reviewed during the month. In addition, the Alternatives Fund received exit proceeds from the exit of two investments previously announced and accrued several periodic distributions declared at month end.

We look forward to bringing you our next investor update in relation to January 2019 and BAF's interim financial statements in February.

Yours faithfully



Michael Cottier
Independent Non-Executive Chair

Important note

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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Monthly Update

December 2018

Net Tangible Assets – as at 31 December 2018¹

Net Tangible Assets (NTA) per share (pre-tax)	\$1.1075
Net Tangible Assets (NTA) per share (post-tax)	\$1.0828

1. NTA figures in this report are unaudited.

Pre-Tax Net Tangible Assets - Since Inception



Source: Blue Sky Alternatives Access Fund, 2019

Portfolio Valuation²

	Current value (\$'m)	% of Portfolio
Private Equity		
Growth Capital	\$46.91	21.3%
Venture Capital	\$12.25	5.5%
Subtotal	\$59.16	26.8%
Real Assets		
Water Fund	\$48.56	22.0%
Strategic Australian Agriculture Fund	\$23.18	10.5%
Other Real Assets	\$9.11	4.1%
Subtotal	\$80.85	36.6%
Private Real Estate		
Residential Development	\$3.32	1.5%
Student Accommodation	\$29.12	13.2%
Other Real Estate	\$16.25	7.4%
Subtotal	\$48.69	22.1%
Cash³	\$32.00	14.5%
Grand Total	\$220.70	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 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.

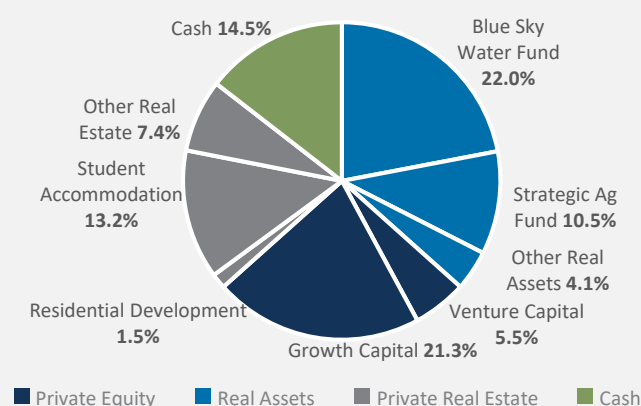
3. Includes capital to fund the remaining \$3.75 million of the \$25.0 million commitment to the Strategic Australian Agriculture Fund, which is to be called progressively over a three-year investment period commencing in July 2017.

Fund Performance⁴

Period	Pre-Tax	Post-Tax
1 month	(0.25%)	(0.14%)
3 months	0.28%	0.32%
6 months	1.74%	1.62%
12 months	2.90%	3.02%
Since inception (per annum)	8.13%	7.59%
Since inception (total) (compounding)	42.64%	39.42%

4. Includes NTA growth, dividends and franking credits.

Sector Weightings



Blue Sky Alternatives Access Fund, 2019

Note: Total allocation to the Blue Sky Water Fund (including through the Strategic Ag Fund) is 25.9% of the Portfolio.

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, real assets and private real estate. 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

- Deliver long term absolute returns to shareholders, driven by an increase in the Alternatives Fund's NTA over time and dividend income (franked to either 100% or the maximum extent possible).
- Provide access to a diverse range of alternative assets.
- 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').

Summary

The Alternatives Fund reports a pre-tax NTA decrease of 0.3 cents per share, or 0.25% in December to \$1.1075 per share. The movement in NTA was primarily driven by a net decline in carrying values of a range of investments reviewed during the month.

The Alternatives Fund also received initial proceeds from the Blue Sky Agriculture Fund following the sale of Gundaline Station, a distribution from Blue Sky VC2014 Fund LP following the sale of Eloquii to Walmart, a regular quarterly distribution from Blue Sky Darra Industrial Income Fund and accrued several periodic distributions which were declared at month end.

Investment Performance

Blue Sky Water Fund

The carrying value of the Alternatives Fund's investment in the Blue Sky Water Fund increased by 0.02%⁵ in December as a result of the marked to market gains on the Fund's underlying portfolio of Water Entitlements.

The Blue Sky Water Fund declared a 3.12% dividend as at 31 December 2018. The distribution has been accrued and is scheduled to be paid in January.

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.

Blue Sky Student Accommodation portfolio

Market conditions continue to remain challenging in the Brisbane region where approximately 3,500 new beds came available in 2018, with another approximately 2,500 new beds expected in 2019. This has led to lower room charge rates than previously forecasted. Management projections have been updated accordingly and have had a significant impact on the carrying values of Brisbane-based investments.

Recently, Blue Sky received several bids from domestic and international institutions interested in acquiring the student accommodation portfolio. Following the receipt of bids, Blue Sky entered into exclusivity with an international institution, however, the parties could not agree final terms and the discussions were subsequently terminated. Blue Sky remains focused on optimising existing assets and growing the portfolio.

Update on Existing Investments

Blue Sky Strategic Australian Agriculture Fund

As announced on 31 December 2018 and consistent with prior intent, the Alternatives Fund deployed a further \$10 million into the Blue Sky Strategic Australian Agriculture Fund. This investment takes the Alternatives Fund's total commitment in the Strategic Agriculture Fund to \$25 million⁶ (representing approximately 20% of the Strategic Ag Fund's committed capital and 10.5% of the BAF Portfolio), and the total allocation to the Blue Sky Water Fund (including through the Strategic Ag Fund) to 26.0% of the BAF Portfolio.

6. Includes \$3.75 million of uncalled capital to the Strategic Australian Agriculture Fund, which is to be called progressively over a three-year investment period commencing in July 2017.

Blue Sky VC2014 Fund LP

The sale of Blue Sky VC2014 LP portfolio investment, Eloquii, a plus-sized fashion ecommerce retailer, to Walmart was finalised and proceeds received during the month. Gross returns to VC2014 were 1.3x invested capital (11% IRR) and the Alternatives Fund received an exit distribution for its investment in VC2014 Fund representing 0.15x invested capital.

The VC2014 Fund signed a Heads of Agreement with SumoSalad IP Holding Pty Ltd (SumoSalad) for the merger of the Fund's equity interest in THR1VE. As part of the transaction, the THR1VE restaurant business has been shut down and the ready meal business merged with SumoSalad. The transaction is subject to final documentation, at which time there will be an adjustment to the carrying value of the Fund's investment.

Realised Investments

Blue Sky Agriculture Fund

The Alternatives Fund received proceeds from the sale of Blue Sky Agriculture Fund's shareholding in Gundaline Station, a large cotton growing development, in December. Proceeds received to date (including fee rebates) represent 1.5x invested capital, with potential for a final small distribution once the fund is wound up. The return on this investment equates to a 10% IRR over a 4.5 year hold period.

For more information

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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.

December 2018

Distributions

The Alternatives Fund received a 2.5% quarterly distribution from the Blue Sky Darra Industrial Income Fund during the month. The distribution had been previously accrued.

In addition to the Blue Sky Water Fund dividend referred to previously, the Alternatives Fund accrued the following distributions in respect of the December quarter:

- *Blue Sky Private Equity QFS Fund* ~ a 0.1% periodic distribution;
- *Blue Sky Solar Fund* ~ a 2.7% special distribution;
- *Blue Sky Darra Industrial Income Fund* ~ a 2.5% regular quarterly distribution;
- *Blue Sky Revesby Industrial Income Fund* ~ a 1.75% regular quarterly distribution; and

Other Matters

Update on share buyback

During December, the Alternatives Fund continued the share buyback program and acquired an additional 562,603 shares at an average price of \$0.88 representing a 21% discount to December's pre-tax NTA. The buyback will recommence following lodgement of this report.

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Quarterly Report

December 2018

BAF Unit Price Summary - Closed Ended Funds⁷

The following table provides a summary of the carrying values for the Alternatives Fund's portfolio.

Unit price band ⁸	# of funds	Weighted average months held	% of portfolio	Funds within band
≤ \$1.00 ⁹	19	31.9	29%	7 Growth Capital funds 3 Venture Capital funds 1 Real Assets fund 4 Residential Development funds 2 Student Accommodation funds 2 Other Real Estate funds
\$1.01 - \$1.20	7	25.8	33%	2 Real Assets funds 3 Student Accommodation funds 2 Other Real Estate funds
\$1.21 - \$1.40	5	32.5	10%	1 Growth Capital fund 1 Venture Capital fund 1 Real Assets fund 2 Student Accommodation funds
\$1.40+	10	25.1	28%	7 Growth Capital funds 2 Venture Capital funds 1 Student Accommodation fund

7. Excludes the Blue Sky Water Fund which is marked to market monthly. Excludes the Logan Road Greenslopes Trust, Duke Street Kangaroo Point Trust and Blue Sky Agriculture Fund as they are in the process of exiting.

8. Reflects current holding value of investment trust unit price for every \$1.00 allocated.

9. Under BAF's Investment Valuation Policy, new investments are typically held at less than or equal to \$1.00 less deployment costs for at least the first 12 months.

Quarterly Report

December 2018

BAF Exit Register – Closed Ended Funds

No	Asset Class	Fund	Investment Date	Exit date	Investment	Exit value v holding value	Total proceeds (including yield, franking credits + fee rebates)	IRR	MM
1	Private Equity	Software Services Fund II (Readify)	Jun-14	Jun-16	\$2.8m	13%	\$4.9m	36%	1.8x
2	Private Real Estate	Alice Street Kedron	Jul-14	Jun-16	\$1.0m	8%	\$1.7m	35%	1.7x
3	Private Real Estate	Management Rights Income Fund IV	Oct-14	Sep-16	\$2.2m	-8%	\$3.0m	22%	1.4x
4	Private Real Estate	37 Regent Street Woolloongabba	Jun-14	Oct-16	\$1.0m	2%	\$1.7m	29%	1.7x
5	Real Assets	WUA 2	Oct-14	Dec-16	\$2.5m	9%	\$2.7m	4%	1.1x
6	Private Real Estate	Main Street Kangaroo Point	Aug-14	Mar-17	\$2.0m	1%	\$3.7m	29%	1.8x
7	Private Real Estate	Regina Street Greenslopes	Jun-14	Mar-17	\$1.0m	2%	\$1.7m	24%	1.7x
8	Private Equity	HPS	Dec-14	Jun-17	\$3.5m	28%	\$7.1m	34%	2.0x
9	Private Real Estate	Grantson Street Windsor	Aug-14	Jun-17	\$1.0m	4%	\$1.7m	22%	1.7x
10	Private Real Estate	Logan Road Greenslopes	Aug-14	Jun-17	\$1.0m	n/a [#]	\$1.2m	7% (to date)	1.2x (to date)
11	Private Real Estate	Duke Street Kangaroo Point	Sep-14	Oct-17	\$2.0m	n/a [#]	\$2.2m	3% (to date)	1.1x (to date)
12	Private Equity	Early Learning Fund	Jun-14	Jun-18	\$4.0m	-17%	\$4.7m	4%	1.2x
13	Private Real Estate	Retirement Living - Corinda	Jun-16	Oct-18	\$3.0m	-20%	\$4.1m	16%	1.4x
14	Private Real Estate	Retirement Living - Maroochydore	Dec-16	Oct-18	\$3.0m	-7%	\$3.7m	13%	1.2x
15	Private Real Estate	Retirement Living - Middle Ridge	Dec-16	Oct-18	\$3.0m	25%	\$4.1m	20%	1.4x
16	Private Real Estate	Retirement Living - Lutwyche	Jun-17	Oct-18	\$2.5m	5%	\$2.8m	12%	1.1x

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December 2018

No	Asset Class	Fund	Investment Date	Exit date	Investment	Exit value v holding value	Total proceeds (including yield, franking credits + fee rebates)	IRR	MM
17	Private Real Estate	Retirement Living - Bilinga	Nov-17	Oct-18	\$3.0m	1%	\$3.3m	12%	1.1x
18	Real Assets	Agriculture Fund	Jun-14	Dec-18	\$4.4m	-3%	\$6.8m	10% (to date)	1.5x (to date)
Weighted Average (excluding partially exited funds)						2%		18%	1.4x

BAF Exit Register – Open Ended Funds

19	Hedge Funds	Diversified Quant	Jun-14	May-16	\$7.5m	n/a*	\$7.0m	-6%	0.9x
20	Hedge Funds	Dynamic Macro	Dec-15	Aug-16	\$5.0m	n/a*	\$5.2m	7%	1.0x

Note: values may not add due to rounding.

* Not applicable - marked to market monthly

Not applicable - partially exited

Quarterly Report

December 2018

Portfolio Summary

Fund name	Amount invested ¹⁰	Date invested ¹¹	% allocated capital	Date of last independent valuation review ^{12,13}	Description
Private Equity					
Growth Capital					
Wild Breads Fund	2,000,000	Jun-14	1.1%	Apr-18	Holds equity in Wild Breads Pty Ltd, a business in the artisan and specialty bread category.
Origo Education Fund	1,500,000	Jun-15	0.9%	Jun-18	Holds equity in Origo Education, an Australian business providing digital and print education instructional materials in the United States, Australia, Canada and New Zealand.
Hotels Fund	6,000,000	Jun-15	3.4%	May-18	Holds equity in the GM Hotels, a portfolio of freehold and leasehold hotels in South Australia.
Aquila Fund	4,000,000	Dec-15	2.3%	May-18	Holds equity in Aquila, an Australian retail business focusing on the men's footwear and smart casual fashion segment.
Digital Outdoor Advertising Fund	2,110,595	Feb-16	1.2%	Jun-18	Holds equity in a US-based business which constructs, owns and operates a network of digital billboards in a US metropolitan market.
QFS Fund	6,000,000	Dec-16	3.4%	Jun-18	Holds equity in Quality Food Services, a Queensland-based food and beverage wholesale and distribution business.
SMG Fund	2,500,000	Dec-16	1.4%	May-18	Holds equity in Shopper Media Group Pty Ltd, an out-of-home advertising business.
Wild Breads RCPS Fund	767,888	Apr-17	0.5%	Apr-18	A fund providing follow-on expansion capital into Wild Breads Pty Ltd.
Tourism Fund	3,000,000	May-17	1.7%	May-18	Holds equity in Active Adventures, a multi-national adventure tourism business based in Queenstown, New Zealand.
Better Medical Fund	3,000,000	May-17	1.7%	May-18	Holds equity in Better Medical, a group of general practice medical clinics.
Sunfresh Fund	3,000,000	Jun-17	1.7%	May-18	Holds equity in Sunfresh Salads, a food manufacturing business based in Adelaide.
SMG Fund II	699,386	Oct-17	0.4%	Dec-17	A fund providing follow-on expansion capital into Shopper Media Group.
Energy Storage Fund	5,000,000	Nov-17	2.9%	Jun-18	Holds equity in esVolta, a battery storage developer based in the United States.
IT Consulting Fund	4,000,000	Dec-17	2.3%	Jun-18	Holds equity in Digital Lifecycle Group, an IT services and consulting company that supports enterprise and government clients in Australia.

Quarterly Report

December 2018

Portfolio Summary

Fund name	Amount invested ¹⁰	Date invested ¹¹	% allocated capital	Date of last independent valuation review ^{12,13}	Description
Birch & Waite Fund	4,000,000	Dec-17	2.3%	Jun-18	Holds equity in Birch & Waite, a Sydney-based manufacturer of premium condiments, desserts and beverages.
Total Growth Capital	47,577,869		27.2%		
Venture Capital					
VC2014 Fund	4,000,000	Jun-14	2.3%	May-18 - Jun-18	A fund invested in a diversified portfolio of 9 venture capital co-investments.
Shoes of Prey	1,000,000	Oct-15	0.6%	Jun-18	Holds equity in Shoes of Prey, a fashion footwear company that has developed a unique platform enabling customised women's footwear to be manufactured and sold 'on demand'.
Vinomofo Fund	3,000,000	Dec-15	1.7%	May-18	Holds equity in Vinomofo, an Australian online wine retailer.
aCommerce Fund	1,305,664	Jul-16	0.7%	May-18	Has an interest in aCommerce, a provider of outsourced e-commerce solutions in South East Asia.
aCommerce Fund 2	2,500,000	Nov-16	1.4%	May-18	A fund providing follow-on capital into aCommerce.
aCommerce Fund 3	1,144,501	Nov-17	0.7%	May-18	A fund providing follow-on capital into aCommerce.
Total Venture Capital	12,950,165		7.4%		
Total Private Equity	60,528,034		34.6%		
Real Assets					
Water Rights					
Water Fund	34,076,692	Jun-14	19.5%	Jun-18	A fund to invest in a regionally diversified portfolio of Australian Water Entitlements.
Total Water Rights	34,076,692		19.5%		
Other Real Assets					
Agriculture Fund II	4,000,000	Oct-15	2.3%	Jun-18	Holds the freehold property and business assets comprising Hillston Citrus, an irrigated citrus orchard near Hillston in NSW.
Premium Beef Development Fund	2,000,000	Dec-16	1.1%	May-18	A fund to invest in certain elements of Australia's premium beef value chain.

Quarterly Report

December 2018

Portfolio Summary

Fund name	Amount invested ¹⁰	Date invested ¹¹	% allocated capital	Date of last independent valuation review ^{12,13}	Description
Strategic Australian Agricultural Fund	25,000,000	Jun-17	14.3%	Jun-18	A fund to acquire and manage a diversified portfolio of Australian agricultural assets and Water Entitlements.
Solar Fund	2,234,761	Sep-17	1.3%	May-18	A fund that has developed and is operating a solar farm located in western Queensland.
Total Other Real Assets	33,234,761		19.0%		
Total Real Assets	67,311,453		38.5%		

Private Real Estate

Residential development investments ¹⁴					
Flora Street Greenslopes Trust	1,000,000	Jun-15	0.6%	Jun-18	A residential development of 107 apartments (15 one bedroom, 84 two bedroom and 8 three bedroom) in the South Brisbane suburb of Greenslopes.
19 Railway Terrace Milton Trust	2,000,000	Sep-15	1.1%	Jun-18	A residential development of 82 apartments (10 one bedroom, 64 two bedroom and 8 three bedroom) in the Brisbane suburb of Milton.
Wellington Road East Brisbane Trust	2,000,000	Sep-15	1.1%	Jun-18	A residential development of 71 apartments (17 one bedroom, 46 two bedroom and 8 three bedroom) in the Brisbane suburb of East Brisbane.
Wellington Road East Brisbane Trust II	1,000,000	Nov-15	0.6%	Jun-18	The second stage of the Wellington Road East Brisbane development, consisting of 75 apartments (17 one bedroom, 50 two bedroom and 8 three bedroom).
Total Resi Developments	6,000,000		3.4%		

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Portfolio Summary

Fund name	Amount invested ¹⁰	Date invested ¹¹	% allocated capital	Date of last independent valuation review ^{12,13}	Description
Student Accommodation Investments					
Student Accommodation Fund	1,500,000	Dec-14	0.9%	Apr-18	A social accommodation development project consisting of a 12 storey, purpose-built, 283 bed student accommodation building in the Brisbane suburb of Woolloongabba.
Student Accommodation Fund II	5,000,000	Mar-15	2.9%	Apr-18	A social accommodation development project consisting of a purpose-built, 874 bed student accommodation building in South Brisbane.
Student Accommodation Fund III	6,000,000	Jun-15	3.4%	Apr-18	A project to develop and operate a purpose-built, 771-bed student accommodation precinct on La Trobe Street in the Melbourne CBD in close proximity to six university campuses.
Student Accommodation Fund IV	3,500,000	Jun-15	2.0%	Apr-18	A social accommodation project to develop and operate a 448-bed purpose-built student accommodation facility in the West End of Adelaide.
Student Accommodation Fund V	3,000,000	Nov-15	1.7%	Apr-18	A project to develop and operate a purpose-built, 576-bed student accommodation precinct on Peel Street, North Melbourne opposite the University of Melbourne Parkville Campus.
Student Accommodation Fund VI	2,500,000	May-16	1.4%	Apr-18	A project to develop and operate a purpose-built, 532-bed student accommodation precinct on in the Brisbane suburb of Toowong, a short distance from the University of Queensland.
Student Accommodation Fund VII	2,500,000	Dec-16	1.4%	Apr-18	A project to develop and operate a purpose-built, 535-bed student accommodation precinct on A'Beckett Street in Melbourne, bordering RMIT and within walking distance to The University of Melbourne.
LaTrobe Street Fund	517,627	Sep-17	0.3%	n/a	Provides further funding for the LaTrobe Street student accommodation project.
Total Student Accommodation	24,517,627		14.0%		

Quarterly Report

December 2018

Portfolio Summary

Fund name	Amount invested ¹⁰	Date invested ¹¹	% allocated capital	Date of last independent valuation review ^{12,13}	Description
Other Real Estate Investments					
Industrial					
Darra Industrial Income Fund	2,000,000	Dec-14	1.1%	Jun-18	Holds the freehold title to a single-tenant industrial manufacturing, distribution and office facility in the Brisbane suburb of Darra. The asset is leased to Wild Breads Pty Ltd.
Revesby Industrial Income Fund	2,500,000	Dec-17	1.4%	Jun-18	Holds the freehold title to an industrial facility in Revesby, NSW. The asset is leased to Birch & Waite Foods Pty Ltd.
International					
Cove Property Group 2 Rector Street Trust	6,974,473	Feb-16	4.1%	Jun-18	A trust to acquire, reposition and lease a 26-storey building at 2 Rector Street in the Financial District, Manhattan, New York.
Cove Property Group 441 Ninth Avenue Trust	5,000,000	Nov-16	2.9%	Jun-18	A trust to acquire and redevelop an existing eight storey building at 441 Ninth Avenue, Manhattan, New York.
Total Other Real Estate	16,474,473		9.5%		
Total Private Real Estate	46,992,100		26.9%		
Total capital deployed	174,831,587		100.00%		

10. Total capital deployed or committed to date, inclusive of follow-on investments.

11. Date of initial investment.

12. Independent valuation reviews are subject to reviews by the Board, the Audit & Risk Committee and independent auditors.

13. Where the last valuation date reflects 'n/a', there has been no revaluation of the underlying asset as less than 12 months has passed since the initial investment date.

14. Logan Road Greenslopes Trust and Duke Street Kangaroo Point Trust are fully developed and largely sold. No further independent review is required.

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