

14 March 2016

Dear Shareholder

## Blue Sky Alternatives Access Fund Limited (ASX:BAF) – Net Tangible Assets ('NTA') per share increase for February 2016

BAF is pleased to release its NTA report for the month ended 29 February 2016, with a pre-tax NTA increase to \$1.0776 per share, a gain of 0.18% for the month.

The Alternatives Fund also received interim cash dividends totalling \$0.95 million during the month from both the Water Fund and the Hotels Fund.

During February, the Alternatives Fund invested \$9.1 million into one new Private Real Estate investment and one new Private Equity investment. Both are proprietary opportunities which have been originated by Blue Sky's New York office. Offsetting the initial deduction to NTA from the cost of deploying this capital were gains from the Alternatives Fund's Real Assets portfolio, leading to a minor overall increase in NTA.

BAF's asset class allocations as at 29 February 2016 are as follows:

Asset class	Weight (%)
Private Equity & Venture Capital	24.6%
Real Assets	30.4%
Private Real Estate	34.5%
Hedge Funds	7.8%
Cash	2.7%
<b>Total</b>	<b>100.0%</b>

BAF 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.

Yours faithfully,



**Andrew Champion**  
Executive Director

### Important note

BSAAF Management Pty Ltd ABN 82 168 923 279 has prepared the information in this document. 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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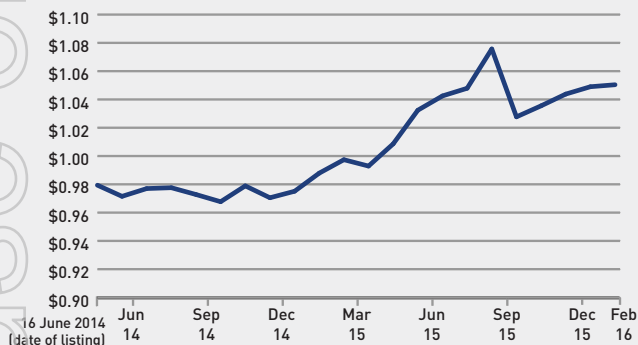
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### NET TANGIBLE ASSETS – AS AT 29 FEBRUARY 2016<sup>1</sup>

Net Tangible Assets (NTA) per share (pre tax)	\$1.0776
Net Tangible Assets (NTA) per share (post tax)	\$1.0504

1. NTA figures in this report are unaudited.

### NET TANGIBLE ASSETS – SINCE INCEPTION<sup>2</sup>

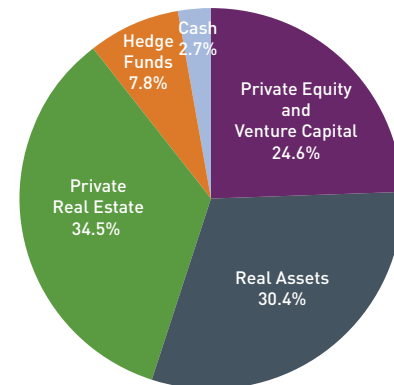


### FUND PERFORMANCE<sup>3</sup>

Period	Pre-Tax	Post-Tax
1 month	0.17%	0.12%
3 months	1.79%	1.37%
6 months	5.41%	4.32%
12 months	14.02%	10.66%

3. Includes NTA growth, dividends and franking credits.

### SECTOR WEIGHTINGS



### PORTFOLIO VALUATION<sup>2</sup>

	Current value (\$'m)	% of Portfolio
<b>PRIVATE EQUITY AND VENTURE CAPITAL</b>		
Private Equity	\$26.39	19.2%
Venture Capital	\$7.51	5.4%
<b>Subtotal</b>	<b>\$33.90</b>	<b>24.6%</b>
<b>REAL ASSETS</b>		
Water Fund	\$31.71	23.0%
Other Real Assets	\$10.19	7.4%
<b>Subtotal</b>	<b>\$41.90</b>	<b>30.4%</b>
<b>PRIVATE REAL ESTATE</b>		
Residential Development	\$17.35	12.6%
Commercial Asset Management	\$27.77	20.2%
Residential Asset Management	\$2.28	1.7%
<b>Subtotal</b>	<b>\$47.40</b>	<b>34.5%</b>
<b>HEDGE FUNDS</b>		
Alliance Fund	\$10.69	7.8%
<b>Subtotal</b>	<b>\$10.69</b>	<b>7.8%</b>
Cash	\$3.69	2.7%
<b>GRAND TOTAL</b>	<b>\$137.58</b>	<b>100.0%</b>

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, which may be 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.

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### 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 and venture capital;
- Real assets;
- Private real estate; and
- Hedge funds.

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

The primary objectives of the Alternatives Fund are to:

- Deliver long term absolute returns to shareholders, comprised of both capital appreciation and a dividend yield (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 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').

Blue Sky has in excess of \$1.70 billion in assets under management and an eight year track record of generating overall returns to investors in its funds of 16.9% p.a. (net of fees, since inception).<sup>4</sup>

4. Overall returns to investors in Blue Sky managed funds are equity weighted. For more details, please refer to BLA's regular ASX announcements on the investment performance of its funds. Please also note that past performance is not a reliable indicator of future performance.

### FURTHER INFORMATION

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### INVESTMENT PERFORMANCE

The pre-tax NTA of the Alternatives Fund increased by 0.18% in February to \$1.0776. The increase was driven by gains from the Alternatives Fund's Real Assets portfolio, which offset the initial deduction to NTA from the cost of deploying capital into two new investments made in February (see below).

The Alternatives Fund also received cash dividends totalling \$0.95 million during the month from both the Water Fund and the Hotels Fund.

- **Water Fund**

The Alternatives Fund received a \$0.8 million distribution from the Blue Sky Water Fund in February, representing a 2.5% yield on the carrying value at 31 January 2016.

In addition, the value of the Alternatives Fund's units in the Water Fund increased by 0.9% in February, after accounting for the distribution.

A further FY16 dividend is expected to be paid by the Water Fund at the end of the financial year.

- **Blue Sky Hotels Fund**

The Alternatives Fund received its first quarterly distribution from the Blue Sky Hotels Fund during February, collecting \$0.15 million or a 2.5% yield on its investment.

The Hotels Fund will continue to pay quarterly 2.5% distributions as well as an annual top up.

### NEW INVESTMENTS

The Alternatives Fund made two new investments in February, investing \$9.1 million (US\$6.5 million) and completing deployment of the capital previously raised from the exercise of BAFO options which expired in December 2015.

Blue Sky established a New York office in mid-2013 which has originated both of these proprietary opportunities.

- **Cove Property Group 2 Rector Street Trust**

The Alternatives Fund invested \$6.97 million (US\$5.0 million) into a trust which will acquire a 26 storey building located at 2 Rector Street in the Financial District of Manhattan, New York.

The investment will be managed by Cove Property Group LLC, a joint venture between Blue Sky and Cove's principals who have over 50 years' experience successfully investing in and managing commercial property in New York City. The Cove team's specific asset experience include iconic buildings such as the Rockefeller Center, MetLife Building, 100 Wall Street and Twitter's New York City headquarters. The Trust is investing alongside blue chip institutional investors to acquire, refurbish and re-let the property.

The property and all construction costs will be funded without debt funding, with a total estimated transaction size of over US\$300 million.

The Alternatives Fund anticipates a 5-7 year investment horizon.

- **Blue Sky Digital Outdoor Advertising Fund**

During February, the Alternatives Fund invested \$2.11 million (US\$1.5 million) into a fund which will invest equity in a business that will construct, own and operate a network of digital billboards in a major metropolitan market in the USA.

Out-of-home advertising ('OOHA') has been growing its share of advertising spend in recent years and has demonstrated a higher return on investment than most other forms of advertising.

Blue Sky is partnering with a highly regarded management team with extensive experience in the OOHA market and target geography, backing a business supported by attractive market dynamics, high barriers to entry and low operating leverage.

Confidentiality restrictions in force at the time of this report prohibit release of further transaction details.

- **Blue Sky Vinomofu Fund**

As detailed in the December 2015 edition of this report, the Alternatives Fund invested into a trust which has acquired equity in an established and rapidly growing Australian e-commerce business. Confidentiality restrictions in force at the time of the December report prohibited the release of further transaction details.

The Alternatives Fund can now report that the business invested in is Vinomofu, Australia's leading pure-play online wine retailer ([www.vinomofu.com](http://www.vinomofu.com)).

By using a unique platform and promoting a fresh and exciting culture around their product segment, Vinomofu has grown a significant base of highly engaged and loyal customers with only minimal marketing spend.

This investment is providing expansion capital to Vinomofu to accelerate its growth both in Australia and also in the Asian marketplace.

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## SUMMARY OF CURRENT INVESTMENTS

Fund name	Amount invested <sup>5</sup>	Date invested <sup>6</sup>	% allocated capital	Target IRR <sup>7</sup>	Anticipated exit <sup>8</sup>	Description
<b>PRIVATE EQUITY &amp; VENTURE CAPITAL</b>						
<b>PRIVATE EQUITY</b>						
Early Learning Fund	4,000,000	Jun-14	3.2%		CY16 - CY17	Holds equity in Foundation Early Learning Limited, a premium Australian child care operator.
Wild Breads Fund	2,000,000	Jun-14	1.6%		CY17 - CY18	Holds equity in Wild Breads Pty Ltd, a leading business in the rapidly growing artisan and specialty bread category in Australia.
Readify 2 Fund	2,800,000	Jun-14	2.2%		CY16 - CY17	Holds equity in Readify Pty Ltd, a leading Australian IT-services company focused on application development and platform deployment in the Microsoft environment.
Hospital Pharmacy Services Fund	3,500,000	Dec-14	2.8%		CY19 - CY20	Holds equity in Hospital Pharmacy Services Pty Ltd, Australia's largest outsourced hospital and oncology pharmacy business.
Origo Education Fund	1,500,000	Jun-15	1.2%		CY19 - CY20	Holds equity in Origo Education, a rapidly growing Australian business providing digital and print education instructional materials to in the United States of America, Australia, Canada and New Zealand.
Hotels Fund	6,000,000	Jun-15	4.8%		CY19 - CY20	Holds equity in the GM Hotels, a portfolio of three freehold and seven long-term leasehold hotels in South Australia.
Retail Fund <sup>9</sup>	4,000,000	Dec-15	3.2%		CY19 - CY20	To hold equity in a branded Australian retail business.
Digital Outdoor Advertising Fund <sup>9</sup>	2,110,595	Feb-16	1.7%		CY20 - CY21	To hold equity in a US-based business which will contract, own and operate a network of digital billboards in a major US metropolitan market.
<b>Total Private Equity</b>	<b>25,910,595</b>		<b>20.7%</b>	<b>25.0% - 30.0%</b>		

5. Total capital deployed to date, inclusive of follow-on investments and net of capital returned.

6. Date of initial investment.

7. These figures represent the Manager's general expectations as to the returns the relevant asset class can generate over time. These figures are not intended to represent a forecast or guidance and do not take into account the performance to date of the existing portfolio of investments or the Manager's view on the likely future performance of any one or more specific assets.

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9. Confidentiality restrictions in force at the time of this report prohibit release of certain transaction details, including the name of the business invested in. Further information will be provided in future reports.

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## SUMMARY OF CURRENT INVESTMENTS (CONT.)

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<b>VENTURE CAPITAL</b>						
VC2014 Fund	4,000,000	Jun-14	3.2%		CY20	A fund to invest in a diversified portfolio of venture capital investments, the first being Parcel Point, logistics software developer and operator of Australia's largest network of consumer parcel collection points outside of Australia Post.
Shoes of Prey Fund	1,000,000	Oct-15	0.8%		CY20	To hold equity in Shoes of Prey, a rapidly growing fashion footwear company that has developed a unique platform enabling customised women's footwear to be manufactured and sold 'on demand'.
Vinomofu Fund	3,000,000	Dec-15	2.4%		CY19 - CY20	Holds equity in Vinomofu, Australia's leading pure-play online wine retailer.
<b>Total Venture Capital</b>	<b>8,000,000</b>		<b>6.4%</b>	<b>30.0%</b>		
<b>Total Private Equity &amp; Venture Capital</b>	<b>33,910,595</b>		<b>27.1%</b>			
<b>REAL ASSETS</b>						
<b>WATER RIGHTS</b>						
Water Fund	24,000,000	Jun-14	19.2%		Open-ended	Invests in a diversified portfolio of agricultural water entitlements, largely in the Southern Murray-Darling Basin.
<b>Total Water Rights</b>	<b>24,000,000</b>		<b>19.2%</b>	<b>10.0% - 14.0%</b>		
<b>OTHER REAL ASSETS</b>						
Agriculture Fund	4,365,000	Jun-14	3.5%		CY20	Holds equity in Gundaline Pty Ltd, the owner and operator of a large-scale irrigated cropping business east of Hay in NSW.
Agriculture Fund II	4,000,000	Oct-15	3.2%		CY22	Holds the freehold property and business assets comprising Hillston Citrus, an irrigated citrus orchard near Hillston in NSW.
Water Utilities Australia Fund II	2,500,000	Oct-14	2.0%		CY18	Hold equity in Water Utilities Group, which owns and operates a portfolio of high-quality water infrastructure assets.
<b>Total Other Real Assets</b>	<b>10,865,000</b>		<b>8.7%</b>	<b>15.0%</b>		
<b>Total Real Assets</b>	<b>34,865,000</b>		<b>27.9%</b>			

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**SUMMARY OF CURRENT INVESTMENTS (CONT.)**

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<b>PRIVATE REAL ESTATE</b>						
<b>RESIDENTIAL DEVELOPMENT INVESTMENTS</b>						
Regina Street Greenslopes Trust	1,000,000	Jun-14	0.8%		1H FY17	A residential development of 61 apartments (29 one bedroom and 32 two bedroom) in the South Brisbane suburb of Greenslopes.
37 Regent Street Woolloongabba Trust	1,000,000	Jun-14	0.8%		1H FY17	A residential development of 44 apartments (9 one bedroom and 35 two bedroom) in the South Brisbane suburb of Woolloongabba.
Alice Street Kedron Trust	1,000,000	Jul-14	0.8%		2H FY16	A residential development of 38 apartments (5 one bedroom and 33 two bedroom) in the North Brisbane suburb of Kedron.
Logan Road Greenslopes Trust	1,000,000	Aug-14	0.8%		1H FY17	A residential development of 53 apartments (12 one bedroom, 36 two bedroom and 5 three bedroom) in the South Brisbane suburb of Greenslopes.
Main Street Kangaroo Point Trust	2,000,000	Aug-14	1.6%		2H FY17	A residential development of 104 apartments (25 one bedroom, 71 two bedroom and 8 three bedroom) in the Central Brisbane suburb of Kangaroo Point.
Grantson Street Windsor Trust	1,000,000	Aug-14	0.8%		1H FY17	A residential development of 65 apartments (2 one bedroom, 49 two bedroom and 14 three bedroom) in the North Brisbane suburb of Windsor.
Duke Street Kangaroo Point Trust	2,000,000	Sep-14	1.6%		2H FY17	A residential development of 82 apartments (28 one bedroom, 50 two bedroom and 4 three bedroom) in the Central Brisbane suburb of Kangaroo Point.
Flora Street Greenslopes Trust	1,000,000	Jun-15	0.8%		1H FY18	A residential development of 112 apartments (30 one bedroom and 82 two bedroom) in the South Brisbane suburb of Greenslopes.
19 Railway Terrace Milton Trust	2,000,000	Sep-15	1.6%		1H FY18	A residential development of 82 apartments (11 one bedroom, 65 two bedroom and 6 three bedroom) in the Brisbane suburb of Milton.
Wellington Road East Brisbane Trust	2,000,000	Sep-15	1.6%		1H FY18	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	0.8%		2H FY18	The second stage of the Wellington Road East Brisbane development, consisting of 75 apartments (17 one bedroom, 50 two bedroom and 8 three bedroom).
High Street Lutwyche Trust	1,000,000	Nov-15	0.8%		2H FY18	A residential development of 59 apartments (14 one bedroom, 44 two bedroom and 1 three bedroom) in the North Brisbane suburb of Lutwyche.
<b>Total Residential Development investments</b>	<b>16,000,000</b>		<b>12.8%</b>	<b>20.0% - 25.0%</b>		

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<b>COMMERCIAL ASSET MANAGEMENT INVESTMENTS</b>						
Darra Industrial Income Fund	2,000,000	Dec-14	1.6%		CY18	To hold the freehold title to a 3,479m <sup>2</sup> single-tenant industrial manufacturing, distribution and office facility sited on a 7,254m <sup>2</sup> land holding in the Brisbane suburb of Darra.
Student Accommodation Fund	1,500,000	Dec-14	1.2%		CY20	A project to develop and operate a purpose-built, 286 bed student accommodation precinct in the Brisbane suburb of Woolloongabba, close to several large tertiary education institutions.
Student Accommodation Fund II	5,000,000	Mar-15	4.0%		CY20 - CY21	A project to develop and operate a purpose-built, 733 bed student accommodation precinct in the Brisbane suburb of South Brisbane, close to several large tertiary education institutions.
Student Accommodation Fund III	6,000,000	Jun-15	4.8%		CY22	A project to develop and operate a purpose-built, 789-bed student accommodation precinct on La Trobe Street in the Melbourne CBD and in close proximity to six university campuses.
Student Accommodation Fund IV	3,500,000	Jun-15	2.8%		CY22	A project to develop and operate a purpose-built, 415 bed student accommodation precinct on Waymouth Street in Adelaide's West End, close to Uni SA, Adelaide Uni and a new \$3b health and biomedical precinct.
Student Accommodation Fund 5	3,000,000	Nov-15	2.4%		CY22	A project to develop and operate a purpose-built, 175-bed student accommodation precinct on Peel Street, North Melbourne opposite the University of Melbourne Parkville Campus.
Cove Property Group 2 Rector Street Trust	6,974,473	Feb-16	5.6%		CY23	A trust to acquire, reposition and lease up a 26 storey building at 2 Rector Street in the Financial District, Manhattan, New York.
<b>Total Commercial Asset Management Investments</b>	<b>27,974,473</b>		<b>22.4%</b>	<b>13.0% - 18.0%</b>		
<b>RESIDENTIAL ASSET MANAGEMENT INVESTMENTS</b>						
Management Rights Income Fund IV	2,200,000	Oct-14	1.8%		CY17	Management rights for the 3 tower, 788 apartment 'Southport Central' precinct on the Gold Coast, plus the freehold title to the manager's office.
<b>Total Residential Asset Management investments</b>	<b>2,200,000</b>		<b>1.8%</b>	<b>12.0% - 16.0%</b>		
<b>Total Private Real Estate</b>	<b>46,174,473</b>		<b>36.9%</b>			

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Fund name	Amount invested <sup>5</sup>	Date invested <sup>6</sup>	% allocated capital	Target IRR <sup>7</sup>	Anticipated exit <sup>8</sup>	Description
<b>HEDGE FUNDS</b>						
Alliance Fund (Diversified Quant)	5,015,200	Jun-14	4.0%		Open-ended	A portfolio of quantitative trading strategies, diversified across currency, commodity, equity and interest rate markets, utilising derivatives and short selling in its strategy execution and a quantitative method of allocating risk.
Alliance Fund (Dynamic Macro)	5,000,000	Dec-15	4.0%		Open-ended	A portfolio of quantitative trading strategies, diversified across currency, commodity, equity and interest rate markets, utilising derivatives and short selling in its strategy execution and an econometric method of allocating risk.
<b>Total Hedge Funds</b>	<b>10,015,200</b>		<b>8.0%</b>	<b>Cash + 6.0% - 10.0%</b>		
<b>Total portfolio</b>	<b>124,965,269</b>		<b>100.0%</b>			

5. Total capital deployed to date, inclusive of follow-on investments and net of capital returned.

6. Date of initial investment.

7. These figures represent the Manager's general expectations as to the returns the relevant asset class can generate over time. These figures are not intended to represent a forecast or guidance and do not take into account the performance to date of the existing portfolio of investments or the Manager's view on the likely future performance of any one or more specific assets.

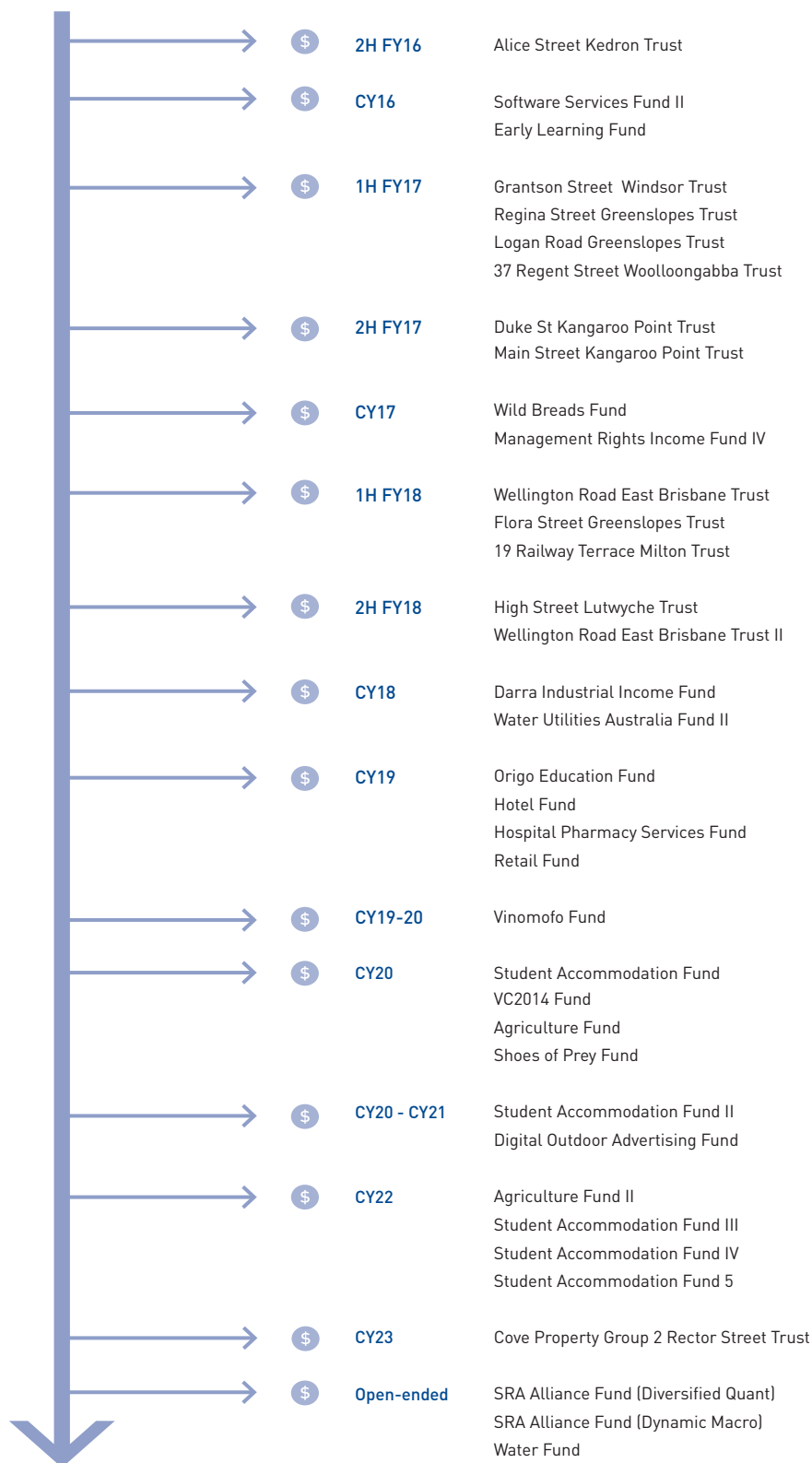
8. These dates reflect the most recent information provided to the Manager by the manager of the relevant fund. An exit in this context generally refers to a disposal of the underlying fund assets by the fund's manager rather than the disposal by the Alternatives Fund of its investment (for which there is typically no secondary market or redemption mechanism). These dates are subject to change at the discretion of the relevant fund's manager taking into account factors including investment performance and prevailing market conditions.

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### TIMELINE - EXIT HORIZON FOR ALL INVESTMENTS<sup>8</sup>

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