

Blue Sky Alternatives Access Fund Limited ABN 47 168 941 704
Appendix 4D Preliminary half-year report
For the half-year ended 31 December 2019

The following information sets out the requirements of Appendix 4D, with the stipulated information either provided below or cross-referenced to the Interim Financial Report for the half-year ended 31 December 2019, which is attached.

1. Details of the reporting period and the prior corresponding period

Current period: 1 July 2019 to 31 December 2019
 Prior corresponding period: 1 July 2018 to 31 December 2018

2. Results for announcement to the market

Key information	6 months to 31 December 2019 \$'000	6 months to 31 December 2018 \$'000	Movement \$'000	Movement (%)
Revenue from ordinary activities	13,216	3,968	9,248	233.06
Profit from ordinary activities after tax attributable to members	9,014	1,898	7,116	374.92
Net profit for the period attributable to members	9,014	1,898	7,116	374.92

Details of dividend

On 25 February 2020, the Directors resolved to pay an interim dividend of 1.0 cent per share fully franked in relation to the half-year ended 31 December 2019. The record date for this dividend will be 6 March 2020 and the payment date will be 20 March 2020. The Company's Dividend Reinvestment Plan ('DRP') will be deferred in relation to this dividend. A complete copy of the DRP Rules can be found on the Company's website <http://blueskyfunds.com.au/alternatives-fund-shareholder/>.

	6 months to 31 December 2019 \$'000	6 months to 31 December 2018 \$'000
Final dividends paid during the periods	8,034	8,348
Cents per share	4.0	4.0

3. After-tax net tangible assets

Net tangible assets (NTA)	As at 31 December 2019	As at 31 December 2018
Net tangible asset backing per share ¹	\$1.1082	\$1.0828

¹ Under the Listing Rules NTA backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interest etc).

4. Entities over which control has been gained or lost during the period

Not applicable

5. Details of Associates and Joint Venture entities

Not applicable

6. Accounting standards used by foreign entities

Not applicable

7. Status of audit

This report is based on the Interim Financial Report to which one of the following applies:

	The accounts have been audited. (refer attached interim financial report)	✓	The accounts have been subject to review. (refer attached Interim Financial Report)
	The accounts are in the process of being audited or subject to review.		The accounts have not yet been audited or reviewed.

Signed:


.....
Michael Cottier
Independent Chair

Date: 25 February 2020



Blue Sky Alternatives Access Fund Limited

ABN 47 168 941 704

Interim report for the half-year ended 31 December 2019

Suite A, Level 10, Brisbane Club Tower
241 Adelaide Street
Brisbane QLD 4000

Blue Sky Alternatives Access Fund Limited
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For the half-year ended 31 December 2019

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Blue Sky Alternatives Access Fund Limited

Directors' report

For the half-year ended 31 December 2019

The Directors present their report for Blue Sky Alternatives Access Fund Limited (the 'Company' or the 'Alternatives Fund') for the half-year ended 31 December 2019.

Directors

The names of the Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Michael Cottier	Independent Non-Executive Chair
Kym Evans	Independent Non-Executive Director
John Baillie	Independent Non-Executive Director
Miles Staude	Non-Executive Director

About the Company

The Alternatives Fund is a listed investment company that invests in a diverse range of alternative assets including:

- Private equity;
- Private real estate; and
- Real assets.

The Alternatives Fund is one of the only listed investment companies on the 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 trading under the code BAF.

BSAAF Management Pty Limited ('Manager' or 'BSAAF') is the manager of the Alternatives Fund.

Objectives of the Company

The primary objectives of the Alternatives Fund are to:

- Deliver long term absolute returns to shareholders, through both growth in Net Tangible Assets ('NTA') and a dividend income (franked to either 100% or the maximum extent possible);
- Provide investors with access to a diverse range of alternative assets; and
- Provide investors with the ability to invest in alternative assets through an ASX listed structure that is more readily accessible and liquid than other alternative assets.

Blue Sky Alternatives Access Fund Limited
Directors' report
For the half-year ended 31 December 2019

Operating and financial review

Deployment of capital and portfolio weighting

The Directors report that the Manager committed no new capital during the half-year and deployed \$375,000 in committed capital invested in the Strategic Australian Agriculture Fund.

A total of 13 funds were exited in the half-year ended 31 December 2019, with the total number of funds in the portfolio now at 28 closed end funds and 1 open ended fund. The Alternatives Fund 's portfolio allocations at 31 December 2019 are as follows:

Asset Class	Weighting at 31 December 2019	Investments held at fair value
Private equity	25.9%	\$44.2m in 15 single asset growth capital funds \$13.5m in five single asset venture capital funds and one multi-asset fund
Private real estate	6.2%	\$8.9m in two New York commercial real estate projects in joint venture with Cove Property Group \$4.9m in two income-generating commercial properties
Real assets	41.8%*	\$56.8m in the Water Fund \$7.5m in one operating agribusiness asset and one renewables asset \$29.1m in the Strategic Australian Agriculture Fund
Cash	26.1%	\$58.2m**

*Valuation movements resulted in the weighting to the Real Assets portfolio being greater than 40%. The Company is not required to realise assets in overweight sectors. Deployment of contracted capital commitments are still required to be made as and when called.

**Includes capital to fund the remaining \$2.88 million of the \$25.0 million commitment to the Strategic Australian Agriculture Fund, which is to be called progressively over three years from July 2017 to June 2020.

Investment performance

The profit from ordinary activities after income tax amounted to \$9.0 million for the period ended 31 December 2019 (2018: \$1.9 million).

Over the 12 months to 31 December 2019 the Alternatives Fund delivered a pre-tax Fund Performance (including movement in NTA plus franked dividends paid) of 7.0% (2018: 2.9%), with pre-tax Fund Performance of 7.9% annualised since inception. This overall investment performance remains consistent with expectations. The strong performance for the period was mainly driven by the Real Assets portfolio and realisation of the Student Accommodation portfolio.

Over the last six months, the Alternatives Fund received exit proceeds from 13 closed-end fund investments. Returns on these funds have been attractive, and contribute further to the Company's realised track record which stands at a weighted average internal rate of return of 11.0% per annum since inception.¹

Capital Management Program

Over the six months to 31 December 2019 the Company acquired 2,298,589 shares, representing 1.1% of securities on issue at the beginning of the period, through its continuing on-market share buy-back program. The shares were purchased at a weighted-average price of \$0.8455 for a total investment of \$1.9 million. The acquisition of these shares occurred at a 19% to 31% discount and had a positive impact of \$0.0128 per share to pre-tax NTA.

From commencement of the on-market share buy-back program in May 2018 through to 31 December 2019, 15,837,854 shares have been purchased for a total investment of \$13.2 million. The Directors intend that the program will remain in place whilst the Company's shares trade at a material discount to NTA.

¹ The returns are equity weighted composite IRRs from fully realised investments and redemptions, inclusive of franking credits, and before management and performance fees on the Company's portfolio as a whole. Past performance is not a reliable indicator of future performance.

Blue Sky Alternatives Access Fund Limited
Directors' report
For the half-year ended 31 December 2019

Dividends

On 25 September 2019, the Alternatives Fund paid a final dividend of 4.0 cents per share franked to 65%, bringing the total dividends paid in relation to the 2019 financial year to 5.0 cents (65% franked in aggregate, assuming a 27.5% corporate tax rate).

On 25 February 2020, the Directors resolved to pay an interim dividend of 1.0 cent per share, fully franked at the 27.5% corporate tax rate, in relation to the half-year ended 31 December 2019. The record date for this dividend will be 6 March 2020 and the payment date will be 20 March 2020. The Company's Dividend Reinvestment Plan ('DRP') remains deferred due to the ongoing share price discount to NTA and will not apply to this dividend.

Earnings per share	Half-year ended	
	31 December 2019	31 December 2018
Basic and diluted earnings per share (cents per share)	4.50	0.91

Significant changes in the state of affairs

On 20 May 2019, the parent company of the Manager, Blue Sky Alternative Investments Limited (Administrators appointed)(Receivers and Managers appointed) (ASX:BLA) announced that voluntary administrators and receivers and managers had been appointed to it by Oaktree Capital Partners, L.P. ('Oaktree'). No external administrators have been appointed to the Manager or any other subsidiary of BLA. The Board continues to be engaged in extensive discussions and activities, including receiving professional advice to ensure the interests of the Company are adequately protected.

On 30 July 2019, following the completion of a strategic and operational review and after considering all options available to BLA and its subsidiaries, the receivers and managers of BLA commenced a restructuring of BLA and its assets.

The phased restructure of BLA and its assets included the transfer of BLA's Real Assets, Growth Capital and Venture Capital businesses to Australian Alternative Asset Partners Pte. Ltd ('AAAP'), a subsidiary of funds managed by the Special Situations group of Oaktree. Funds within Real Assets, Growth Capital and Venture Capital asset classes previously managed by BLA and its subsidiaries are now managed by Argyle Capital Partners, Fortitude Investment Partners and January Capital respectively. Each of these investment managers are not part of the BLA Group. The receivers and managers continue to work through the restructure of BLA and its remaining assets.

On 13 November 2019, BSAAF and the Company reached a consensus on key commercial terms (on a without prejudice and without admissions basis) to facilitate a consensual transition of the Company's management rights to Wilson Asset Management ('WAM').

The Board's negotiations with WAM, KordaMentha and Oaktree continue as the Board works with its legal advisers to settle the final terms of the manager transition. As meaningful new developments occur, these will be communicated to shareholders on the ASX.

For the half-year ended 31 December 2019, the Company has continued to see its share price trade significantly below the NTA of the Company, albeit in a more stable range. In order to address this, the Company has implemented a range of initiatives throughout the year including the continuation of the share buy-back program. The Board has also worked with the Manager and 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.

Rounding

The amounts contained in this report and the interim financial statements have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the Instrument 2016/191 applies.

Blue Sky Alternatives Access Fund Limited
Directors' report
For the half-year ended 31 December 2019

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 5.

Signed in accordance with a resolution of the Directors.



Michael Cottier
Independent Non-Executive Chair

25 February 2020

Brisbane



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working world**

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Auditor's independence declaration to the directors of Blue Sky Alternatives Access Fund Limited

As lead auditor for the review of the half-year financial report of Blue Sky Alternatives Access Fund Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid
Partner
25 February 2020

Blue Sky Alternatives Access Fund Limited
Interim Financial Report
For the half-year ended 31 December 2019

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Blue Sky Alternatives Access Fund Limited
Interim Statement of Comprehensive Income
For the half-year ended 31 December 2019

	Notes	Half-year ended	
		31 December 2019	31 December 2018
		\$'000	\$'000
Net gain on financial assets held at fair value through profit or loss	7	11,825	1,418
Dividend and trust distribution income		1,181	2,251
Rebates net of management fees	3	(20)	141
Interest income		230	158
Directors fees		(68)	(68)
Other expenses		(1,038)	(1,133)
Profit before income tax		12,110	2,767
Income tax expense	6	(3,096)	(869)
Profit after income tax		9,014	1,898
Other comprehensive income		-	-
Total comprehensive income		9,014	1,898
		Cents	Cents
Earnings per share			
Basic and diluted earnings per share (profit per share)		4.50	0.91

The above interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Blue Sky Alternatives Access Fund Limited
Interim Statement of Financial Position
As at 31 December 2019

		As at	
		31 December	30 June
		2019	2019
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		58,158	29,690
Trade and other receivables		1,820	1,684
Financial assets held at fair value through profit or loss	7	167,578	199,956
Other assets		747	135
Total assets		228,303	231,465
Liabilities			
Trade and other payables		5,187	5,357
Income tax payable		582	906
Deferred rebates		218	970
Deferred tax liabilities		2,083	3,032
Total liabilities		8,070	10,265
Net assets		220,233	221,200
Equity			
Issued capital	9	208,140	210,087
Retained earnings		12,093	11,113
Total shareholders' equity		220,233	221,200

The above interim statement of financial position should be read in conjunction with the accompanying notes.

Blue Sky Alternatives Access Fund Limited
Interim Statement of Changes in Equity
For the half-year ended 31 December 2019

	Notes	Share capital \$'000	Retained profits \$'000	Total shareholders' equity \$'000
Balance as at 1 July 2018		218,560	15,363	233,923
Adoption of new accounting standards		-	(583)	(583)
As at 1 July 2018 (restated)		218,560	14,780	233,340
Total comprehensive income for the year		-	1,898	1,898
Subtotal		218,560	16,678	235,238
Transactions with equity holders in their capacity as equity holders:				
Share buy-back	9	(6,016)	-	(6,016)
Dividends paid	8	-	(8,348)	(8,348)
Subtotal		(6,016)	(8,348)	(14,364)
Balance as at 31 December 2018		212,544	8,330	220,874

	Notes	Share capital \$'000	Retained profits & reserves* \$'000	Total shareholders' equity \$'000
Balance as at 1 July 2019		210,087	11,113	221,200
Total comprehensive income for the year		-	9,014	9,014
Subtotal		210,087	20,127	230,214
Transactions with equity holders in their capacity as equity holders:				
Share buy-back	9	(1,947)	-	(1,947)
Dividends paid	8	-	(8,034)	(8,034)
Subtotal		(1,947)	(8,034)	(9,981)
Balance as at 31 December 2019		208,140	12,093	220,233

The above interim statement of changes in equity should be read in conjunction with the accompanying notes.

**Retained profits & reserves includes \$10.9m transferred to the profit reserve during the half-year ended 31 December 2019*

Blue Sky Alternatives Access Fund Limited
Interim Statement of Cash Flows
For the half-year ended 31 December 2019

		Half-year ended	
		31 December 2019	31 December 2018
	Notes	\$'000	\$'000
Operating activities			
Rebates of transaction costs and fees (inclusive of GST)		3,360	1,164
Dividend and trust distributions received		1,362	710
Payments to suppliers (inclusive of GST)		(2,310)	(2,461)
Interest received		229	268
Income tax paid		(4,369)	(111)
Net cash flows used in operating activities		(1,728)	(430)
Investing activities			
Payments for financial assets held at fair value through profit and loss		(375)	(8,500)
Proceeds from disposal of financial assets held at fair value through profit and loss		40,552	23,959
Net cash flows from investing activities		40,177	15,459
Financing activities			
Share buy-back (inclusive of costs and GST)	9	(1,947)	(6,267)
Dividends paid	8	(8,034)	(8,348)
Net cash flows used in financing activities		(9,981)	(14,615)
Net increase in cash and cash equivalents		28,468	414
Cash and cash equivalents at the beginning of the financial period		29,690	31,589
Cash and cash equivalents at the end of the half-year		58,158	32,003

The above interim statement of cash flows should be read in conjunction with the accompanying notes.

Section 1: About this Report

1 General information

The Company invests in a diverse range of alternative assets, deriving revenue such as dividend and trust distribution income, and investment income from realised and unrealised gains and losses on investments held at fair value.

2 Significant accounting policies

These interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The accounting policies applied in these interim financial statements are the same as those applied in the Company's annual financial report for the financial year ended 30 June 2019 with the exception of the changes relating to the adoption of new accounting standards as detailed below. Of significance, the Company continues to be an investment entity in accordance with AASB 10 *Consolidated Financial Statements*.

(a) Adoption of new accounting standards and interpretations

(i) AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

The Company does not hold any leases at 31 December 2019. There was no impact to the Company following the adoption of AASB 16.

(ii) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Company considered whether it has any uncertain tax positions. There was no impact to the Company following the adoption of IFRIC Interpretation 23.

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

Section 2: Results for the Year

3 Rebates

	Half-year ended	
	31 December 2019	31 December 2018
	\$'000	\$'000
Rebate income		
Rebates of transaction costs and management fees	1,376	1,584
Management fee expense	(1,396)	(1,443)
Total rebates	<u>(20)</u>	<u>141</u>

The Company derives rebate income in accordance with the management services agreement with the Manager. The management services agreement states the following in relation to fees charged by Blue Sky Entities:

- (i) The Manager must ensure the trustee, responsible entity or controlling entity (as applicable) of each Blue Sky Fund in which an Authorised Investment is made does not charge the Company any fees (whether management fees, performance fees or otherwise) in respect of the Authorised Investment. If any such fees are charged and paid by the Company the Manager must rebate such fees to the Company as soon as is practicable; and
- (ii) The Company will be required to fund its pro-rata share of any transaction costs and establishment fees charged by a Blue Sky Entity to investors (excluding any capital raising and marketing fees) in a Blue Sky Fund Entity in which an Authorised Investment is made by the Manager on behalf of the Company.

To the extent any fees are paid by the Company (either directly or indirectly) over and above the non-rebateable transaction costs and establishment fees, they will be rebated to the Company. For the half-year ended 31 December 2019 \$1,376,375 (31 December 2018: \$1,584,314) (excluding GST) of fees have been rebated to the Company.

4 Management and performance fees

The Company has outsourced its investment management function to the Manager. The Manager is a wholly owned subsidiary of Blue Sky Alternative Investments Limited (Administrators appointed)(Receivers and Managers appointed) (ASX: BLA), a related party of the Company. A summary of the fees charged by the Manager is set out below:

a) Management fees

The Manager is entitled to be paid a management fee equal to 1.20% (excluding GST) of the Portfolio Net Asset Value per annum. The management fee is accrued monthly and generally paid within 14 days of the monthly Portfolio Net Asset Value of the Company being disclosed on the ASX.

During the period, the Company incurred \$1,398,603 (31 December 2018: \$1,442,993) of management fees, inclusive of the net impact of GST.

b) Performance Fees

At the end of each financial year, the Manager is entitled to receive a performance fee from the Company, the terms of which are outlined below:

- (i) The fee is calculated and accrued monthly using the following formula:

$$P = 17.5\% \times (A - B) \times C$$

Where:

- P is the Performance Fee for the relevant month;
- A is the Investment Return of the Portfolio for the relevant month;
- B is the Hurdle Return for the relevant month; and
- C is the Portfolio Net Asset Value at the end of the last day of the relevant month.

- (ii) The Performance Fee for each month in a Financial Year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate performance fee for the Financial Year is a positive amount provided that:

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

4 Management and performance fees (continued)

- (A) if the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fee shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be carried forward to the following Financial Year; and
- (B) any negative aggregate Performance Fee amounts from previous Financial Years that are not recouped in a Financial Year shall be carried forward to the following Financial Year.
- (iii) "Investment Return" means the percentage by which the Portfolio Net Asset Value at the end of the last day of the relevant month exceeds or is less than the Portfolio Net Asset Value at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in the Company during the relevant month including dividend reinvestments, new equity issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax.
- (iv) "Hurdle Return" means, in respect of the relevant month, 8.0% on a per annum basis.
- (v) "Portfolio Net Asset Value" means the Portfolio Market Value reduced by any accrued but unpaid expenses of the Company, but not provisions for tax payable, and after subtracting any borrowings drawn down and adding back any borrowings repaid.
- (vi) "Portfolio Market Value" means the market value of all the assets of the Portfolio (including cash).

For the half-year ended 31 December 2019, the Company did not incur a performance fee (31 December 2018: nil).

5 Segment information

Although the Company invests across a number of alternative asset classes, the Company's interim financial statements are prepared on the basis that there is only one operating segment: Alternative Asset Investment. In assessing performance and determining the allocation of resources, the Directors (who are identified as the Chief Operating Decision Makers ("CODM")) use internal reports which consider the revenue from distributions, interest and other returns from the Company's investment portfolio as a whole.

The Company invests in different types of securities, as detailed in Note 7, recorded as financial assets held at fair value through profit and loss.

6 Income tax

The major components of income tax expense are detailed below:

	Half-year ended	
	31 December 2019	31 December 2018
	\$'000	\$'000
Profit from ordinary activities before income tax	12,110	2,767
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	3,330	761
Effect of change in tax rate	(49)	34
Prior period adjustments	(110)	(140)
Income subject to foreign income tax offsets	-	(20)
Tax exempt income and losses	37	48
Franked distributions received and expected	(112)	186
Income tax expense	3,096	869
Current tax	4,045	2,793
Deferred tax	(949)	(1,924)
Aggregate income tax expense	3,096	869

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

Section 3: Capital and Financial Risk Management

7 Fair value measurement

The table below presents the financial assets (by class) measured and recognised at fair value according to the fair value hierarchy. The different levels have been defined as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As the Company invests in unlisted funds, market prices are not readily observable for all investments made by the Company. The calculation of the fair value for the various asset classes is discussed below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2019				
Financial assets				
Unlisted private equity funds	-	-	57,680	57,680
Unlisted private real estate funds	-	-	13,773	13,773
Unlisted real assets funds	-	-	93,488	93,488
Performance fee rebates	-	-	2,637	2,637
Total financial assets	-	-	167,578	167,578

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2019				
Financial assets				
Unlisted private equity funds	-	-	57,896	57,896
Unlisted private real estate funds	-	-	49,745	49,745
Unlisted real assets funds	-	-	88,784	88,784
Performance fee rebates	-	-	3,531	3,531
Total financial assets	-	-	199,956	199,956

(i) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the fair value of water entitlements traded by the Water Fund is determined using quoted market prices or broker quotes for similar instruments;
- the fair value of unlisted equity investments in going concern enterprises (such as growth capital and venture capital-style investments) is determined using a capitalisation of earnings or revenue methodology, having regard to observable comparable transactions or quoted prices for similar enterprises;
- the fair value of investments in private real estate assets or projects is calculated as the present value of estimated future cash flows (discounted cash flow approach);
- the fair value of mature income-producing real assets is measured using market prices for comparable assets in a similar geographic location; and
- the fair value of performance fee rebate financial instruments are calculated as the present value of estimated future cash flows (discounted cash flow approach).

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

7 Fair value measurement (continued)

(ii) Valuation process

Assets in the Company's investment portfolio are valued in accordance with the Company's published Investment Valuation Policy, a summary of which is provided below. This summary does not purport to be complete, and readers should refer to the full Investment Valuation Policy which is available on the Company's website.

The value of assets in the Company's investment portfolio which are investments in closed-ended funds (typically private equity, private real estate and real assets funds not including the Water Fund) are reviewed by the Manager (or a related party thereof) at the end of each month. These values are reviewed by a qualified independent expert at least annually. In the event that the Manager believes there may have been a material change in the value of an asset in between the annual independent valuation reviews, an interim valuation is performed by the Manager. These valuations are used by the Manager to determine the relevant fund's net tangible assets and a unit price for each fund. For the period from investment until an asset is initially revalued, its fair value is deemed to equal consideration paid, less transaction costs.

While a review from a qualified independent expert is required at least annually, the Board may request that they be performed more regularly in relation to one or more closed-ended fund investments. For example, where there has been a material change in the value of an investment which is likely to have a material impact on the net tangible assets of the Company, the Board may request an 'off-cycle' external review by a qualified independent expert to be performed.

The value of assets in the Company's investment portfolio which are investments in open-ended funds, such as the Water Fund, are subject to external valuation by a third party and unit price calculated by external fund administrators. These external valuations are conducted at a minimum at the end of each month and are used by the fund administrator to determine a unit price for each fund. The Company will adopt the valuation and unit price determined by the third party fund administrator at the end of each month, less any costs that would have been incurred by the Company on that date to exit any units it may hold (for example, a sell spread).

(iii) Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 and 31 December 2018 are as shown on the following pages.

For the purposes of this analysis, the Company's financial assets have been grouped into classes according to investment theme. This is designed to facilitate the assessment of the impact of other indirect, macro-economic factors common between certain assets which may influence the significant unobservable inputs detailed.

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

7 Fair value measurement (continued)

(iii) Description of significant unobservable inputs to valuation (continued)

Sector	Valuation technique	Significant unobservable inputs	Range (weighted average) ¹	Sensitivity of the input to fair value
Healthcare, education and hospitality	Capitalisation of earnings or revenue	Operating earnings or revenue	31 December 2019 ² : \$6.0 million - \$8.0 million 30 June 2019 ² : \$6.0 million - \$8.0 million	10% (30 June 2019: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$3,731,000 (30 June 2019: \$3,712,000)
		Capitalisation multiple	31 December 2019 ³ : 6.5x - 8.5x 30 June 2019 ³ : 6.5x - 8.5x	1.0x (30 June 2019: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$5,310,000 (30 June 2019: \$4,929,000)
E-commerce & digital disruption	Capitalisation of earnings or revenue	Operating earnings or revenue	31 December 2019 ² : \$57.0 million - \$61.0 million 30 June 2019 ² : \$52.0 million - \$58.0 million	10% (30 June 2019: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$2,998,000 (30 June 2019: \$942,000)
		Capitalisation multiple	31 December 2019 ³ : 1.0x - 3.0x 30 June 2019 ³ : 2.0x - 4.0x	1.0x (30 June 2019: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$9,187,000 (30 June 2019: \$6,731,000)
Food & agriculture	Market approach*	Asset value	31 December 2019: \$42.0 million - \$46.0 million 30 June 2019: \$38.0 million - \$42.0 million	10% (30 June 2019: 10%) increase / (decrease) in the value of the assets would result in an increase / (decrease) of \$8,943,000 (30 June 2019: \$8,380,000)
Apartment & retirement living	Market approach	Net asset value	31 December 2019: n/a 30 June 2019: \$0.4 million - \$0.9 million	10% (30 June 2019: 10%) increase / (decrease) in the value of the net asset would result in no change (30 June 2019: \$114,000)
		Discounted cash flow	Discount rate for project risk	31 December 2019: n/a 30 June 2019: 13% - 17%

¹The ranges presented reflect a range in which the weighted average of unobservable inputs falls. Accordingly, the actual unobservable input for each asset or investment in the category may fall outside these ranges.

²Weighted average revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA') range.

³Weighted average revenue and EBITDA multiple range.

* Underlying assets held within the Water Fund are valued by an independent third party fund administrator based on observable market prices. This valuation is used by the fund administrators of the Water Fund to determine a unit price which is reviewed and approved by the Manager. The Water Fund does not have observable market prices (in contrast to assets held within these Funds) and as a result, these are funds are recorded as Level 3 investments.

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

7 Fair value measurement (continued)

(iii) Description of significant unobservable inputs to valuation (continued)

Segment	Valuation technique	Significant unobservable inputs	Range (weighted average) ¹	Sensitivity of the input to fair value
Student Accommodation	Discounted cash flow	Discount rate	31 December 2019: n/a 30 June 2019: 8% - 12%	1% (30 June 2019: 1%) increase / (decrease) in the range of discount rates used would result in no change (30 June 2019: \$3,656,000)
Other	Market approach	Net asset value	31 December 2019: \$1.5 million - \$3.5 million	10% (30 June 2019: 10%) increase / (decrease) in the net asset value would result in an increase / (decrease) of \$729,000 (30 June 2019: \$1,042,000)
			30 June 2019: \$3.0 million - \$5.0 million	
	Capitalisation of earnings or revenue	Operating earnings or revenue	31 December 2019 ² : \$2.0 million - \$4.0 million	10% (30 June 2019: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$423,000 (30 June 2019: \$462,000)
			30 June 2019 ² : \$3.0 million - \$5.0 million	
Discounted cash flow	Discount rate	Capitalisation multiple	31 December 2019 ³ : 4.0x - 7.0x	1.0x (30 June 2019: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$692,000 (30 June 2019: \$770,000)
			30 June 2019 ³ : 3.0x - 6.0x	
			31 December 2019: 11% - 15%	1% (30 June 2019: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) in fair value by \$1,199,000 (30 June 2019: \$1,243,000)
			30 June 2019: 11% - 15%	

¹The ranges presented reflect a range in which the weighted average of unobservable inputs falls. Accordingly, the actual unobservable input for each asset or investment in the category may fall outside these ranges.

²Weighted average revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA') range.

³Weighted average revenue and EBITDA multiple range.

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

7 Fair value measurement (continued)

	Unlisted private equity funds \$'000	Unlisted private real estate funds \$'000	Unlisted real assets funds \$'000	Performance fee rebates \$'000	Total \$'000
Half-year ended 31 December 2019					
Beginning balance	57,896	49,745	88,784	3,531	199,956
Disposal	(153)	(39,735)	(1,297)	(3,018)	(44,203)
Net unrealised gain/(loss)	(63)	302	5,947	1,270	7,456
Net realised gain/(loss)	-	3,461	54	854	4,369
Ending balance	57,680	13,773	93,488	2,637	167,578

	Unlisted private equity funds \$'000	Unlisted private real estate funds \$'000	Unlisted real asset funds \$'000	Performance fee rebates \$'000	Total \$'000
Year ended 30 June 2019					
Beginning balance	61,155	68,841	75,130	-	205,126
Adoption of new accounting standards	-	-	-	3,963	3,963
Purchase	-	-	10,000	-	10,000
Disposal	(938)	(16,977)	(6,257)	(1,364)	(25,536)
Net unrealised gain/(loss)	(2,503)	(4,516)	8,019	1,522	2,522
Net realised gain/(loss)	182	2,397	1,892	(590)	3,881
Ending balance	57,896	49,745	88,784	3,531	199,956

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

Financial assets held at fair value through profit and loss

The information below reflects expected realisation timeframes for financial assets held at fair value through profit and loss. However, unforeseen circumstances could result in timeframes changing.

	As at 31 December 2019 \$'000	30 June 2019 \$'000
Within 12 months of the reporting period		
Unlisted private equity funds	16,924	16,508
Unlisted private real estate funds	2,342	33,960
Unlisted real assets funds	343	119
Performance fee rebates	1,777	2,647
	<u>21,386</u>	<u>53,234</u>
More than 12 months of the reporting period		
Unlisted private equity funds	40,756	41,388
Unlisted private real estate funds	11,431	15,785
Unlisted real assets funds	93,145	88,665
Performance fee rebates	860	884
	<u>146,192</u>	<u>146,722</u>
	167,578	199,956

Blue Sky Alternatives Access Fund Limited
Notes to the Interim Financial Statements (continued)
For the half-year ended 31 December 2019

8 Dividends

	Half-year ended	
	31 December 2019	31 December 2018
	\$'000	\$'000
Dividends on ordinary shares declared and paid:		
FY19 Final Dividend: 4.0 cents per share franked to 65% (FY18: 4.0 cents, franked to 65%)	8,034	8,348
	<u>8,034</u>	<u>8,348</u>

Proposed dividends on ordinary shares:

FY20 Interim Dividend: 1.0 cent fully franked (FY19: 1.0 cent, franked to 65%)	1,977	2,032
	<u>1,977</u>	<u>2,032</u>

Proposed dividends declared subsequent to half-year end are not recognised as a liability as at 31 December 2019.

9 Issued capital and reserves

	Number of shares	\$'000
Opening balance as at 1 July 2018 (net of fundraising costs)	211,038,419	218,560
Shares cancelled: Share buy-back	(7,056,375)	(6,016)
Closing balance at 31 December 2018	<u>203,982,044</u>	<u>212,544</u>
Opening balance as at 1 July 2019 (net of fundraising costs)	201,025,225	210,087
Shares cancelled: Share buy-back	(2,298,589)	(1,947)
Closing balance at 31 December 2019	<u>198,726,636</u>	<u>208,140</u>

Section 4: Other

10 Events after the reporting period

Adjustments to December NTA have been adopted in the financial statements in relation to the carrying value of two closed-end funds. In total this has resulted in a 1.13% reduction in pre-tax NTA for 31 December 2019, from \$1.1344 per share in the December NTA report to \$1.1216 per share in the Interim Financial Report for the half-year ended 31 December 2019.

The carrying values of the two closed-end funds were reduced following the receipt of updated valuations and completion of a recent capital raise.

On 25 February 2020, the Directors resolved to pay an interim dividend of 1.0 cent per share, fully franked at the 27.5% corporate tax rate, in relation to the half-year ended 31 December 2019. The record date for this dividend is 6 March 2020 and the payment date is 20 March 2020. The Company's Dividend Reinvestment Plan ('DRP') remains deferred due to the ongoing share price discount to NTA and will not apply to this dividend.

There were no other subsequent events.

Blue Sky Alternatives Access Fund Limited
Directors' declaration
For the half-year ended 31 December 2019

In accordance with a resolution of the Directors of Blue Sky Alternatives Access Fund Limited, the Directors declare that:

1. the interim financial statements and notes, as set out on pages 7 to 19:
 - (a) comply with *Corporations Act 2001 (Cth)*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the entity's financial position as at 31 December 2019 and of the performance for the half-year ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Michael Cottier
Independent Non-Executive Chair

25 February 2020
Brisbane



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Independent auditor's review report to the members of Blue Sky Alternatives Access Fund Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Blue Sky Alternatives Access Fund Limited (the Company), which comprises the interim statement of financial position as at 31 December 2019, the interim statement of comprehensive income, interim statement of changes in equity and the interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid' in a cursive script.

Mike Reid
Partner
Brisbane
25 February 2020

Blue Sky Alternatives Access Fund Limited
Appendix A
For the half-year ended 31 December 2019

Portfolio Summary

Fund name	Amount invested	Date invested	% allocated capital	Date of last independent valuation review	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.
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.
Hotels Fund	6,000,000	Jun-15	4.2%	Jun-19	Holds equity in the GM Hotels, a portfolio of freehold and leasehold hotels in South Australia.
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.
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.
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.
Wild Breads RCPS Fund	767,888	Apr-17	0.5%	Jun-19	A fund providing follow-on expansion capital into Wild Breads Pty Ltd.
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.
Better Medical Fund	3,000,000	May-17	2.1%	Jun-19	Holds equity in Better Medical, a group of general practice medical clinics.
Sunfresh Fund	3,000,000	Jun-17	2.1%	Dec-19	Holds equity in Sunfresh Salads, a food manufacturing business based in Adelaide. Review scheduled for Sep/Oct 2019.
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.
Birch & Waite Fund	4,000,000	Dec-17	2.8%	May-19	Holds equity in Birch & Waite, a Sydney-based manufacturer of premium condiments, desserts and beverages.
Total Growth Capital	47,577,869		33.2%		

Blue Sky Alternatives Access Fund Limited
Appendix A
For the half-year ended 31 December 2019

Portfolio Summary

Fund name	Amount invested	Date invested	% allocated capital	Date of last independent valuation review	Description
Venture Capital					
VC2014 Fund	4,000,000	Jun-14	2.8%	Jun-19 ^{1, 2}	A fund invested in a diversified portfolio of 9 venture capital co-investments.
Shoes of Prey	1,000,000	Oct-15	0.7%	Jun-18 ²	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'. The fund is valued at nil.
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.
Total Venture Capital	12,950,165		9.0%		
Total Private Equity	60,528,034		42.2%		
Real Assets					
Water Rights					
Water Fund	34,076,692	Jun-14	23.6%	Dec-19	A fund to invest in a regionally diversified portfolio of Australian Water Entitlements. The fund is valued monthly.
Total Water Rights	34,076,692		23.6%		
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%	May-19	A fund to invest in certain elements of Australia's premium beef value chain.
Strategic Australian Agricultural Fund	25,000,000 ³	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	A fund that has developed and is operating a solar farm located in western Queensland.
Total Other Real Assets	33,234,761		23.0%		
Total Real Assets	67,311,453		46.6%		

¹An independent valuation review was conducted at June 2019 for all of the fund's material investments.

²The investment in Shoes of Prey has not been independently reviewed since June 2018. Subsequent to this independent valuation review, these funds' investments into Shoes of Prey were written down to nil and have been held at nil since.

³Includes \$8,291,704 deployed into Water Entitlements, bringing BAF's total deployment into Water Entitlements to \$42,368,396 via the Water Fund and Strategic Australian Agricultural Fund.

Blue Sky Alternatives Access Fund Limited
Appendix A
For the half-year ended 31 December 2019

Portfolio Summary

Fund name	Amount invested	Date invested	% allocated capital	Date of last independent valuation review	Description
Private Real Estate					
Industrial					
Darra Industrial Income Fund	2,000,000	Dec-14	1.3%	Jun-19	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	1.6%	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%	May-19	A trust to acquire, reposition and lease a 26-story 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%	Dec-19	A trust to acquire and redevelop an existing eight story building at 441 Ninth Avenue, Manhattan, New York.
Total Private Real Estate	16,474,473		11.2%		
Total Capital Deployed	144,313,960		100.00%		