

14 January 2020

Dear Shareholder

Blue Sky Alternatives Access Fund Limited (ASX: BAF) (the 'Alternatives Fund') – Net Tangible Assets ('NTA') per share for December 2019

The pre-tax NTA of the Alternatives Fund increased by 0.58 cents per share, or 0.51%, to \$1.1344 per share in December.

Notable movements in the portfolio included the repayment of capital from the Cove Property Group 441 Ninth Avenue Trust, following the successful refinancing of the underlying asset 'Hudson Commons'.

During the month, the Alternatives Fund continued its on-market share buy-back program and acquired an additional 632,358 shares at an average price of \$0.8846 representing a 22% discount to December's pre-tax NTA. The buy-back will recommence following lodgement of this report.

We look forward to bringing you our next investor update in relation to January 2020 and the Alternatives Fund'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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December 2019

Net Tangible Assets – as at 31 December 2019¹

Net Tangible Assets (NTA) per share (pre-tax)	\$1.1344
Net Tangible Assets (NTA) per share (post-tax)	\$1.1177

1. NTA figures in this report are unaudited.

Pre-Tax Net Tangible Assets



Source: Blue Sky Alternatives Access Fund, 2019

Portfolio Valuation²

	Current value (\$'m)	+/- Prior Month	% of Portfolio
Private Equity			
Growth Capital	\$46.46	\$3.47	20.9%
Venture Capital	\$13.50	(\$0.69)	6.1%
Subtotal	\$59.96	\$2.78	27.0%
Real Assets			
Water Fund	\$56.82	\$1.07	25.5%
Strategic Australian Agriculture Fund	\$26.24	\$0.13	11.8%
Other Real Assets	\$7.55	\$0.12	3.4%
Subtotal	\$90.61	\$1.32	40.7%
Private Real Estate			
Residential Development	\$0.00	(\$1.03)	0.0%
Student Accommodation ³	\$0.02	\$0.00	0.0%
Other Real Estate	\$13.75	(\$3.14)	6.2%
Subtotal	\$13.77	(\$4.17)	6.2%
Cash⁴	\$58.16	\$3.13	26.1%
Grand Total	\$222.50	\$3.06	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 movements in 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, rebates, etc.

3. The student accommodation portfolio has been sold with small hold backs for costs and litigation funding.

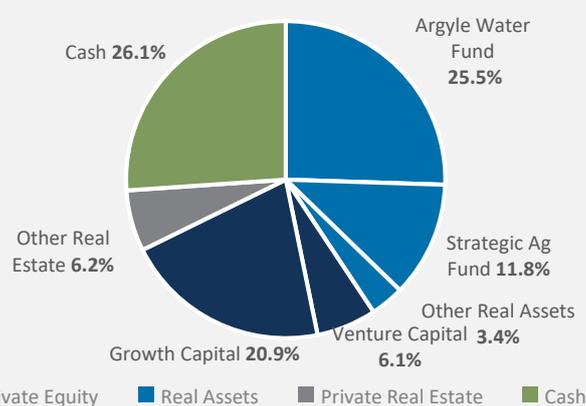
4. Includes capital to fund the remaining \$2.88 million of the \$25.0 million commitment to the Strategic Australian Agriculture Fund, which can be called at any time prior to July 2020.

Fund Performance⁵

Period	Pre-Tax	Post-Tax
1 month	0.51%	1.42%
3 months	1.61%	2.51%
6 months	5.82%	6.22%
12 months	8.20%	9.18%
3 year	7.53%	7.73%
Since inception (per annum)	8.14%	7.87%
Since inception (total) (compounding)	54.34%	52.22%

5. Includes NTA growth, dividends, franking credits and the impact of the share buy-back program.

Sector Weightings



Note: Total allocation to the Argyle Water Fund (including through the Strategic Australian Agriculture Fund) is 30.6% of the portfolio.

About the Alternatives Fund

Blue Sky Alternatives Access Fund Limited (ACN 168 941 704) ('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 one of the only listed investment companies 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 (Administrators appointed) (Receivers and Managers appointed) (ASX: BLA) ('Blue Sky'), Australian Alternative Asset Partners Pte. Ltd or appointed US investment managers.

Summary

The pre-tax NTA of the Alternatives Fund increased by 0.58 cents per share, or 0.51% in December to \$1.1344 per share.

Investment Performance

Argyle Water Fund

During December the Argyle Water Fund ('Water Fund') was up approximately 1.9%. Valuations continue to increase for all high security entitlements in the southern Murray-Darling Basin reflecting their inherent scarcity and importance in underpinning recent years of expansion of permanent agriculture (particularly almond orchards). Given the continued increase in values and the drought conditions experienced in this region, many investors will question the sustainability of the Water Fund's returns. The investment manager wishes to remind investors that the assets are unique. Such increases in capital values will not result in an increase in the supply of such assets. Australia is not building new dam capacity in the Murray-Darling Basin. The recent meeting of all State Water Ministers again reinforced a commitment to the Murray-Darling Basin Plan despite some prior posturing by the NSW Government. It is anticipated that the capital growth experienced in the past two years may moderate in the coming year however the Water Fund will continue to generate strong income from water entitlement leases and the sale of water volumes allocated to the Water Fund's entitlements.

The extreme drought conditions experienced over the past three years over such a vast area resulted in escalating and catastrophic fire conditions in many forested areas across Australia. Despite the destruction, there has been no loss of irrigated crops in the regions serviced by the Water Fund's water entitlements. The most destructive fires have occurred in areas which are usually higher rainfall zones.

The major climate systems which have been impacting Australia's lack of rainfall now seem to be breaking down. The record strongly positive Indian Ocean Dipole is in decline; the Pacific is El Nino neutral and the southern monsoon season has now finally made it to Indonesia with record flooding experienced in Jakarta in early January. The Bureau of Meteorology's outlook is for a return to average rainfall conditions, but that is not likely to result in any beneficial rainfall in southern Australian until the usual late Autumn period at best.

Agriculture Assets

During the month, previously withheld warranty balances in respect of Agriculture Fund 1 were received and are expected to be distributed to investors during January.

Growth Capital Portfolio

The Growth Capital portfolio made a strong contribution during December with notable movements in several assets following strong top line earnings growth. In addition, a range of previously held provisions were reviewed with updated earnings information resulting in certain provisions no longer being required. A successful deployment of new capital from other investors into the Better Medical business had an immediate top line valuation uplift due to significant synergy benefits that flowed through to existing investors.

Venture Capital Portfolio

The venture capital portfolio decreased by 4.8% during December. The decrease was primarily driven by USD/AUD movements in one asset that is updated quarterly.

Other Real Estate

There was a significant repayment of investor capital during the period to the Cove Property Group 441 Ninth Avenue Trust following a successful refinancing of 'Hudson Commons'.

Distributions

During December the following distributions were received by the Alternatives Fund:

- **Solar Fund** ~ \$138k
- **Premium Beef Development Fund** ~ \$561k
- **Wellington Road 1 Trust** ~ \$736k
- **Wellington Road 2 Trust** ~ \$311k
- **Cove Property Group 441 Ninth Avenue Trust** ~ \$3,032k

For more information

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IMPORTANT NOTICE

The Manager has prepared the information in this announcement. This announcement has been prepared to provide general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in the Alternatives Fund nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of the Alternatives Fund and conduct its own investigations and analysis.

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.

BAF Unit Price Summary - Closed Ended Funds⁶

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

Unit price band ⁷	# of funds ⁶	Weighted average months held	% of portfolio ⁸	Funds within band
≤ \$1.00 ⁹	14	45	26%	7 Growth Capital funds 3 Venture Capital funds 2 Real Assets funds 2 Other Real Estate fund
>\$1.00 - \$1.20	7	31	45%	4 Growth Capital funds 1 Real Assets fund 2 Other Real Estate funds
>\$1.20 - \$1.40	3	27	10%	3 Growth Capital funds
>\$1.40	5	40	18%	1 Growth Capital fund 3 Venture Capital funds 1 Real Assets Fund

6. Excludes the Argyle Water Fund which is marked to market monthly.

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

8. Weighted by current carrying value of each investment.

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.

BAF Exit Register – Open & 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	Various	Investments fully exited pre FY18 (aggregated)	From Jun-14	To Jun-17	\$25.0m	n/a	\$31.6m	16%	1.2x
2	Private Equity	HPS	Dec-14	Jun-17 ⁹	\$3.5m	28%	\$7.1m	34%	2.0x
3	Private Real Estate	Grantson Street Windsor	Aug-14	Jun-17 ⁹	\$1.0m	4%	\$1.7m	22%	1.7x
4	Private Real Estate	Logan Road Greenslopes	Aug-14	Jun-17 ⁹	\$1.0m	-24%	\$1.1m	4%	1.1x
5	Private Real Estate	Duke Street Kangaroo Point	Sep-14	Oct-17	\$2.0m	n/a ¹⁰	\$2.4m	7%	1.2x
6	Private Equity	Early Learning Fund	Jun-14	Jun-18	\$4.0m	-17%	\$4.7m	4%	1.2x
7	Private Real Estate	Retirement Living – Corinda	Jun-16	Oct-18	\$3.0m	-20%	\$4.1m	16%	1.4x
8	Private Real Estate	Retirement Living – Maroochydore	Dec-16	Oct-18	\$3.0m	-7%	\$3.7m	13%	1.2x
9	Private Real Estate	Retirement Living – Middle Ridge	Dec-16	Oct-18	\$3.0m	25%	\$4.1m	20%	1.4x
10	Private Real Estate	Retirement Living – Lutwyche	Jun-17	Oct-18	\$2.5m	5%	\$2.8m	12%	1.1x
11	Private Real Estate	Retirement Living – Bilinga	Nov-17	Oct-18	\$3.0m	1%	\$3.3m	12%	1.1x
12	Real Assets	Agriculture Fund	Jun-14	Dec-18	\$4.4m	0% ¹⁰	\$6.8m	11%	1.5x
13	Private Real Estate	19 Railway Terrace Milton Trust	Sep-15	Sep-19	\$2.0m	0%	\$1.7m	-5%	0.8x

Note: values may not add due to rounding.

9. Date initial exit proceeds were received.

10. Partially exited.

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BAF Exit Register – Open & Closed Ended Funds (Continued)

No	Asset Class	Fund	Investment Date	Exit date	Investment	Exit value v holding value	Total proceeds (including yield, franking credits + fee rebates)	IRR	MM
14	Private Real Estate	Flora Street Greenslopes Trust	Jun-15	Oct-19	\$1.0m	-7%	\$.1m	-72%	0.06x
15	Private Real Estate	Wellington Road East Brisbane Trust	Sep-15	Dec-19	\$2.0m	1%	\$.8m	-22%	0.41x
16	Private Real Estate	Wellington Road East Brisbane Trust II	Nov-15	Dec-19	\$1.0m	2%	\$.3m	-26%	0.57x
17	Private Real Estate	Student Accommodation Fund	Dec-14	Nov-19	\$1.5m	4%	\$1.1m	-7%	0.76x
18	Private Real Estate	Student Accommodation Fund II	Mar-15	Nov-19	\$5.0m	0%	\$7.7m	11%	1.55x
19	Private Real Estate	Student Accommodation Fund III	Jun-15	Nov-19	\$6.0m	0%	\$13.5m	17%	2.26x
20	Private Real Estate	Student Accommodation Fund IV	Jun-15	Nov-19	\$3.5m	-1%	\$4.0m	4%	1.15x
21	Private Real Estate	Student Accommodation Fund 5	Nov-15	Nov-19	\$3.0m	0%	\$5.6m	16%	1.87x
22	Private Real Estate	Student Accommodation Fund 6	May-16	Nov-19	\$2.5m	1%	\$3.2m	8%	1.30x
23	Private Real Estate	Student Accommodation Fund 7	Dec-16	Nov-19	\$2.5m	3%	\$2.2m	-5%	0.87x
24	Private Real Estate	La Trobe Street Fund	Sep-17	Nov-19	\$0.5m	0%	\$.6m	9%	1.20x
Weighted Average (excluding partially exited funds)						1%		11%	1.3x

Note: values may not add due to rounding.

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Portfolio Summary

Fund name	Amount invested ¹¹	Date invested ¹²	% allocated capital	Date of last independent valuation review ¹³	Description
Private Equity					
Growth Capital					
Wild Breads Fund	2,000,000	Jun-14	1.4%	Jun-19	Holds equity in Wild Breads Pty Ltd, a business in the artisan and specialty bread category.
Hotels Fund	6,000,000	Jun-15	4.1%	Jun-19	Holds equity in the GM Hotels, a portfolio of freehold and leasehold hotels in South Australia.
Origo Education Fund	1,500,000	Jun-15	1.0%	Jun-19	Holds equity in Origo Education, an Australian business providing digital and print education instructional materials in the United States, Australia, Canada and New Zealand.
Aquila Fund	4,000,000	Dec-15	2.8%	Jun-19	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	1.5%	Jun-19	Holds equity in a US-based business which constructs, owns and operates a network of digital billboards in a US metropolitan market.
SMG Fund	2,500,000	Dec-16	1.7%	Jun-19	Holds equity in Shopper Media Group Pty Ltd, an out-of-home advertising business.
QFS Fund	6,000,000	Dec-16	4.2%	Jun-19	Holds equity in Quality Food Services, a Queensland-based food and beverage wholesale and distribution business.
Wild Breads RCPS Fund	767,888	Apr-17	0.5%	Jun-19	A fund providing follow-on expansion capital into Wild Breads Pty Ltd.
Better Medical Fund	3,000,000	May-17	2.1%	Jun-19	Holds equity in Better Medical, a group of general practice medical clinics.
Tourism Fund	3,000,000	May-17	2.1%	Jun-19	Holds equity in Active Adventures, a multi-national adventure tourism business based in Queenstown, New Zealand.
Sunfresh Fund	3,000,000	Jun-17	2.1%	Dec-19	Holds equity in Sunfresh Salads, a food manufacturing business based in Adelaide. Asset review is pending and expected for Dec-19.
SMG Fund II	699,386	Oct-17	0.5%	Jun-19	A fund providing follow-on expansion capital into Shopper Media Group.
Energy Storage Fund	5,000,000	Nov-17	3.5%	Jun-19	Holds equity in esVolta, a battery storage developer based in the United States.
IT Consulting Fund	4,000,000	Dec-17	2.8%	Jun-19	Holds equity in Digital Lifecycle Group, an IT services and consulting company that supports enterprise and government clients in Australia.

Quarterly Report

December 2019

Portfolio Summary

Fund name	Amount invested ¹¹	Date invested ¹²	% allocated capital	Date of last independent valuation review ¹³	Description
Birch & Waite Fund	4,000,000	Dec-17	2.8	Jun-19	Holds equity in Birch & Waite, a Sydney-based manufacturer of premium condiments, desserts and beverages.
Total Growth Capital	47,577,869		33.1%		
Venture Capital					
VC2014 Fund	4,000,000	Jun-14	2.8%	Jun-19	A fund invested in a diversified portfolio of 9 venture capital co-investments.
Vinomofo Fund	3,000,000	Dec-15	2.1%	Jun-19	Holds equity in Vinomofo, an Australian online wine retailer.
aCommerce Fund	1,305,664	Jul-16	0.9%	Jun-19	Has an interest in aCommerce, a provider of outsourced e-commerce solutions in South East Asia.
aCommerce Fund 2	2,500,000	Nov-16	1.7%	Jun-19	A fund providing follow-on capital into aCommerce.
aCommerce Fund 3	1,144,501	Nov-17	0.8%	Jun-19	A fund providing follow-on capital into aCommerce.
Shoes of Prey Fund	1,000,000	Oct-15	0.7%	Jun-18	Holds equity in Shoes of Prey a fashion footwear company which is in administration. No new valuation was required.
Total Venture Capital	12,950,165		9.0%		
Total Private Equity	60,528,034		42.1%		
Real Assets					
Water Rights					
Argyle Water Fund	34,076,692	Jun-14	23.5%	Dec-19	A fund to invest in a regionally diversified portfolio of Australian Water Entitlements. Asset review is independently performed monthly.
Total Water Rights	34,076,692		23.5%		
Other Real Assets					
Agriculture Fund II	4,000,000	Oct-15	2.8%	Jun-19	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	1.4%	Jun-19	A fund to invest in certain elements of Australia's premium beef value chain.
Strategic Australian Agricultural Fund	25,000,000	Jun-17	17.3%	Jun-19	A fund to acquire and manage a diversified portfolio of Australian agricultural assets and Water Entitlements.
Solar Fund	2,234,761	Sep-17	1.5%	Jun-19	Develops and operates a solar farm located in western Queensland.

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Portfolio Summary

Fund name	Amount invested ¹¹	Date invested ¹²	% allocated capital	Date of last independent valuation review ¹³	Description
Total Other Real Assets	33,234,761		23.0%		
Total Real Assets	67,311,453		46.5%		
Private Real Estate¹⁵					
Industrial					
Darra Industrial Income Fund	2,000,000	Dec-14	1.4%	Jun-19	Holds the freehold title to a an 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	1.7%	Jun-19	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	4.8%	Jun-19	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	3.5%	Jun-19	A trust to acquire and redevelop an existing eight storey building at 441 Ninth Avenue, Manhattan, New York.
Total Private Real Estate	44,992,100		11.4%		
Total capital deployed	143,313,960		100.0%		

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

12. Date of initial investment.

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

14. Student Accommodation investments have largely been exited and removed from the above summary. The remaining balance is less than \$25,000.

Quarterly Report

December 2019

BlueSky
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[For more information](#)

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