



Blue Sky Alternative Investments Limited

FY17 RESULTS PRESENTATION

Private Equity | Private Real Estate | Real Assets | Hedge Funds

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Figures presented throughout this presentation are in Australian dollars (unless otherwise noted) and may not add precisely due to rounding.

Non-IFRS information:

This presentation contains certain non-IFRS financial information. The directors of Blue Sky believe the presentation of certain non-IFRS financial information is useful for users of this presentation as they reflect the underlying financial performance of the business. The non-IFRS financial information includes Blue Sky's underlying Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flow (collectively, the 'underlying results'). These underlying results are presented with all equity held by Blue Sky in the funds that it manages being accounted for at fair value using the same approach as *AASB 13 – Fair Value Measurement*. This differs from Blue Sky's statutory results where a range of Blue Sky's equity holdings in the funds that it manages are either consolidated or equity accounted as required by *AASB 10 – Consolidated Financial Statements*.

The non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

AGENDA

1

Executive Summary

2

Investor Returns

3

Assets Under Management

4

Financial Results

5

Outlook

6

Appendix

Blue Sky continued to deliver strong growth in FY17

Investor returns

- 15.9% per annum (net of fees) since inception¹

Fee-earning assets under management ('AUM')

- \$3.25 billion (up from \$2.1 billion at 30 June 2016)

Revenue²

- \$85.0 million (up 35% vs. FY16)

Net Profit After Tax ('NPAT')²

- \$25.5 million (up 56% vs. FY16)

EBITDA margin²

- 45.8% (up from 39.0% in FY16)

Operating cash flow²







- \$19.5 million (up from \$11.5 million in FY16)

Dividend

- Declared 23 cents per share ('cps') fully franked dividend on 14 August 2017 (up from 16 cps last year)

1. Investor returns are equity-weighted returns since inception through to 30 June 2017. Returns are net of fees (and before tax) and include both realised and unrealised investments for all investment strategies originated and managed by Blue Sky. Returns exclude funds where there has been no change in the value of the investment (i.e. recent investments). Past performance is not a reliable indicator of future performance.
2. This financial information reflects Blue Sky's underlying results. Please refer to slides 34-38 of this presentation as well as the Annual Financial Report for an explanation of the difference between the statutory and underlying results. This non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

We delivered on each of the key priorities outlined at our Annual General Meeting

What we said we'd do	What we delivered
 Maintain our investment track record of >15% p.a. net of fees since inception	 Returns of 15.9% p.a. net of fees over the eleven years since inception through to 30 June 2017 ¹
 Grow fee-earning AUM to exceed \$3 billion by 30 June 2017	 Fee-earning AUM of \$3.25 billion at 30 June 2017
 Deliver on our FY17 earnings guidance of underlying NPAT of \$24-26 million	 Underlying FY17 NPAT was \$25.5 million

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Our financial results reflect the significant momentum we have in scaling our business

Underlying results			
	FY16	FY17	Growth (%)
Revenue	\$62.8m	\$85.0m	↑ 35%
EBITDA	\$24.5m	\$38.9m	↑ 59%
EBITDA margin (%)	39.0%	45.8%	n.a.
NPAT	\$16.3m	\$25.5m	↑ 56%
NPAT margin (%)	26.0%	30.0%	n.a.
Operating cash flow	\$11.5m	\$19.5m	↑ 70%
Cash flow conversion ¹	70.6%	76.5%	n.a.
Distributable earnings ²	\$13.1m	\$22.7m	↑ 73%
Net tangible assets ('NTA')	\$133.8m	\$150.6m	↑ 13%
Net cash position	\$55.0m	\$62.2m	↑ 13%
Earnings per share ('EPS')	28.4 cps	37.8 cps	↑ 33%
Dividend per share	16.0 cps	23.0 cps	↑ 44%

1. Cash flow conversion is calculated as underlying operating cash flow divided by underlying NPAT.

2. Distributable earnings is calculated as operating cash flow plus realised gains and profit distributions on balance sheet investments less provisions for income tax.

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- **Delivered eight realisations in 2H FY17 with an average return on equity of 85% (net of fees)^{1,2}**
 - Delivered a total of thirteen realisations over the full FY17 year with an average return on equity of 66% (net of fees)^{1,2}
 - 38 investments have now been realised since inception, with 33 exited at or above carrying value²
- **Continued to secure new long-term mandates from local and international institutions and government**
 - e.g. LGIAsuper; Texas Municipal Retirement System; South Australian Venture Capital mandate
- **Grew the Blue Sky Alternatives Access Fund (the 'Alternatives Fund', ASX: BAF) to a platform with a market capitalisation of ~\$200 million at 30 June 2017**
 - 10.3% fund performance over the last twelve months^{2,3}
 - The Alternatives Fund declared dividends totalling 5.0 cents per share (fully franked)²
- **Grew our North American business, including our joint venture with Cove Property Group ('Cove')**
 - Cove's first investment – at 2 Rector St, Manhattan – is on track to open during 1H FY18
 - Cove's second investment – at 441 Ninth Avenue, Manhattan – is on track with its investment case
- **Established Aura and Student Quarters, two platforms that we will scale over the coming years**
 - Aura is the owner/operator of medium density retirement villages in Australia. Blue Sky owns 50% of Aura
 - Student Quarters is a US based funds management business that invests in student accommodation in North America. This is a joint venture in which Blue Sky owns 60%

1. Average returns are equity weighted returns.

2. Past performance is not a reliable indicator of future performance.

3. Fund performance is pre-tax and as at 30 June 2017. Includes NTA growth, dividends and franking credits.

AGENDA

1

Executive Summary

2

Investor Returns

3

Assets Under Management

4

Financial Results

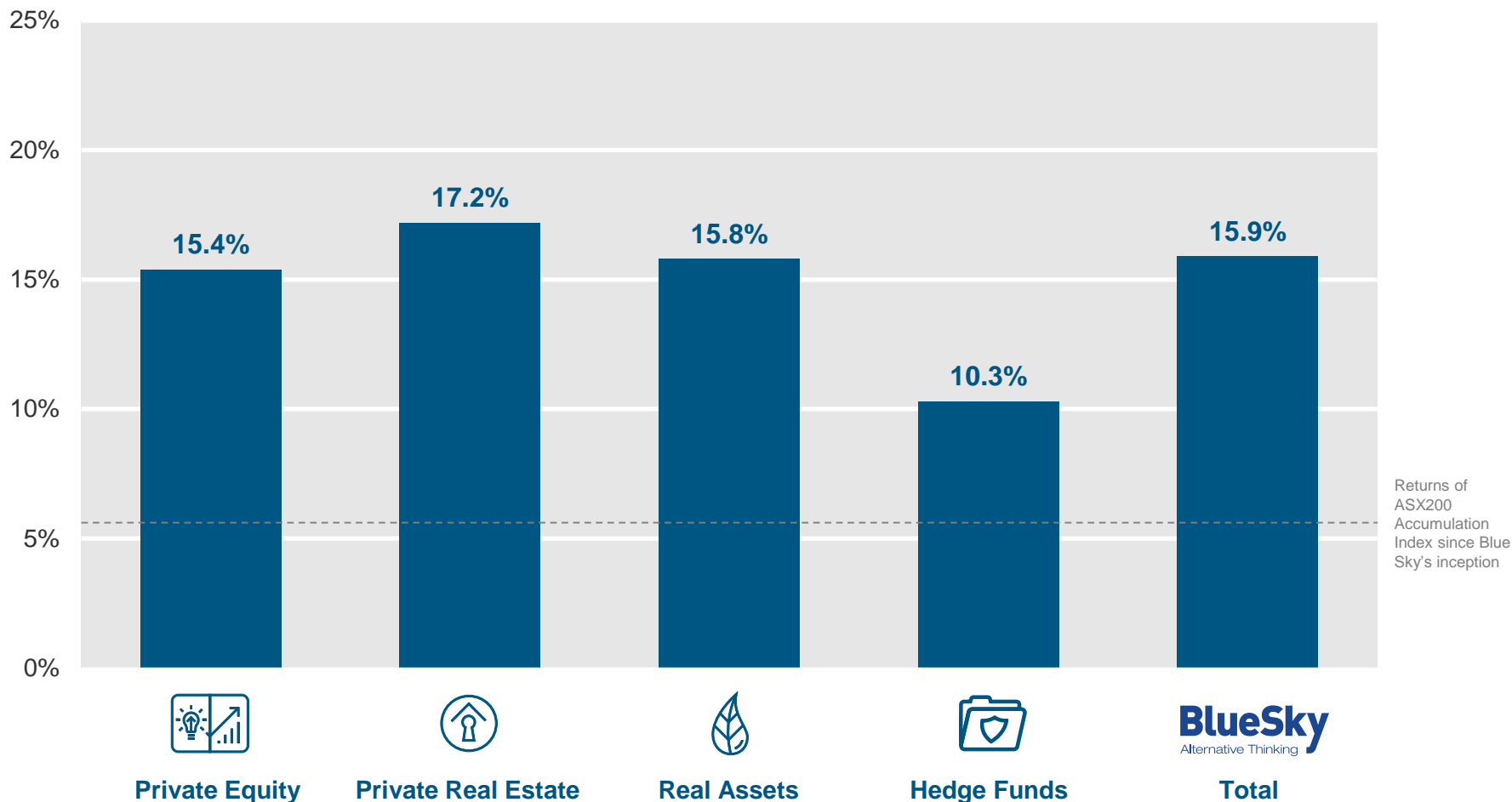
5

Outlook

6

Appendix

Blue Sky has delivered investor returns of 15.9% p.a. net of fees since inception in 2006¹



1. Investor returns are equity-weighted returns since inception through to 30 June 2017. Returns are net of fees (and before tax) and include both realised and unrealised investments for all investment strategies originated and managed by Blue Sky. Returns exclude funds where there has been no change in the value of the investment (i.e. recent investments). Past performance is not a reliable indicator of future performance.

We make long term investments in private markets, with a focus on “the essentials”

Examples:



FOOD AND WATER

- Blue Sky Water Fund
- Six investments into agricultural assets
- Six private equity investments into food related businesses



EDUCATION

- Student accommodation in Australia
- Student accommodation in the United States
- Two private equity investments into education businesses



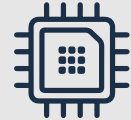
CARE

HEALTHCARE

- Four private equity investments

RETIREMENT

- Retirement living villages with Aura (five sites under development)



TECHNOLOGY

- Seven private equity investments (primarily late stage venture capital investments) into technology based businesses



Our investments continued to deliver solid results across our four asset classes



Private Equity

HPS

Returned 2.0x
invested capital¹

OAK TREE
RETIREMENT VILLAGES

Returned 1.9x
invested capital¹

milk

Returned 1.2x
invested capital¹

Pet Circle

Returned 1.7x
invested capital¹

SOUTH AUSTRALIA

Secured 15 year
South Australian
Venture Capital
mandate

- Made seven new investments across growth capital and venture capital



Private Real Estate

Australia:

- Student accommodation portfolio now >5,000 beds. Increased stake in Atira (the operator of these assets) to 50% in July 2017
- Established retirement living platform (Aura), and have five sites now in development
- Realised returns from six apartment development sites, delivering returns to investors of 40 – 73% (return on equity, net of fees)

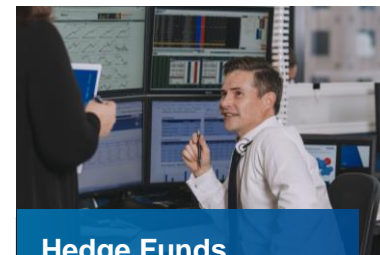
North America:

- Cove investments are at or ahead of investment case
- Student Quarters completed its first investment in Atlanta



Real Assets

- Water fund delivered returns in FY17 of 3.1% during one of the wettest years on record in the Murray-Darling basin. Returns since inception were 15.9% p.a. (net of fees) at 30 June 2017
- Reached first close of the Blue Sky Strategic Australian Agriculture Fund
- Secured new mandates from domestic and offshore institutional investors
- Deployed growth capital into three investments in the agriculture sector



Hedge Funds

- Returns since inception for our Dynamic Macro fund were 9.3% p.a. (net of fees) at 30 June 2017, with a -0.53 correlation to the S&P500
- Performance over FY17 was -8.5%, with performance over the six months to 30 June 2017 of 2.2%
- Deployed resources in North America, targeting offshore institutional investment (with multiple institutions currently in due diligence)
- In Australia, Dynamic Macro fund now available on Macquarie Wrap platform

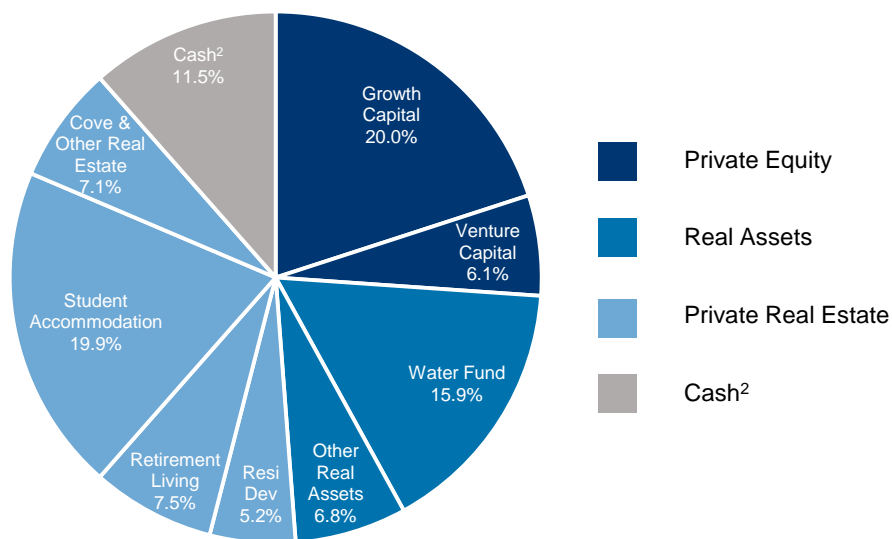
1. All returns are net of fees (and before tax). Past performance is not a reliable indicator of future performance.

The Alternatives Fund (ASX: BAF) continues to deliver on its commitment to investors

Fund Performance through to 30 June 2017¹

Period	Pre-Tax	Post-Tax
1 month	3.5%	2.7%
3 months	5.8%	4.5%
6 months	6.8%	6.3%
12 months	10.3%	10.9%
Since inception (per annum)	9.7%	8.8%
Since inception (total)	32.6%	29.4%

Alternatives Fund Sector Weightings as at 30 June 2017



- 10.3% fund performance over FY17¹
- Returns from realised funds and redemptions from open ended funds have delivered an equity-weighted IRR since listing of 19.5%³
- Received yield during FY17 from ~33% of the portfolio's investments
- Declared fully franked dividends totalling 5 cps for FY17:
 - 1 cps interim dividend (declared on 10 February 2017)
 - 4 cps final dividend (declared on 14 August 2017)
- Consistently traded at a premium to NTA throughout FY17

1. Fund performance is pre-tax and as at 30 June 2017. Includes NTA growth, dividends and franking credits.

2. Includes capital to fund a \$15.0 million commitment to the Strategic Australian Agriculture Fund, which will be called progressively over a three year investment period.

3. Equity-weighted composite internal rate of return ('IRR') from realised investments and redemptions, inclusive of franking credits, and before management and performance fees.

Note: Past performance is not a reliable indicator of future performance.

AGENDA

1

Executive Summary

2

Investor Returns

3

Assets Under Management

4

Financial Results

5

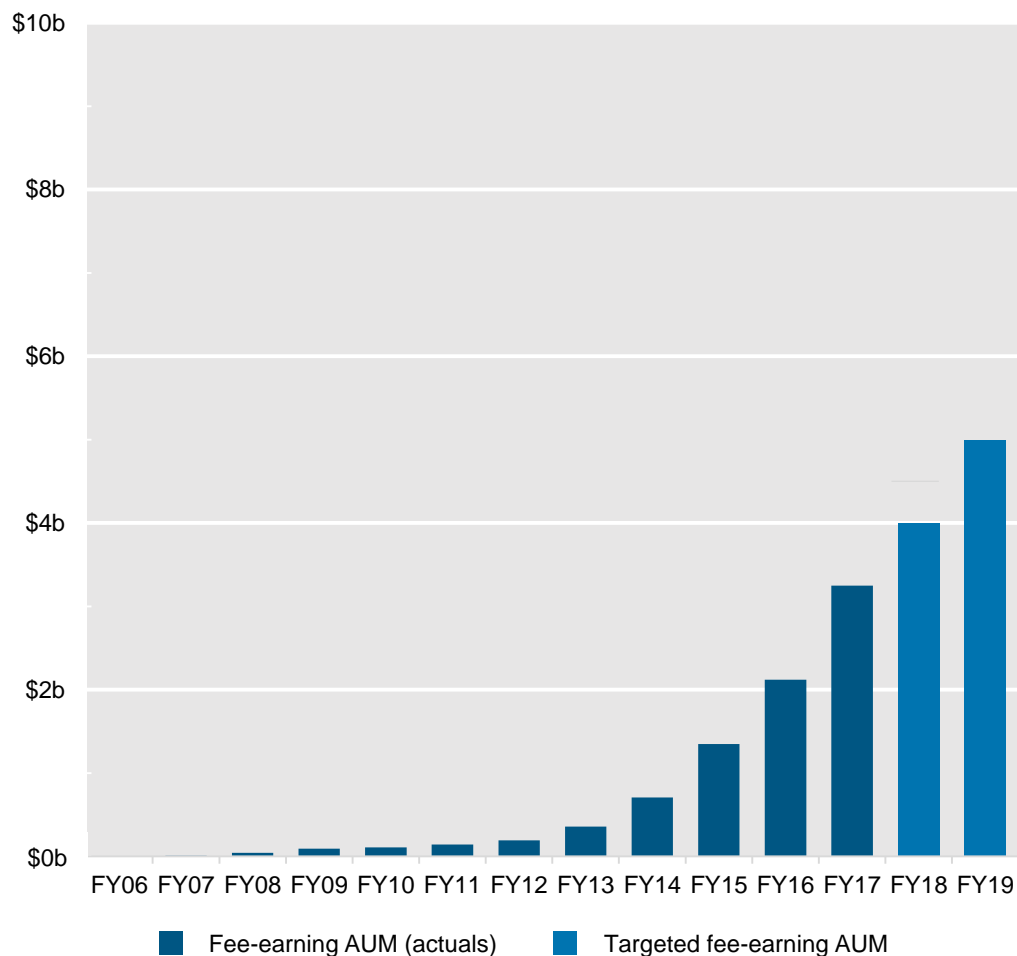
Outlook

6

Appendix

Our fee-earning AUM grew to \$3.25 billion at 30 June 2017

Fee-earning assets under management



Net increase in fee-earning AUM of \$1.15 billion over the last 12 months



On track to meet or exceed:

- **\$4.0 billion in fee-earning AUM by 30 June 2018**
- **\$5.0 billion in fee-earning AUM by 30 June 2019**



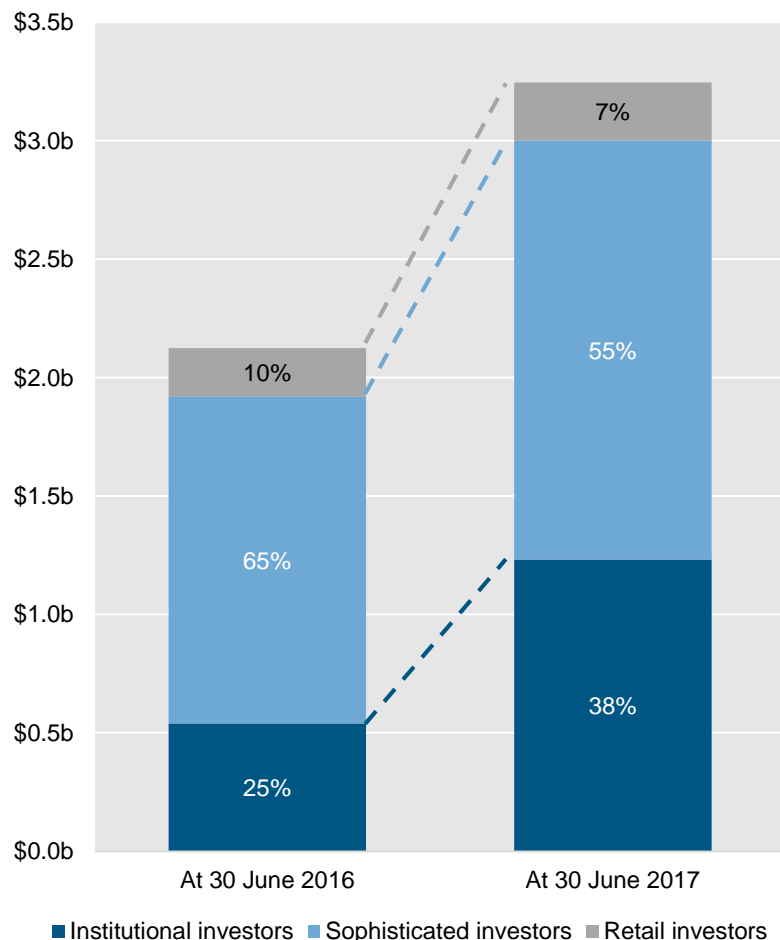
Capacity exists within our four asset classes to exceed our longer term target of **\$10.0 billion in fee-earning AUM**



Fee-earning AUM does **not include AUM related to mandates that have been awarded, but are not yet deployed** (and are not yet fee-earning)

Blue Sky's three investor segments all grew as investors seek opportunities in private markets

Fee-earning assets under management



Retail (7% of total)

- The Alternatives Fund's NTA has grown to \$192 million (from \$60 million at IPO in 2014), reflecting the increasing demand for investments in private markets from retail investors and their advisors



Sophisticated (55% of total)

- Remains our dominant source of fee-earning AUM, with engagement from family offices and high net worth individuals continuing to broaden and deepen



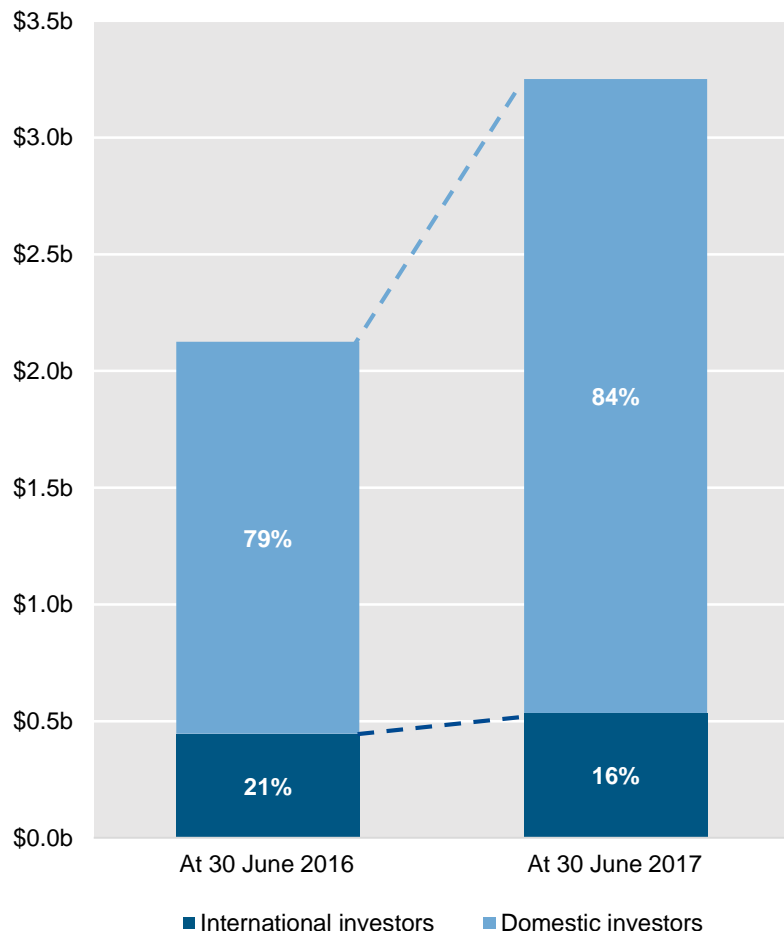
Institutional (38% of total)¹

- Secured new, long term mandates from domestic and international institutional investors
- Anticipated to grow to 50% of fee-earning AUM over the coming years

1. Institutional includes fee-earning AUM associated with investment mandates from government related entities.

We continued to attract capital from domestic and international investors

Fee-earning assets under management



Domestic (84% of total)

- Strong domestic base that continues to expand
- Continued to invest in building out distribution networks amongst family offices, high net worth individuals and wealth advisors



International (16% of total)

- Growing international platform, with our investor base expanding to sixteen countries outside Australia (including North America, Canada, South Africa, China, Thailand, Singapore and New Zealand)

Our fee-earning AUM has a longer term liquidity profile than traditional fund managers

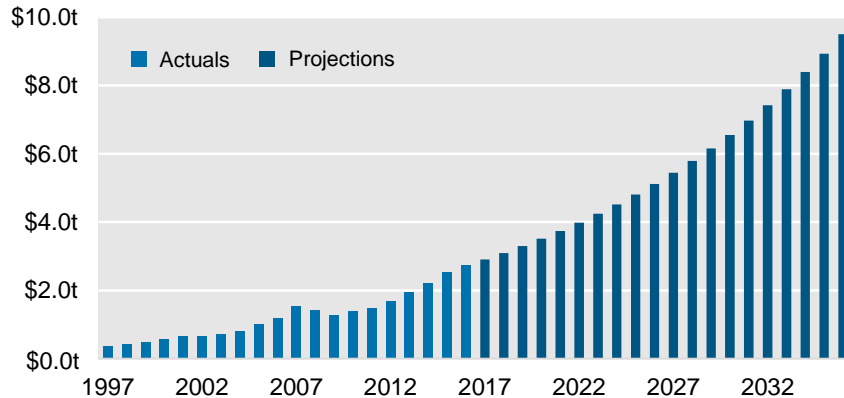
Fee-earning assets under management



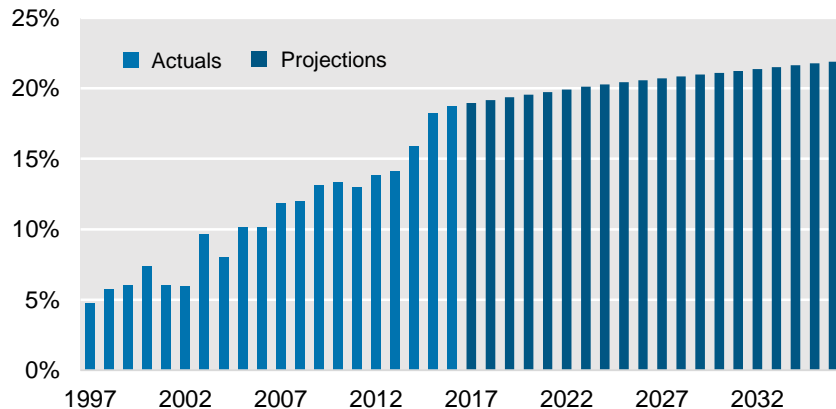
- **In contrast to traditional fund managers, the vast majority of the funds we manage are in long dated, closed-ended funds. E.g.**
 - South Australian Venture Capital mandate – 15 years through to 2032
 - Blue Sky Strategic Australian Agriculture Fund – Up to 10 years through to 2027
 - Blue Sky Alternatives Access Fund (ASX: BAF): 10 year management agreement through to 2024
- **Investors in closed-ended funds typically do not have redemption rights, giving Blue Sky greater certainty over revenue streams from these funds**
- **Current fee-earning AUM (~\$0.5b) includes:**
 - Open-ended funds (i.e. Blue Sky Water Fund; Hedge Funds)
 - Closed-ended funds with anticipated realisations in the next twelve months
- **Non-current fee-earning AUM (~\$2.8b) includes:**
 - Closed-ended funds, as well as institutional mandates in water entitlements, that are not anticipated to be realised in the next twelve months
 - Blue Sky Alternatives Access Fund

The market opportunity for Blue Sky to scale is significant...

Size of Australia's funds management industry¹



Growth in alternative assets (as a % of the industry)¹



- **Australia's funds management industry is large (\$2.9 trillion) and growing (9.5% p.a. over the last five years)¹**
 - Forecast to grow to \$9.5 trillion by 2036¹, backed by government mandated superannuation inflows
- **Alternatives are Australia's fastest growing asset class**
 - Has grown from 5% of the industry in 1997 to 19% of the industry in 2016¹
 - Growth has replicated overseas trends: on average, global institutions allocate 24% of their portfolios to alternatives²
- **The growth in alternatives is a long term structural trend with increasing allocations over the last two decades driven by:**
 - Investors seeking diversification and exposure to investment opportunities not available in, or not well suited to, public markets
 - Investors seeking higher returns in private markets (that are typically less competed and where proprietary information and networks can be exploited)

1. Rainmaker Roundup – Volume 20 Number 3 (September Quarter 2016)
2. Global Pension Assets Study 2017, Willis Towers Watson (January 2017)

...and Blue Sky's four asset classes are inherently scalable



Private Equity

- There are over **50,000 private businesses** in Australia with between 20 – 199 employees¹ (which is typical of the size of businesses our private equity team invests in)
- In contrast, there are only **~1,100 publicly listed businesses** with a market capitalisation of >\$20 million on the ASX
- Overall, the value of privately held businesses in Australia is **71% higher** than the market capitalisation of the Australian stock market²



Private Real Estate

Student Accommodation:

- Education is Australia's **3rd largest export industry** (behind iron ore and coal)³
- **International student numbers in Australia grew by 60,000** over the last 12 months⁴, outstripping the growth in supply of beds

Retirement:

- Australians aged over 65 are forecast to increase from 3.8 million today to 4.2 million in 2020⁵, requiring **31,000 new ILUs** by 2020 across Australia's capital cities⁶



Real Assets

Water Entitlements:

- Australia has the world's **largest and most sophisticated** water market
- There are over 400 different water entitlements **worth more than \$30 billion** at today's prices

Agriculture:

- There are approximately **86,000 farm businesses in Australia**, 93% of which are family owned⁷
- In FY16, agriculture directly contributed \$56 billion to the Australian economy⁷



Hedge Funds

- Hedge funds are the **largest alternative asset class globally**
- The capacity of our Dynamic Macro strategy is >\$1 billion, and is executed through investments in futures contracts across a range of **large and highly liquid global markets** e.g:
 - Stock indices
 - Currencies
 - Interest rate markets
 - Commodities

1. Australian Bureau of Statistics, 8165.0 Counts of Australian Businesses, including Entries and Exits, Jun 2012 to Jun 2016, released 21 February 2017
 2. Australian Bureau of Statistics, 5232.0 Australian National Accounts: Finance and Wealth, Mar 2017, released 29 June 2017
 3. Department of Foreign Affairs and Trade (DFAT), Figures based on ABS trade data on DFAT STARS database and ABS catalogues 5368.0 and 5429.0; Austrade Benchmark Report 2017

4. Department of Education and Training, International Student Data monthly summary – June 2017
 5. Australian Bureau of Statistics, 3222.0 Population Projections, Australia, 2012-2101, TABLE A9. Population projections, By age and sex, Australia - Series A, released 26 November 2013
 6. ILUs are Independent Living Units. Source: Knight Frank, 2015
 7. Australian Bureau of Statistics, 7121.0 - Agricultural Commodities, Australia, 2015-16, Released 7 July 2017

AGENDA

1

Executive Summary

2

Investor Returns

3

Assets Under Management

4

Financial Results

5

Outlook

6

Appendix

Underlying income statement: summary

Income:

- 19% increase in management fees driven by the growth in fee-earning AUM
- 19% increase in performance fees reflects solid investment performance, particularly in our Private Equity and Private Real Estate divisions
 - In FY17, performance fees were generated across 37 separate funds and represented ~106 bps of starting fee-earning AUM (FY16: ~139 bps)
- Investment income represents a 14.8% return on the \$51.5 million in balance sheet investments held at the start of FY17
- Share of profit of associates comes from our US joint ventures with Cove and Student Quarters and reflects the maturing of these businesses and the quality of their investments

Expenses:

- Expenses grew modestly - and at a slower rate than revenue - reflecting the benefits of our increased scale
- Growth in expenses largely driven by employee costs which grew by \$5.6 million
 - \$6.8 million (28%) of total employee costs were incentives (including employee share of performance fees) and include \$1.1 million in non-cash expense related to the awarding of options under our employee share option plan ('ESOP')
 - Team grew to 97 full time equivalents ('FTEs') at 30 June 2017

Profitability:

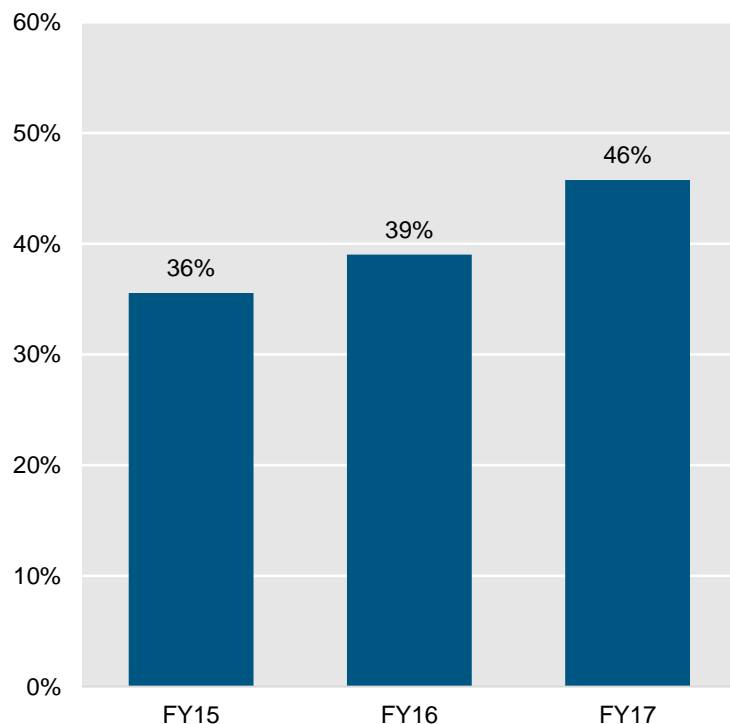
- Underlying NPAT of \$25.5 million, up 56% vs. FY16
- EBITDA margins increased to 46% (FY16: 39%)

<i>In AUD \$m</i>	FY16	FY17
Management fees	\$31.5m	\$37.6m
Performance fees	\$18.7m	\$22.3m
Investment income	\$6.9m	\$7.6m
Share of profit of associates	\$1.1m	\$9.4m
Interest income	\$1.4m	\$4.1m
Other income	\$3.2m	\$4.0m
Total income	\$62.8m	\$85.0m
Employee benefits expense	(\$19.2m)	(\$24.8m)
Occupancy	(\$1.9m)	(\$2.0m)
External service providers	(\$4.2m)	(\$2.7m)
External capital raising expenses	(\$2.1m)	(\$2.4m)
Fee rebates to BSAAF Limited (BAF)	(\$5.6m)	(\$5.9m)
Other operating costs	(\$5.3m)	(\$8.3m)
Total operating costs	(\$38.3m)	(\$46.1m)
EBITDA	\$24.5m	\$38.9m
EBIT	\$24.0m	\$38.5m
Net profit after tax	\$16.3m	\$25.5m

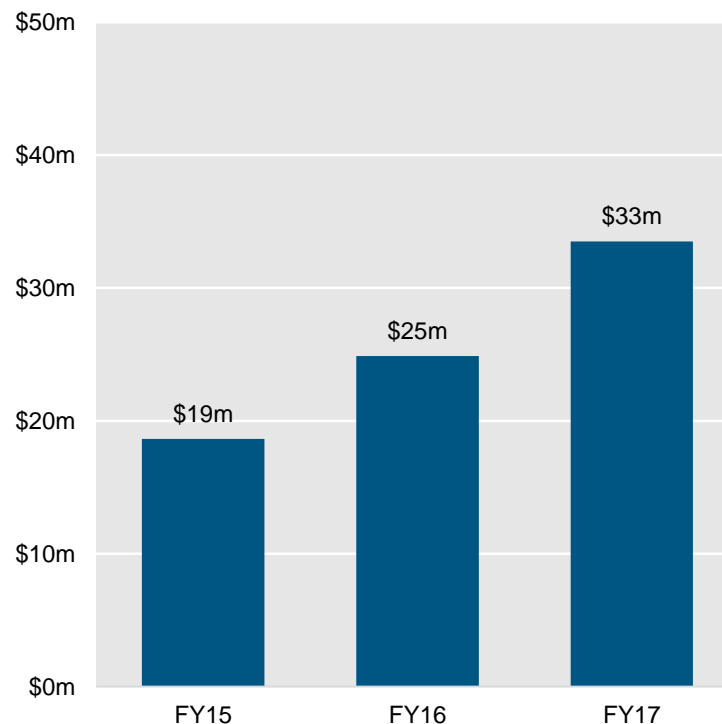
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Underlying income statement: EBITDA margins have expanded as our business has scaled

EBITDA margins



Fee-earning AUM per FTE



We remain on track to grow EBITDA margins to 50% over the medium term

Underlying statement of financial position: summary (1/2)

Assets:

- Robust balance sheet with \$150.6 million in NTA:
 - Includes a net cash position of \$62.2 million, up from \$55.0 million at 30 June 2016
- \$74.9 million in fund and joint venture investments:
 - \$63.4 million of 'financial assets at fair value through profit and loss' relate to investments made in 27 separate funds and include co-investments made alongside institutional investors
 - \$11.5 million in 'investments accounted for using the equity method' relate to joint ventures in Cove and Student Quarters
- Reduction in current receivables driven by conversion of accrued performance fees into cash as several investments were realised. Current receivables at 30 June 2017 include:
 - \$20.4 million in bridging finance to Blue Sky managed funds (for example, to seed new deals and/or strategies)
 - \$12.8 million in management fees that have been earned and will be paid by funds we manage within the next twelve months
 - \$3.0 million in accrued performance fees
- Non-current receivables includes \$28.8 million in accrued performance fees, \$6.3 million in management fees due to be paid by the funds in >12 months, and \$1.8 million in loans to employees to facilitate the investment by team members into Blue Sky funds

<i>In AUD \$m</i>	At 30 Jun 2016	At 30 Jun 2017
Cash	\$62.9m	\$70.6m
Trade and other receivables	\$54.6m	\$38.0m
Other current assets	\$3.9m	\$4.6m
Total current assets	\$121.4m	\$113.2m
Investments accounted for using the equity method	\$1.7m	\$11.5m
Financial assets at fair value through profit and loss	\$51.5m	\$63.4m
Trade and other receivables	\$21.1m	\$52.8m
Property, plant and equipment	\$3.7m	\$3.2m
Intangible assets	\$5.6m	\$5.6m
Other non-current assets	\$0.1m	-
Total non-current assets	\$83.7m	\$136.5m
Total assets	\$205.1m	\$249.7m
Trade and other payables	\$19.8m	\$36.6m
Borrowings	\$7.9m	\$8.4m
Other current liabilities	\$10.3m	\$14.0m
Total current liabilities	\$38.0m	\$59.0m
Borrowings	-	-
Other non-current liabilities	\$27.7m	\$34.5m
Total non-current liabilities	\$27.7m	\$34.5m
Total liabilities	\$65.7m	\$93.5m
Net assets	\$139.4m	\$156.2m
Net tangible assets	\$133.8m	\$150.6m

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Underlying statement of financial position: summary (2/2)

Liabilities:

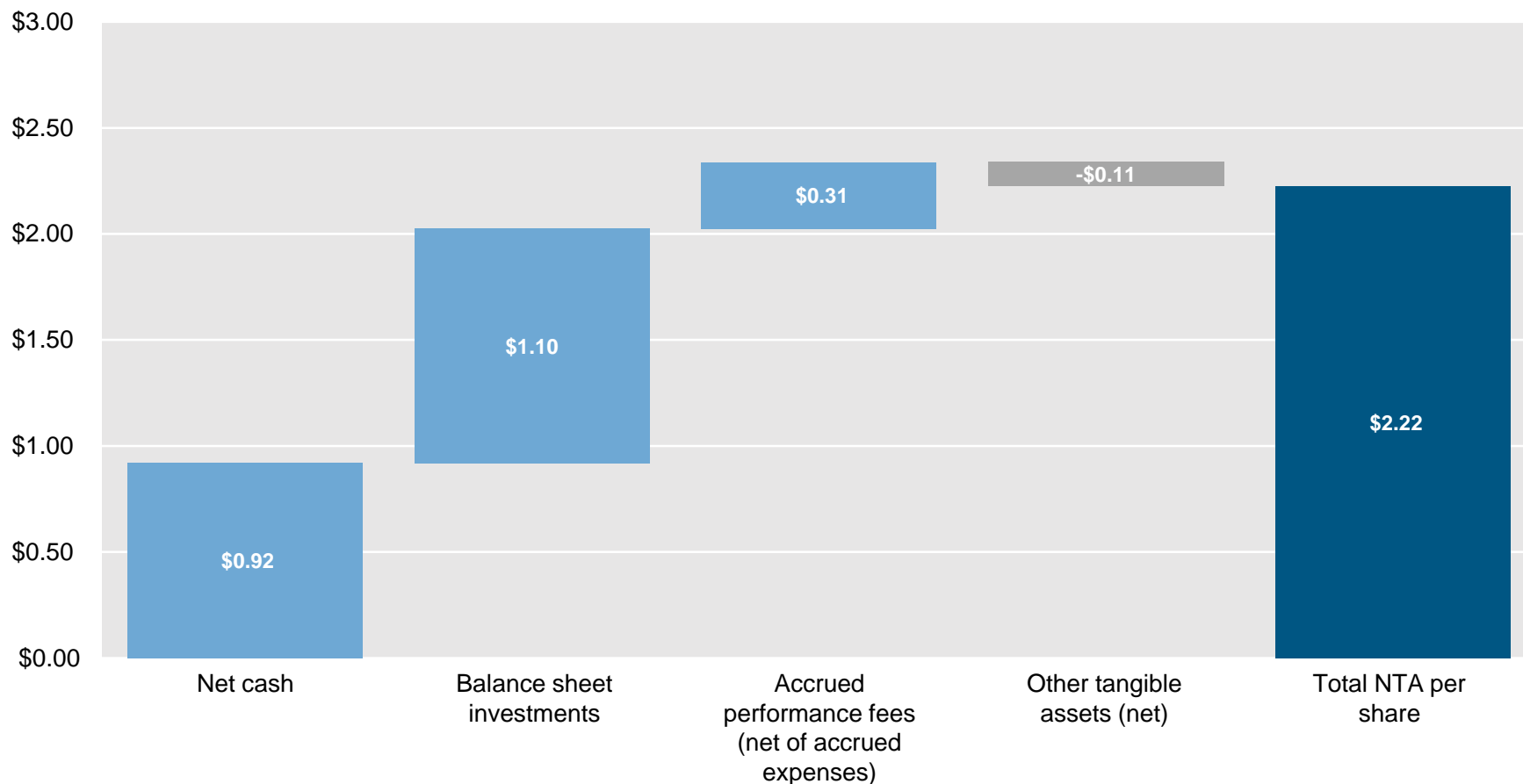
- Increase in trade and other payables driven by capital that is committed to be invested as alignment capital alongside institutional mandates into funds that we manage
 - \$17.4 million in commitments made
 - Anticipate commitments will be drawn down over a multi-year period as capital calls are made
- Debt drawn to \$7.9 million, with undrawn facilities of \$12.1 million
- Other current liabilities include accrued employee benefits expenses of \$4.3 million
 - Includes accrued expenses associated with current performance fees payable to employees
- Other non-current liabilities includes:
 - Deferred tax liabilities of \$16.2 million
 - \$4.2 million in accrued expenses associated with non-current performance fees payable to employees
 - \$3.3 million in performance fee rebates payable to the Alternatives Fund (i.e. for funds that are not anticipated to be realised within the next 12 months)

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Property, plant and equipment	\$3.7m	\$3.2m
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Trade and other payables	\$19.8m	\$36.6m
Borrowings	\$7.9m	\$8.4m
Other current liabilities	\$10.3m	\$14.0m
Total current liabilities	\$38.0m	\$59.0m
Borrowings	-	-
Other non-current liabilities	\$27.7m	\$34.5m
Total non-current liabilities	\$27.7m	\$34.5m
Total liabilities	\$65.7m	\$93.5m
Net assets	\$139.4m	\$156.2m
Net tangible assets	\$133.8m	\$150.6m

Note the above financial information reflects Blue Sky's underlying results. Please refer to slides 34-38 of this presentation as well as the Annual Financial Report for an explanation of the difference between the statutory and underlying results. This non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Underlying statement of financial position: Our balance sheet has \$2.22 per share in NTA

Net tangible assets per share as at 30 June 2017



Note the above financial information reflects Blue Sky's underlying results. Please refer to slides 34-38 of this presentation as well as the Annual Financial Report for an explanation of the difference between the statutory and underlying results. This non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Underlying cash flow statement: summary

Cash flow from operating activities:

- Operating cash flow of \$19.5 million, up from \$11.5 million in FY16
- Cash flow conversion grew to 76.5% (from 70.6% in FY16)¹

Cash flow from investing activities:

- Payments for equity investments reflect investments made (e.g. as alignment capital alongside institutional mandates)
 - Anticipate further co-investments into Blue Sky managed funds in FY18 as institutional mandates are deployed and as further institutional mandates are awarded
- Proceeds from the disposal of equity investments reflects cash received from balance sheet investments in funds that were realised in FY17

Cash flow from financing activities:

- 23 cps fully franked dividend declared on 14 August 2017 in respect of the FY17 year. Payment date is 11 September 2017
- \$10.8 million in dividends paid reflects 16 cps dividend paid in September 2016 following the FY16 year

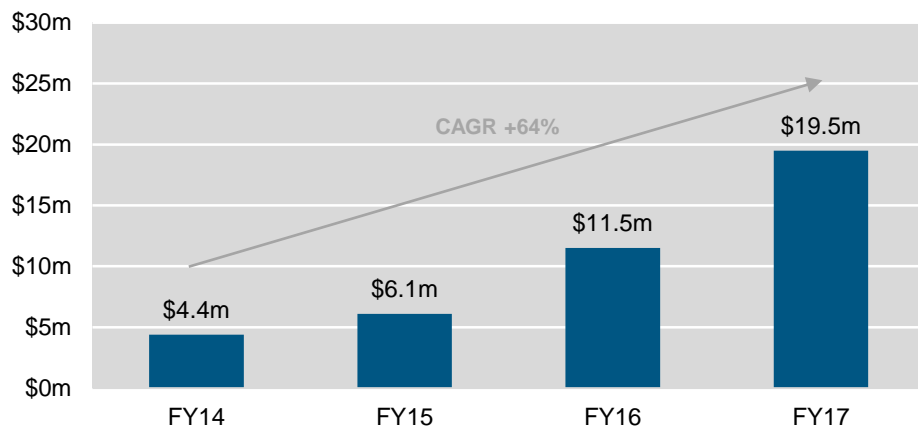
<i>In AUD \$m</i>	FY16	FY17
Receipts from customers	\$52.1m	\$71.6m
Payments to suppliers and employees	(\$38.2m)	(\$49.8m)
Interest received	\$1.2m	\$2.4m
Interest and other finance costs paid	(\$0.7m)	(\$0.9m)
Income taxes paid	(\$2.9m)	(\$3.8m)
Net cash from operating activities	\$11.5m	\$19.5m
Payments for equity investments	(\$14.3m)	(\$12.1m)
Payments for property, plant and equipment	(\$0.8m)	(\$0.1m)
Payments for intangibles	(\$0.1m)	(\$0.2m)
Proceeds from disposal of equity investments	\$7.1m	\$17.7m
Bridging finance and loans to funds	(\$21.4m)	(\$7.5m)
Net cash used in investing activities	(\$29.5m)	(\$2.2m)
Proceeds from issue of shares	\$67.5m	\$1.0m
Share issue transaction costs	(\$2.4m)	(\$0.2m)
Proceeds from borrowings	\$7.6m	\$33.4m
Repayment of borrowings	(\$6.7m)	(\$33.0m)
Dividends paid	(\$6.2m)	(\$10.8m)
Net cash from / (used in) financing activities	\$59.8m	(\$9.6m)
Starting cash balance	\$21.1m	\$62.9m
Ending cash balance	\$62.9m	\$70.6m

1. Calculated as underlying operating cash flow divided by underlying NPAT.

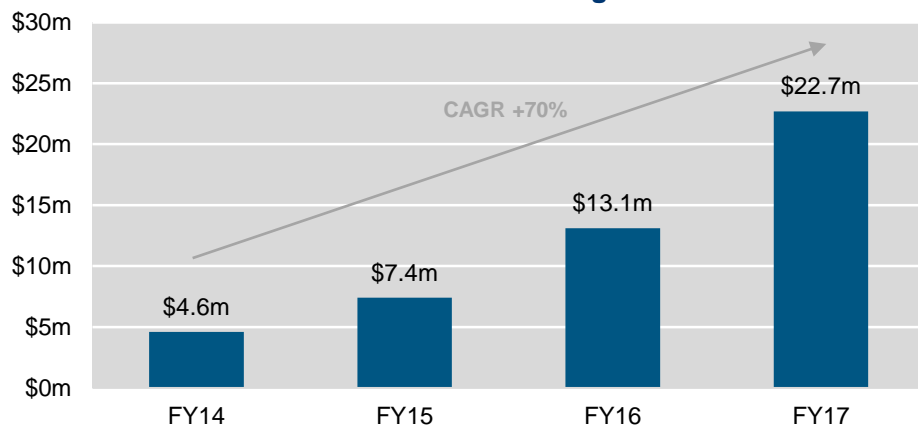
Note the above financial information reflects Blue Sky's underlying results. Please refer to slides 34-38 of this presentation as well as the Annual Financial Report for an explanation of the difference between the statutory and underlying results. This non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Underlying cash flow statement: Operating cash flow and distributable earnings continue to grow

Operating Cash Flow



Distributable Earnings



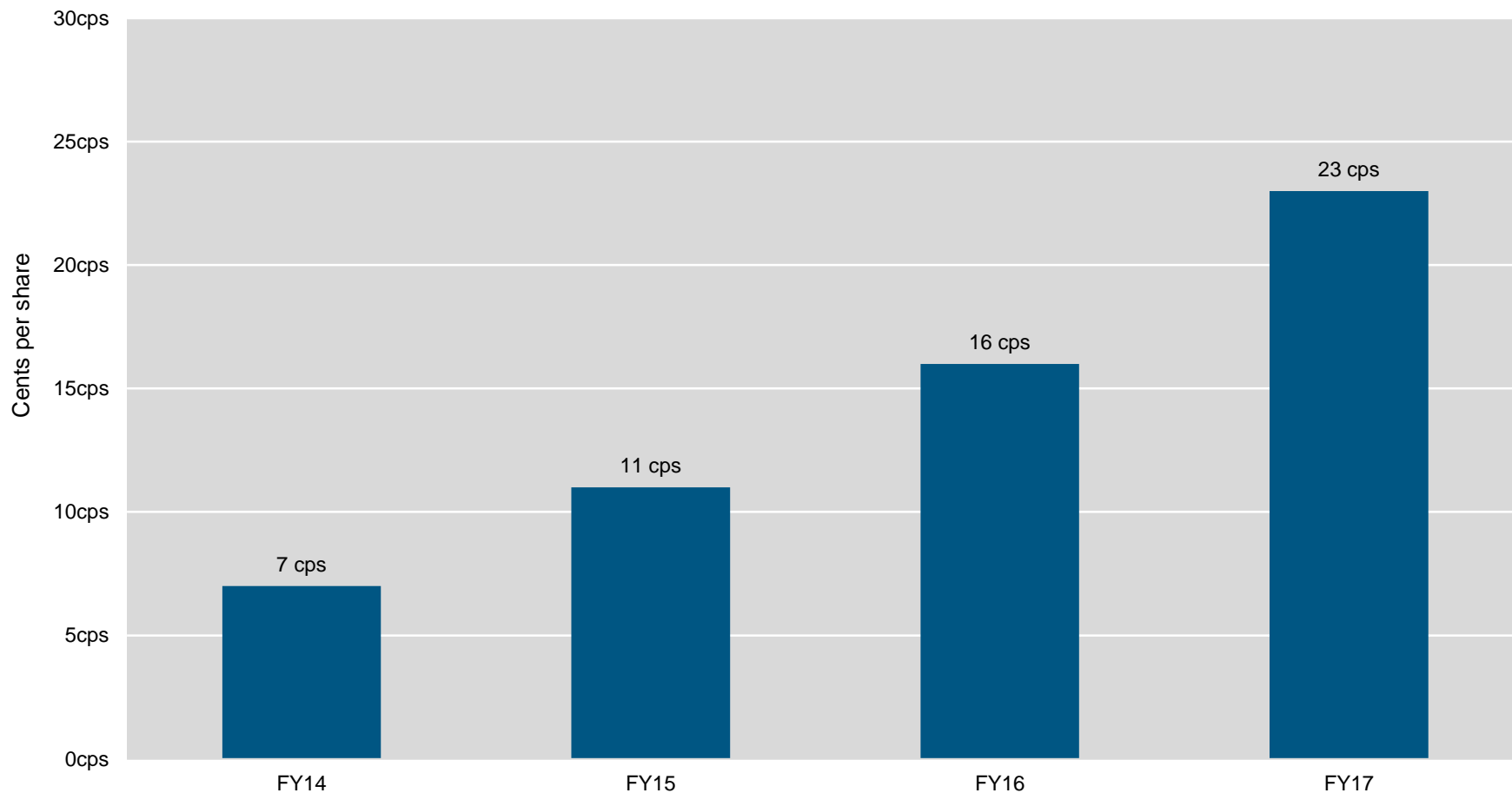
- 'Distributable earnings' is a measure of cash flow commonly used by other global alternative asset managers
- Distributable earnings includes net realised gains/losses on balance sheet investments, as well as distributions of profit received from balance sheet investments
 - It is therefore an important measure of the total cash generated by Blue Sky through its operations and fund investments
- Distributable earnings is calculated as:

Operating cash flow	
+ / (-) Net realised gains / (losses) on investments	
+ Cash distributions of profit from investments	
- Tax impact of realised gains and distributions	
=	Distributable earnings

Note the above financial information reflects Blue Sky's underlying results. Please refer to slides 34-38 of this presentation as well as the Annual Financial Report for an explanation of the difference between the statutory and underlying results. This non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Underlying cash flow statement: 23 cps dividend has been declared, up 44% vs FY16

Dividend per share



AGENDA

1

Executive Summary

2

Investor Returns

3

Assets Under Management

4

Financial Results

5

Outlook

6

Appendix

We have significant momentum and are on track to have \$5 billion in fee-earning AUM by FY19

- **The multi-decade, structural shift towards alternatives continues**
 - As Australia's only diversified alternative asset manager listed on the ASX, Blue Sky is uniquely placed to benefit from these tailwinds
- **We are on track to meet or exceed our target of \$5 billion in fee-earning AUM by FY19**
 - Fee-earning AUM expected to meet or exceed \$4 billion by the end of FY18
 - Capacity exists within our existing asset classes to exceed our longer term target of \$10 billion
- **Anticipate continued growth in fee-earning AUM from institutional, sophisticated and retail investors**
 - Multiple institutions (both onshore and offshore) currently conducting due diligence across all four of our asset classes
- **Expect to deliver a further 8-10 exits during FY18 across Private Equity, Private Real Estate and Real Assets**
- **Guidance for full year underlying earnings to be provided at our Annual General Meeting on 2 November 2017**

AGENDA

1

Executive Summary

2

Investor Returns

3

Assets Under Management

4

Financial Results

5

Outlook

6

Appendix

Our business: an overview

Blue Sky Alternative Investments Limited (ASX: BLA)

Australia's leading diversified alternative asset manager, offering investment opportunities across the four major alternative asset classes



Blue Sky manages a portfolio of 67 separate funds across the four alternative asset classes



Private Equity

- Invests **growth capital** and **late stage venture capital** into established and rapidly growing businesses
- Currently managing investments in **30 businesses**

15.4% p.a.



Private Real Estate

- Focused in Australia on **student accommodation** and **retirement living**
- Own 38% of **Cove Property Group**, a NY based owner and operator of institutional grade commercial property

17.2% p.a.



Real Assets

- **Water entitlements**
- Change of use agricultural investments (i.e. **growth capital into agriculture**)
- **Agricultural infrastructure**

15.8% p.a.



Hedge Funds

- Manage **three separate hedge fund products**
- Focused on **strategic risk allocation**

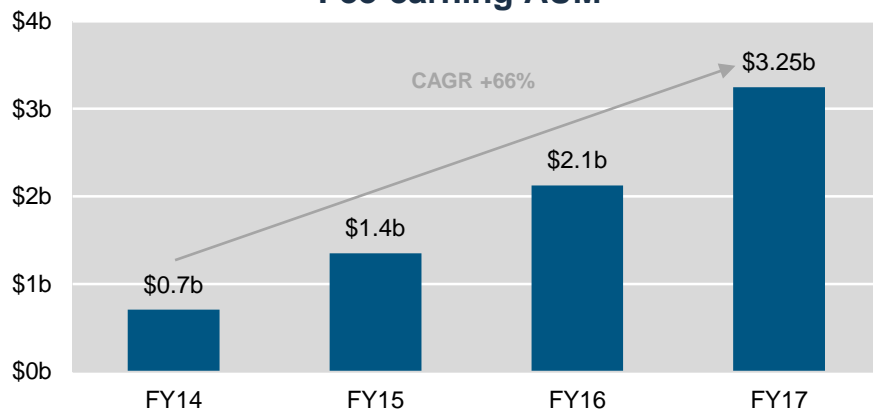
10.3% p.a.

Returns since inception (net of fees)¹

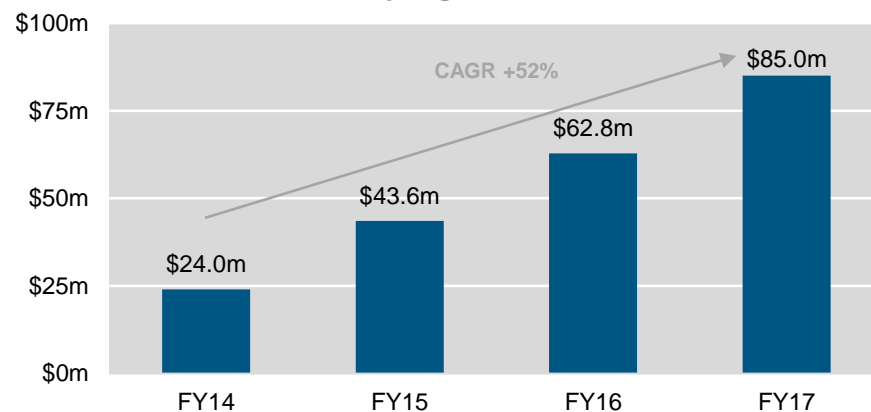
1. Investor returns are equity-weighted returns since inception through to 30 June 2017. Returns are net of fees (and before tax) and include both realised and unrealised investments for all investment strategies originated and managed by Blue Sky. Returns exclude funds where there has been no change in the value of the investment (i.e. recent investments). Past performance is not a reliable indicator of future performance.

Financial performance: summary over last four years

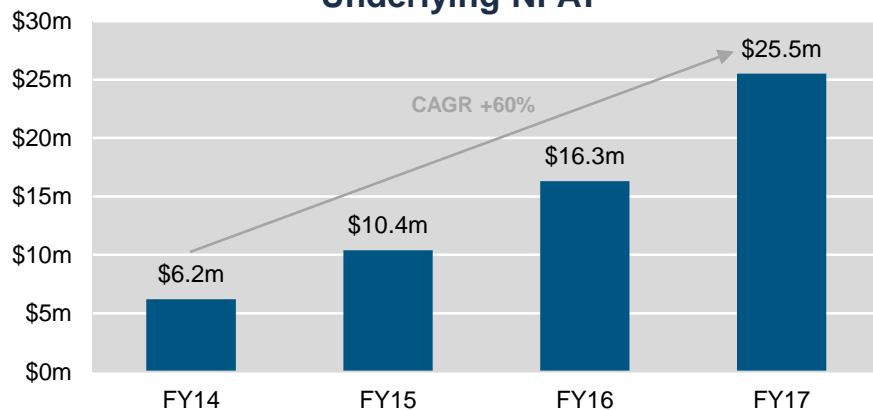
Fee-earning AUM



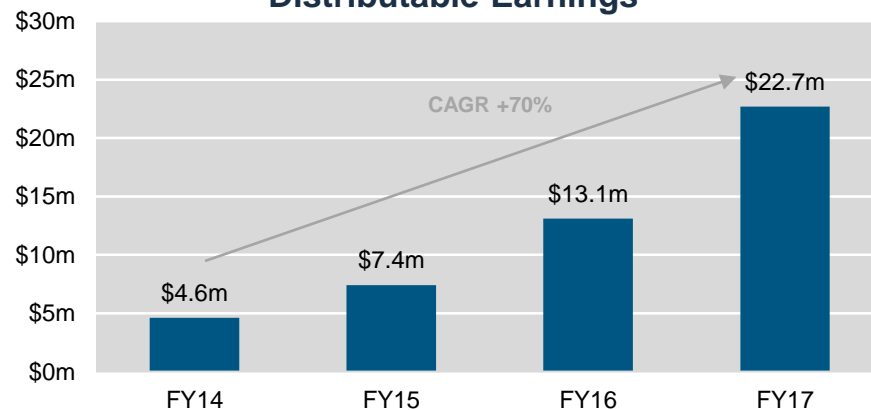
Underlying Revenue



Underlying NPAT



Distributable Earnings¹



1. Distributable earnings is calculated as operating cash flow plus realised gains and profit distributions on balance sheet investments less provisions for income tax.

Note the above financial information reflects Blue Sky's underlying results. Please refer to slides 34-38 of this presentation as well as the Annual Financial Report for an explanation of the difference between the statutory and underlying results. This non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Statutory vs. underlying accounts (1/2): Overview

What is the difference between Blue Sky's statutory and underlying accounts?

- Blue Sky invests from its balance sheet for strategic reasons into a range of the funds it manages, typically as alignment capital alongside institutional investors
 - e.g. Blue Sky invests 5% into all new student accommodation funds alongside Goldman Sachs
- Blue Sky has also made several balance sheet investments into joint ventures (e.g. Cove Property Group, Student Quarters) and operational businesses that are related to funds that we manage (e.g. Atira, the operator of our Australian student accommodation assets)
- Statutory accounts:** *AASB 10 – Consolidated Financial Statements* requires that, for funds in which Blue Sky has invested, these are accounted for either on a consolidated basis or using equity accounting (depending on the level of control). This accounting treatment has a range of impacts, including:
 - Management, performance and other fees that are earned by Blue Sky on funds in which Blue Sky has invested are eliminated upon consolidation and therefore do not appear in our statutory accounts;
 - Assets and liabilities held by funds that are consolidated appear on the Consolidated Group's Statement of Financial Position, and the fair value of the units held by Blue Sky in those funds is eliminated; and
 - For funds that are accounted for using the equity accounting method, a share of the period's profit or loss – rather than the fair value of the units held by Blue Sky in those funds – appears in the consolidated results of the Group
- Underlying accounts:** Blue Sky's underlying accounts are prepared on exactly the same basis as its statutory accounts, with the only difference being that Blue Sky's fund investments are accounted for using the same approach as *AASB 13 – Fair Value Measurement*. This means that:
 - All management, performance or other fees earned by Blue Sky are reflected in our underlying accounts
 - All investments in our funds are reflected in our underlying accounts at fair value
 - No profit and loss, balance sheet and cash flow items from the funds we manage are consolidated
 - Note: Balance sheet investments into joint ventures (e.g. Cove Property Group, Student Quarters) are accounted for in exactly the same way under our statutory and underlying accounts

Does Blue Sky's audit include its underlying accounts?

- Ernst & Young audits our statutory accounts and reviews our underlying accounts

Do other alternative asset managers present underlying accounts?

- Yes. This accounting standard has the same impact described above on all alternative asset managers globally (for those that invest in their funds) and Blue Sky's approach is based on the approach adopted by these global asset managers

Statutory vs. underlying accounts (2/2): Accounting treatment for balance sheet investments

Statutory results			
Accounting basis:	Fair value accounting	Equity accounting	Consolidated
Used when:	<ul style="list-style-type: none"> Balance sheet investments where Blue Sky is deemed not to have any control or influence over its investment 	<ul style="list-style-type: none"> Balance sheet investments where Blue Sky is deemed to have influence but not control 	<ul style="list-style-type: none"> Balance sheet investments where Blue Sky is deemed to have control
Number of investments:	<ul style="list-style-type: none"> Nil (Blue Sky, in its role as investment manager, is deemed to have control or influence over all of its investments) 	<ul style="list-style-type: none"> Thirty 	<ul style="list-style-type: none"> Four
Examples:	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Student accommodation funds Atira (an operator of student accommodation in Australia. Blue Sky owns 50% of Atira)¹ 	<ul style="list-style-type: none"> Riverside Gardens Trust Aura (an operator of retirement villages in Australia. Blue Sky owns 50% of Aura)
Underlying results			
Accounting basis:	Fair value accounting	Equity accounting	Consolidated
Used when:	<ul style="list-style-type: none"> All balance sheet investments in Blue Sky funds and fund related operating businesses that are intended to be realised in the future 	<ul style="list-style-type: none"> Balance sheet investments that will be held indefinitely where Blue Sky is deemed to have influence, but not control 	<ul style="list-style-type: none"> Balance sheet investments that will be held indefinitely where Blue Sky is deemed to have control
Number of investments:	<ul style="list-style-type: none"> Thirty-two 	<ul style="list-style-type: none"> Two 	<ul style="list-style-type: none"> Nil
Examples:	<ul style="list-style-type: none"> Student accommodation funds Atira (an operator of student accommodation in Australia. Blue Sky owns 50% of Atira)¹ Aura (an operator of retirement villages in Australia. Blue Sky owns 50% of Aura) 	<ul style="list-style-type: none"> Joint venture with Cove Property Group (Blue Sky owns 38% of Cove Property Group) Joint venture with Student Quarters (Blue Sky owns 60% of Student Quarters) 	<ul style="list-style-type: none"> Not applicable

1. Blue Sky's ownership interest in Atira increased from 35% to 50% after 30 June 2017 following the agreement by Goldman Sachs and Blue Sky to buy out the minority shareholders in this business.

Detailed underlying and statutory results: Income Statement

In AUD \$m	Underlying Results		Statutory Results	
Income	FY16	FY17	FY16	FY17
Management fees	\$31.5m	\$37.6m	\$31.0m	\$33.4m
Performance fees	\$18.7m	\$22.3m	\$18.7m	\$22.3m
Investment income	\$6.9m	\$7.6m	(\$0.7m)	\$7.2m
Share of profit of associates	\$1.1m	\$9.4m	\$2.8m	\$8.1m
Interest income	\$1.4m	\$4.1m	\$1.5m	\$4.0m
Other income	\$3.2m	\$4.0m	\$17.6m	\$9.4m
Total income	\$62.8m	\$85.0m	\$70.9m	\$84.4m
Employee benefits expense	(\$19.2m)	(\$24.8m)	(\$20.7m)	(\$26.5m)
Occupancy	(\$1.9m)	(\$2.0m)	(\$2.1m)	(\$2.2m)
External service providers	(\$4.2m)	(\$2.7m)	(\$4.5m)	(\$2.9m)
External capital raising expenses	(\$2.1m)	(\$2.4m)	(\$2.1m)	(\$2.4m)
Fee rebates to BSAF Limited (BAF)	(\$5.6m)	(\$5.9m)	(\$5.6m)	(\$5.9m)
Other operating costs	(\$5.3m)	(\$8.3m)	(\$16.6m)	(\$12.1m)
Total operating costs	(\$38.3m)	(\$46.1m)	(\$51.6m)	(\$52.0m)
EBITDA	\$24.5m	\$38.9m	\$19.3m	\$32.4m
EBIT	\$24.0m	\$38.5m	\$17.0m	\$31.0m
Net profit after tax to owners of BSAIL	\$16.3m	\$25.5m	\$11.4m	\$20.6m
Non-controlling interests	-	-	(\$0.9m)	\$0.1m

Commentary on statutory results:

- Statutory results exclude the management fees, performance fees and other fees that have been earned by Blue Sky, as these are eliminated upon consolidation in accordance with AASB 10
- Statutory results include all of the revenue and expenses from funds that have been consolidated, as well as a share of the gain/(loss) of funds that have been equity accounted in accordance with AASB 10
 - The revenue and expenses from the funds that are consolidated are attributable to the fund's unitholders (of which Blue Sky is one), but are not wholly attributable to Blue Sky
- Notwithstanding the above, AASB 10 requires that these funds be consolidated where Blue Sky is deemed to have control, and equity accounted where Blue Sky is deemed to have significant influence

Commentary on underlying results:

- Underlying results exclude all of the revenue and expenses from funds that have been consolidated in the statutory results, as well as the share of gain/(loss) of funds that have been equity accounted in accordance with AASB 10
- Underlying results include the management, performance and other fees earned by Blue Sky from these funds
- The underlying results are therefore more reflective of the economic reality (refer to slide 21 for further details)

Note that the statutory results include the impact of a range of Blue Sky managed funds that have been consolidated or equity accounted following the adoption of AASB 10. The underlying results columns are non-IFRS financial information and are based on all equity held by Blue Sky in funds that it manages being accounted for at fair value using the same approach as outlined in AASB 13. A reconciliation between the Underlying Results and the Statutory Results is provided in the Annual Financial Report which may be downloaded from the ASX's website. The non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Detailed underlying and statutory results: Statement of Financial Position

In AUD \$m	Underlying Results		Statutory Results	
	At 30 June 2016	At 30 June 2017	At 30 June 2016	At 30 June 2017
Cash	\$62.9m	\$70.6m	\$63.8m	\$72.2m
Trade and other receivables	\$54.6m	\$38.0m	\$54.4m	\$38.4m
Other current assets	\$3.9m	\$4.6m	\$6.8m	\$5.1m
Total current assets	\$121.4m	\$113.2m	\$125.0m	\$115.7m
Investments accounted for using the equity method	\$1.7m	\$11.5m	\$35.5m	\$51.6m
Financial assets at fair value through profit and loss	\$51.5m	\$63.4m	-	-
Trade and other receivables	\$21.1m	\$52.8m	\$18.5m	\$48.5m
Property, plant and equipment	\$3.7m	\$3.2m	\$30.1m	\$4.8m
Intangible assets	\$5.6m	\$5.6m	\$18.7m	\$11.0m
Investment property – retirement villages	-	-	-	\$54.9m
Other non-current assets	\$0.1m	-	\$0.6m	\$2.0m
Total non-current assets	\$83.7m	\$136.5m	\$103.4m	\$172.8m
Total assets	\$205.1m	\$249.7m	\$228.4m	\$288.5m
Trade and other payables	\$19.8m	\$36.6m	\$20.9m	\$35.7m
Borrowings	\$7.9m	\$8.4m	\$8.6m	\$16.7m
Resident loans – retirement villages	-	-	-	\$14.9m
Other current liabilities	\$10.3m	\$14.0m	\$10.3m	\$14.8m
Total current liabilities	\$38.0m	\$59.0m	\$39.8m	\$82.1m
Borrowings	-	-	\$9.3m	\$37.2m
Other non-current liabilities	\$27.7m	\$34.5m	\$31.9m	\$27.8m
Total non-current liabilities	\$27.7m	\$34.5m	\$41.2m	\$65.0m
Total liabilities	\$65.7m	\$93.5m	\$81.0m	\$147.1m
Net assets	\$139.4m	\$156.2m	\$147.4m	\$141.4m
Net tangible assets	\$133.8m	\$150.6m	\$128.7m	\$130.4m

Commentary on statutory results:

- Statutory results exclude units that are owned by Blue Sky in funds that are consolidated (as these are eliminated upon consolidation in accordance with AASB 10)
- Statutory results include all of the assets and liabilities of funds and entities that have been consolidated in accordance with AASB 10
 - The assets and liabilities of those funds are attributable to each fund's unitholders (of which Blue Sky is one), but not wholly attributable to Blue Sky (e.g. \$54.9 million of 'investment property')
- Notwithstanding the above, AASB 10 requires that these funds and entities be consolidated where Blue Sky is deemed to have control, and equity accounted where Blue Sky is deemed to have significant influence

Commentary on underlying results:

- Underlying results exclude the assets and liabilities of funds that are consolidated in the statutory results
- Underlying results include all investments made by Blue Sky in funds that it manages at fair value (using the same approach as in AASB 13)
- The underlying results are therefore more reflective of the economic reality (refer to slide 23-24 for further details)

Note that the statutory results include the impact of a range of Blue Sky managed funds that have been consolidated or equity accounted following the adoption of AASB 10. The underlying results columns are non-IFRS financial information and are based on all equity held by Blue Sky in funds that it manages being accounted for at fair value using the same approach as outlined in AASB 13. A reconciliation between the Underlying Results and the Statutory Results is provided in the Annual Financial Report which may be downloaded from the ASX's website. The non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Detailed underlying and statutory results: Statement of Cash Flows

In AUD \$m	Underlying Results		Statutory Results	
	FY16	FY17	FY16	FY17
Receipts from customers	\$52.1m	\$71.6m	\$65.4m	\$65.8m
Payments to suppliers and employees	(\$38.2m)	(\$49.8m)	(\$48.9m)	(\$54.8m)
Interest received	\$1.2m	\$2.4m	\$1.2m	\$2.4m
Interest and other finance costs paid	(\$0.7m)	(\$0.9m)	(\$1.2m)	(\$1.1m)
Income taxes paid	(\$2.9m)	(\$3.8m)	(\$3.3m)	(\$3.9m)
Net cash from operating activities	\$11.5m	\$19.5m	\$13.2m	\$8.4m
Payments for equity investments	(\$14.3m)	(\$12.1m)	(\$14.3m)	(\$11.0m)
Payments for property, plant and equipment	(\$0.8m)	(\$0.1m)	(\$2.3m)	(\$0.4m)
Payments for intangibles	(\$0.1m)	(\$0.2m)	(\$0.1m)	\$0.7m
Payments for investment property	-	-	-	(\$28.3m)
Proceeds from disposal of equity investments	\$7.1m	\$17.7m	\$7.1m	\$27.6m
Bridging finance and loans to funds	(\$21.4m)	(\$7.5m)	(\$20.5m)	(\$7.3m)
Net cash used in investing activities	(\$29.5m)	(\$2.2m)	(\$30.1m)	(\$18.7m)
Proceeds from issue of shares	\$67.5m	\$1.0m	\$67.5m	\$1.0m
Share issue transaction costs	(\$2.4m)	(\$0.2m)	(\$2.4m)	(\$0.2m)
Proceeds from borrowings	\$7.6m	\$33.4m	\$7.7m	\$71.9m
Repayment of borrowings	(\$6.7m)	(\$33.0m)	(\$8.2m)	(\$37.6m)
Dividends paid	(\$6.2m)	(\$10.8m)	(\$6.3m)	(\$16.4m)
Net cash from / (used in) financing activities	\$59.8m	(\$9.6m)	\$58.3m	\$18.7m
Starting cash balance	\$21.1m	\$62.9m	\$22.4m	\$63.8m
Ending cash balance	\$62.9m	\$70.6m	\$63.8m	\$72.2m

Commentary on statutory results:

- Statutory results exclude cash from management fees, performance fees and other fees that have been paid to Blue Sky from funds that are consolidated (as these are eliminated upon consolidation in accordance with AASB 10)
- Statutory results include the cash flows generated within a range of Blue Sky funds that have been consolidated in accordance with AASB 10
 - The cash flows generated within these funds are attributable to each fund's unitholders (of which Blue Sky is one), but are not wholly attributable to Blue Sky
- Notwithstanding the above, AASB10 requires that these funds and entities be consolidated where Blue Sky is deemed to have control, and equity accounted where Blue Sky is deemed to have significant influence

Commentary on underlying results:

- Underlying results exclude the cash flows generated within these funds, but include management fees, performance fees and other fees paid to Blue Sky
- The underlying results are therefore more reflective of the economic reality (refer to slide 26 for further details)

Note that the statutory results include the impact of a range of Blue Sky managed funds that have been consolidated or equity accounted following the adoption of AASB 10. The underlying results columns are non-IFRS financial information and are based on all equity held by Blue Sky in funds that it manages being accounted for at fair value using the same approach as outlined in AASB 13. A reconciliation between the Underlying Results and the Statutory Results is provided in the Annual Financial Report which may be downloaded from the ASX's website. The non-IFRS financial information has been reviewed by Blue Sky's auditor (Ernst & Young).

Valuations: Our process incorporates independent expert and audit sign off across all asset classes

Valuation Process

Independence – Top tier independent valuation experts are used across all asset classes

Methodology and inputs – Valuation methodology and all key valuation inputs (e.g. discount rates, earnings multiples) are reviewed by independent experts

Institutional investor review – The valuations of our investments are reviewed by our institutional investors (for those funds that they have invested in)

Audit review – The valuations of our investments are reviewed every reporting period by Ernst & Young in their capacity as Blue Sky's auditor

Board review and sign off – Valuations are reviewed and signed off by:

- The directors of the Audit Committee (all independent directors);
- The board of Blue Sky; and
- For the 46 funds that the Alternatives Fund held investments in at 30 June 2017, the Audit and Risk Committee of the Alternatives Fund (majority independent directors) and the board of the Alternatives Fund

Frequency – Independent review undertaken at least annually for all assets that may have a material impact on Blue Sky's financial results (and more frequently where appropriate e.g. Water Fund, hedge funds)

Market standard – The process is based on the approach used by other leading global alternative asset managers

Independent Valuation Experts



Private Equity



Private Real Estate



Real Assets



Hedge Funds



Valuations: Blue Sky Water Fund example

Market prices <i>Monthly</i>	Independent market prices determined by Colliers based on recent trades of similar or equivalent assets in the water market and with reference to public data
Water asset holdings <i>Monthly</i>	Australian Executor Trustees is the independent custodian and holds all Water Fund assets in its name. It maintains the register of water assets held by the fund and provides monthly holding statements of water assets held by the Fund
Unit valuation <i>Monthly</i>	The independent prices and independent holding statements are then used to calculate the value of units in the Water Fund on a monthly basis
Institutional review <i>Monthly</i>	Institutional clients review the monthly report issued by Blue Sky, which contains a detailed description of valuation movements and performance of the portfolio
Fund audit <i>Annually</i>	The Water Fund is audited annually by Deloitte
BLA and BAF audit <i>Every six months</i>	Ernst & Young review the Water Fund as part of the half year review and full year audit for BLA and BAF
Audit committee sign off <i>Every six months</i>	The Audit Committee of BLA (all independent directors) and Audit & Risk Committee of BAF (majority independent directors) sign off on the Water Fund valuation every six months
BLA & BAF Board sign off <i>Every six months</i>	Directors of the boards of BLA and BAF sign off on the Water Fund valuation as part of half year and full year reporting



Valuations: 'Level 1', 'Level 2' and 'Level 3' assets

- The Australian Accounting Standards classify the way in which assets are valued into three 'levels' (see table below)
- With the exception of our Hedge Fund team, Blue Sky's business specialises in investing in **private markets**. All private markets investments fit within the definition of 'Level 3' assets under the Australian Accounting Standards. As such, Blue Sky is required to account for these assets under the 'Level 3' classification.
- This is the same practice as many other fund managers in different asset classes (for example, REITs).
- **Since inception, 33 out of 38 of our realisations have been at or above their carrying value.**

Level 1	<p>Refers to assets where there are 'quoted prices in active markets for identical assets'. Investments in private market assets do not meet this definition and are therefore never classified as 'Level 1' assets.</p> <p><i>Example:</i> The value of shares in a large, listed company that trades on the ASX.</p>
Level 2	<p>Refers to assets where there are valuation inputs (other than quoted prices) that are observable, either directly or indirectly. As with 'Level 1' assets, investments in private market assets do not meet this definition and are therefore not classified as 'Level 2' assets.</p> <p><i>Example:</i> The value of a derivative contract (e.g. a forward, futures or options contract) that relates to a share of a large, listed company that trades on the ASX.</p>
Level 3	<p>Refers to assets where there are valuation inputs that are considered under the accounting standards as 'unobservable'. This refers to all assets that are not classified as 'Level 1' or 'Level 2' assets.</p> <p><i>Example:</i> Land, privately owned infrastructure, investments in private companies etc.</p>

AASB	Australian Accounting Standards Board
ASX	Australian Securities Exchange
Atira	Operator of student accommodation. Blue Sky's ownership interest in Atira increased from 35% to 50% in July 2017
AUM	Assets Under Management
Aura	Operator of retirement villages. Blue Sky owns 50% of Aura
BAF	Blue Sky Alternatives Access Fund Limited
BLA	Blue Sky Alternative Investments Limited
bps	Basis points
CAGR	Compound annual growth rate
Cove	Cove Property Group, a US based funds management business that invests in institutional grade commercial property. Blue Sky owns 38% of Cove
cps	Cents per share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESOP	Employee share option plan
FTEs	Full time equivalents
FY14	Full year ended 30 June 2014

FY15	Full year ended 30 June 2015
FY16	Full year ended 30 June 2016
FY17	Full year ended 30 June 2017
IFRS	International Financial Reporting Standards
ILU	Independent living unit
IPO	Initial public offering
n.a.	Not applicable
IRR	Internal rate of return
NPAT	Net profit after tax
NTA	Net tangible assets
NY	New York
p.a.	Per annum
REIT	Real Estate Investment Trust
S&P500	The Standard & Poor's 500 Index
Student Quarters	A US based funds management business that invests in institutional grade student accommodation. Blue Sky owns 60% of Student Quarters
2H FY17	Half year ended 30 June 2017



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