

14 December 2017

Dear Shareholder

Blue Sky Alternatives Access Fund Limited (ASX:BAF) (the 'Alternatives Fund') – Net Tangible Assets ('NTA') per share for November 2017

The Alternatives Fund recorded a minor decrease in pre-tax NTA in November to \$1.1274 per share, a decline of approximately 0.1 cents per share.

Gains on several assets in the portfolio were offset by the net cost of the recent Entitlement Offer as well as the cost of deploying ~\$15.1 million into new and follow-on investments during the month. The Alternatives Fund also received exit proceeds from two residential development projects and yield from two private equity funds:

- **Realised investments** ~ additional capital distribution from the Duke Street Kangaroo Point project, and final exit proceeds from the Grantson Street Windsor Trust;
- **Investment performance** ~ an uplift in the carrying value of the Alternatives Fund's investments in the Water Fund, aCommerce Funds 1 & 2 and Darra Industrial Income Fund;
- **Yield** ~ receipt of cash yield from two Private Equity funds; and
- **New investments** ~ \$15.1 million deployed across:
 - Private Equity (\$1.1 million into aCommerce Fund 3);
 - Real Assets (\$6.0 million into the Strategic Agriculture Fund);
 - a US-based energy storage infrastructure business (\$5.0 million); and
 - retirement living (\$3.0 million into a project at Bilinga, Queensland).

The Fund remains on track to allocate the remaining capital available from the recent Entitlement Offer within the indicated 3-6 month timeframe.

We look forward to bringing you our next investor update in relation to December 2017.

Yours faithfully



Andrew Champion
Executive Chairman

Important note

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NET TANGIBLE ASSETS – AS AT 30 NOVEMBER 2017¹

Net Tangible Assets (NTA) per share (pre-tax)	\$ 1.1274
Net Tangible Assets (NTA) per share (post-tax)	\$ 1.1048

1. NTA figures in this report are unaudited.

PRE-TAX NET TANGIBLE ASSETS – SINCE INCEPTION



*Fully franked

PORTFOLIO VALUATION²

	Current value (\$'m)	% of Portfolio
PRIVATE EQUITY		
Growth Capital	\$45.56	18.9%
Venture Capital	\$13.19	5.5%
Subtotal	\$58.75	24.4%
REAL ASSETS		
Water Fund	\$33.33	13.8%
Strategic Australian Agriculture Fund	\$9.71	4.0%
Other Real Assets	\$15.19	6.3%
Subtotal	\$58.23	24.1%
PRIVATE REAL ESTATE		
Residential Development	\$8.07	3.4%
Retirement Living	\$17.46	7.3%
Student Accommodation	\$39.45	16.4%
Cove and Other Real Estate	\$13.94	5.8%
Subtotal	\$78.92	32.9%
Cash ³	\$44.77	18.6%
GRAND TOTAL	\$240.67	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, 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.

³ Includes capital to fund the remaining \$5.25 million of the \$15.0 million commitment to the Strategic Australian Agriculture Fund, which will be called progressively over a three year investment period which commenced in July 2017.

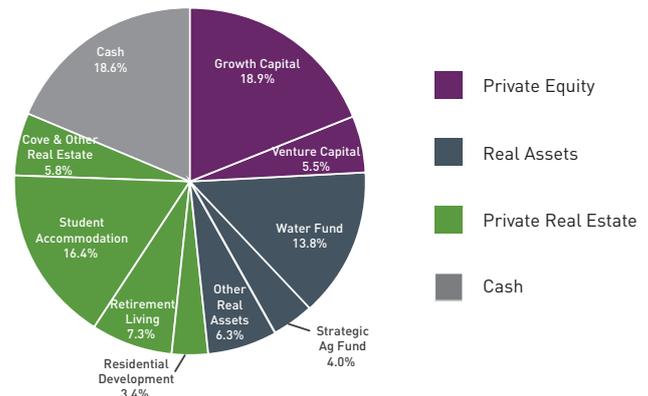
Important Notice: BSAAF Management Pty Ltd ACN 168 923 279 ('Manager') has prepared the information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect 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.

FUND PERFORMANCE⁴

Period	Pre-Tax	Post-Tax
1 month	(0.08%)	0.55%
3 months	1.41%	1.69%
6 months	7.17%	6.49%
12 months	11.17%	10.74%
Since inception (per annum)	9.58%	8.89%
Since inception (total)	37.20%	34.24%

4. Includes NTA growth, dividends and franking credits.

SECTOR WEIGHTINGS



ABOUT THE ALTERNATIVES FUND

Blue Sky Alternatives Access Fund Limited ('Alternatives Fund') is a listed investment company that invests in a diverse range of alternative assets including:

- Private equity;
- Real assets;
- 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, 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 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 \$3.4 billion in fee-earning assets under management and a ten year track record of generating overall returns to investors in its funds of 15.9% p.a. (net of fees compounding since inception).⁵

⁵ Assets under management as at 30 September 2017. Overall returns to investors in Blue Sky managed funds are equity weighted to 30 June 2017. 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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The Alternatives Fund also received exit proceeds from two residential development projects and yield from two private equity funds.

REALISED INVESTMENTS

Residential development projects

The Alternatives Fund received additional exit proceeds from two residential development projects during November:

- **Duke Street Kangaroo Point Trust** ~ a \$0.4 million distribution, bringing total proceeds to date to 0.7x invested capital. The project is expected to deliver the Alternatives Fund a total return of approximately 1.5x; and
- **Grantson Street Windsor Trust** ~ a final profit distribution, bringing total returns from this project to 1.73x invested capital (pre-tax, including fee rebates), representing an IRR of slightly more than 22% p.a.

INVESTMENT PERFORMANCE

Blue Sky Water Fund

The Blue Sky Water Fund recorded a 0.9%⁶ increase in carrying value in November. This was driven by further increases in the market price for most water entitlements within the fund's portfolio as demand from irrigators continues to grow as summer progresses.

Blue Sky aCommerce Funds 1 & 2

As detailed further below, aCommerce closed a 'Series B' financing round during November (with participation from existing Blue Sky investors, including the Alternatives Fund), raising capital in order to take advantage of compelling expansion opportunities.

The funding round, led by a KKR-backed Asia-focused venture fund, took place at a premium to Blue Sky's carrying value. Accordingly, existing investments through the Blue Sky aCommerce Fund 1 and aCommerce Fund 2 recorded an uplift reflecting the Series B valuation.

Blue Sky Darra Industrial Income Fund

The Blue Sky Darra Industrial Income Fund recorded a 4.3% increase in November following the fund's annual independent valuation review. This fund owns and operates a commercial manufacturing facility in western Brisbane, and delivers an annual yield to investors of 9.75% p.a. through quarterly distributions.

DISTRIBUTIONS

The Alternatives Fund received the following distributions during the month:

- **Blue Sky Hotel Fund** ~ a 2.5% regular quarterly distribution, plus a 1.6% annual top-up distribution. This brings total cash yield in respect of the four quarters to September 2017 to 11.6%; and
- **Blue Sky Better Medical Fund** ~ a maiden interim distribution of 1.0%.

6. The monthly return reported by the Alternatives Fund is on a post-tax basis and will differ to that separately reported by the Blue Sky Water Fund which is on a pre-tax basis.

NEW INVESTMENTS

- **Blue Sky aCommerce Fund 3**

During November, the Alternatives Fund invested \$1.1 million follow-on expansion capital into existing Venture Capital portfolio company aCommerce, South-East Asia's leading end-to-end e-commerce solutions provider.

Having demonstrated considerable sales growth since Blue Sky's initial investment in July 2016, Blue Sky's investors, including the Alternatives Fund, have participated in a 'Series B' funding round alongside Emerald Media, a KKR-backed Asia-focused technology growth fund.

The capital raised will be used by aCommerce to invest in its sales function, execute on defined operational improvements, simplify its capital structure and assist with expansion into Malaysia and Vietnam.

- **Strategic Australian Agriculture Fund**

The Alternatives Fund invested its second tranche of capital into the Blue Sky Strategic Australian Agriculture Fund in November, deploying \$6.0 million. This brings total capital deployed to date to \$9.75 million of the \$15.0 million commitment made in June 2017.

The funding will be used to acquire equity in several agribusiness private equity and agricultural infrastructure projects, including an irrigated row cropping project in regional NSW and a citrus redevelopment in the Riverina.

- **Energy Storage Infrastructure Fund**

During the month, the Alternatives Fund invested \$5.0 million into the Blue Sky Energy Storage Infrastructure Fund. Through this fund, Blue Sky is partnering with an experienced and innovative team to establish a best-in-class developer of energy (battery) storage assets in locations across North America.

Initially acquiring four seed assets in California, USA and Ontario, Canada, with additional capital to execute on a number of pipeline opportunities, the investment offers attractive risk-adjusted returns supported by the ownership of seed projects with contracted cashflows.

The Alternatives Fund anticipates an investment term of 4-6 years, targeting returns in excess of a 20% IRR (prior to any movements in foreign exchange rates).

- **Retirement Living Bilinga**

The Alternatives Fund deployed \$3.0 million into a new purpose-built retirement living project located in Bilinga, a beach-side suburb in the south of Queensland's Gold Coast.

Located just one block from the beach and in close proximity to a variety of amenities, the project will consist of ~70 independent living units in a premium, boutique village and community centre.

The project, developed and operated together with Blue Sky's joint venture partner Aura Australia, is expected to complete in 2019. Accordingly, the Alternatives Fund anticipates an investment horizon of approximately 2 years and is targeting returns in excess of 20% per annum over this period.

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