

14 October 2019

Dear Shareholder

The Board of Blue Sky Alternatives Access Fund Limited (ASX: BAF) ('BAF' or 'Company') is pleased to provide you with the Company's 2019 Annual Report and Notice of Annual General Meeting ('AGM'). The 2019 AGM will be held at the Radisson Blu Plaza Hotel, Sydney on Wednesday, 13 November 2019 at 10.00 am (Sydney time), and provides shareholders with the opportunity to consider and vote on the matters outlined in the Notice of Meeting.

The Board has been regularly updating shareholders on its ongoing work to reset the Company, with a preferred pathway of effecting a transition to a new manager. That was the Board's goal 12 months ago and remains so today.

At the time of writing this letter, the manager selection process outlined in my letter to you dated 21 August 2019 and related negotiations with the parties that are required to be able to put a proposal to you are well advanced but incomplete. Your Board will keep you updated via regular market updates and of course in person at the AGM.

Your Board has worked very hard to get a new manager proposal to this meeting. Regrettably, it has not been possible to include this business for consideration at the AGM. Instead, an Extraordinary General Meeting ('EGM') for shareholder approval will be convened as soon as negotiations are satisfactorily concluded, and once an Explanatory Memorandum and Independent Expert's Report ('IER') can be provided to shareholders in advance of the EGM.

If we cannot reach a satisfactory agreement with the relevant parties, the Board will pivot to other options. These have been outlined to you previously (21 August), and include:

- an orderly wind-down of BAF and return of capital to BAF shareholders;
- termination of the exclusive management services agreement ('MSA') between BAF and its manager, BSAAF Management Pty Limited ('BSAAF' or 'Manager');
- other possible actions under the MSA; and
- additional capital management initiatives.

As part of those considerations of possible options, discussions have been ongoing between BAF and BSAAF on a without prejudice basis. BSAAF's interests in these discussions have been represented by KordaMentha in their capacity as receivers and managers of BLA. Oaktree has also been directly involved in some of these discussions.

While the Board has spent a significant amount of time on the manager transition, FY19 was also a year of consolidation for the Company. The ongoing connection of the Company to Blue Sky had a notable and continuing destabilising impact on the BAF share price, with questions raised about the Company's independence, asset valuations and its future direction. In light of these uncertainties, the share price has languished at an unacceptable level well below the Net Tangible Asset ('NTA') value.

In order to address these matters, the Board through its various sub-committees led a number of initiatives through the year, which are outlined in the FY19 Financial Statements and highlighted below.

Board Independence

A complete restructure of the Board occurred in November 2018. Current Independent Non-Executive Directors Mr Kym Evans and Mr John Baillie were appointed, and I was appointed to the role of Independent Chair. The Directors also appointed Mr Miles Staude as a Non-Executive Director on 28 June 2019. The Board and each sub-committee are comprised of a majority of Independent Directors.

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Sustainability

If the manager transition process is successfully concluded, it is anticipated that the investment case for the Company will begin to normalise and the Board and its new lead manager will work to significantly reduce the discount to NTA which the BAF share price currently experiences.

Committee Reports

To assist the Board to fulfil its role, the Board has two sub-committees that meet regularly: the Audit and Risk Committee, and the Nomination and Remuneration Committee.

Audit and Risk Committee

The role of the Audit and Risk Committee is to advise on the establishment and maintenance of a framework of internal controls for the Company's management, and to assist the Board with policy on the quality and reliability of financial information prepared for use by the Board. Mr Kym Evans chairs the Audit and Risk Committee and it comprises a majority of Independent Directors.

The Audit and Risk Committee's main activities during FY19 were the review of the integrity of BAF's financial activities, including independent valuations and valuation reviews, and reporting and monitoring external audit reviews. Independence of the external audit function was assessed and confirmed by the Audit and Risk Committee. The Committee has unfettered access to the external auditor and met with them regularly during the year, with and without management present.

During FY19, the Audit and Risk Committee also supported the Board with a comprehensive review of the Manager's valuation processes. The Directors worked extensively with the Manager and its external service providers to significantly strengthen and improve the investment valuation process, including the appointment of a new lead independent valuer, streamlining processes, and increasing the transparency of the valuation process supporting individual asset values.

The Audit and Risk Committee welcomed the initiatives and the additional transparency provided to it in order to support the asset valuations underpinning the financial information prepared for and used by the Board.

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to assist the Board and make recommendations to it about the appointment of new directors of the Company and advise on remuneration and issues relevant to remuneration policies and practices. Mr John Baillie chairs the Nomination and Remuneration Committee and it comprises a majority of Independent Directors.

As noted above, during FY19 the Board transitioned to a majority of Independent Directors.

I look forward to welcoming you at our forthcoming AGM on Wednesday, 13 November 2019.



Michael Cottier

Chair

Blue Sky Alternatives Access Fund Limited