

MARKET UPDATE**13 July 2018****BAF June 2018 Monthly NTA Update**

Blue Sky Alternative Investments Limited (ASX: BLA) ('Blue Sky' or 'the Company') would like to draw attention to an announcement made today by Blue Sky Alternatives Access Fund Limited (ASX: BAF).

BAF has reported pre-tax Net Tangible Assets ('NTA') of \$1.1377 per share for the month of June 2018, representing an increase of 0.7% since 31 May 2018. The BAF announcement details specific valuation changes to underlying Blue Sky managed funds in which BAF has invested.

The BAF announcement also confirms that the independent reviews of asset valuations for all Blue Sky managed funds in which BAF has invested have now been completed, with the exception of one US commercial property asset that is currently being held at cost, the valuation for which is expected to be completed in August 2018.

Blue Sky 30 June 2018 Update**Cash**

Blue Sky today advises that the actual cash position at 30 June 2018 was \$40.0m with no corporate debt, on an underlying results and unaudited basis. This compares to the \$32.3m forecast provided on 12 June 2018. The primary drivers of the improved cash position relate to timing of deployment of institutional capital and the associated Blue Sky alignment capital, and stronger capital inflows from wholesale investor funds where Blue Sky had previously provided bridging finance.

Blue Sky confirms that it will not pay a dividend for FY18.

FEAUM

Blue Sky further advises that Fee-Earning Assets Under Management ('FEAUM'), on a consistent basis with previous disclosure, was unchanged at \$3.4 billion as at 30 June 2018.

NPAT

Blue Sky withdrew market guidance for underlying Net Profit After Tax ('NPAT') for FY18 on 7 May 2018.

On 12 June 2018, the Company advised shareholders of the potential impact on underlying earnings as a result of a comprehensive review of Blue Sky's business and balance sheet, including certain legacy assets. It further advised that it did not anticipate a material impact to underlying NPAT as a result of the third and final phase of independent valuation reviews of assets managed by Blue Sky, expected to be completed by 30 June 2018.

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Blue Sky commissioned independent valuation reviews on all 89 managed assets¹. The valuation reviews have now been completed with the exception of one US commercial property asset (the valuation for which is expected to be completed in August 2018 and is currently being held at cost).

Blue Sky confirms that water entitlement assets held by the Blue Sky Water Fund and other institutional funds and mandates, as well as Hedge Funds are independently marked to market each month.

The underlying NPAT impact from the third phase of asset valuations that were independently reviewed was negative \$2.2m. Significant movements were in residential developments and in legacy private equity fund, EC2010, for which provisions were announced in Blue Sky's market update on 12 June 2018. Valuation adjustments to US private equity and commercial property assets referred to in today's BAF announcement are not anticipated to have a material impact on Blue Sky's underlying NPAT as they are fund and not balance sheet investments, and no material performance fees have been accrued on these assets.

The aggregate underlying NPAT impact of all valuation adjustments following independent review is negative \$24.7m. Of this amount, \$16.4m was related to write downs in the retirement living and student accommodation platform investments following unanticipated decisions to terminate and defer certain projects, announced on 12 June 2018.

Announcement of Results to 30 June 2018 and Teleconference

Blue Sky will continue to provide an update in relation to all material developments in line with its continuous disclosure obligations and will release its audited FY18 results in August 2018, at which time it will host a teleconference.

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¹ Excluding assets which were recently acquired for institutional mandates within the past six months (which have been held at cost), and assets that are in a sale process (with values held at contracted value).

Blue Sky Alternative Investments

Market Update Appendix

13 July 2018

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This presentation has been prepared by Blue Sky Alternative Investments Limited ('Blue Sky') and is dated 13 July 2018. The information in this presentation is of a general nature and does not purport to be complete, nor does it contain all the information which would be required in a prospectus prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)*.

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Figures presented throughout this presentation are in Australian dollars (unless otherwise noted) and may not add or calculate 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, but is not limited to, Blue Sky's historical financial information (collectively, the 'underlying results'). These underlying results are presented with all equity held by Blue Sky in funds and fund related entities 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 and fund related entities that it manages are either consolidated or equity accounted as required by *AASB 10 'Consolidated Financial Statements'*. Unless otherwise mentioned, all financial information in this presentation is in relation to Blue Sky's underlying results.

Updated fee-earning AUM at 30 June 2018

Business unit	30-Jun-18	%	Primary method	Equity						Debt in FEAUM		Fee-earning equity + debt	Other		FEAUM
				BAF equity	BLA equity	Investor equity	Total equity	Not yet fee-earning	Fee-earning equity	Drawn	Undrawn		Value	Note	
Growth Capital	\$321.4m	9.4%	Equity	\$47.6m	-	\$281.1m	\$328.7m	-	\$328.7m	-	-	\$328.7m	(\$7.4m)	1	\$321.4m
Venture Capital	\$221.7m	6.5%	Equity	\$13.0m	\$12.8m	\$195.9m	\$221.7m	-	\$221.7m	-	-	\$221.7m	-		\$221.7m
Total Private Equity	\$543.1m	15.9%		\$60.5m	\$12.8m	\$477.1m	\$550.4m	-	\$550.4m	-	-	\$550.4m	(\$7.4m)		\$543.1m
Institutional Mandates															
- Water Entitlements	\$334.6m	9.8%	Various	\$4.9m	\$2.4m	\$255.0m	\$262.3m	-	\$262.3m	-	-	\$262.3m	\$72.3m	2	\$334.6m
- Other Agriculture	\$407.7m	11.9%	Various	\$10.1m	\$6.1m	\$432.4m	\$448.5m	(\$57.5m)	\$391.0m	-	-	\$391.0m	\$16.7m	3	\$407.7m
Water Fund	\$195.1m	5.7%	GAV	\$34.1m	-	\$96.5m	\$130.6m	-	\$130.6m	-	-	\$130.6m	\$64.5m	4	\$195.1m
Other Agriculture - Wholesale	\$53.5m	1.6%	Equity	\$12.6m	\$1.7m	\$39.3m	\$53.5m	-	\$53.5m	-	-	\$53.5m	-		\$53.5m
Total Real Assets	\$991.0m	29.0%		\$61.7m	\$10.1m	\$823.1m	\$894.9m	(\$57.5m)	\$837.4m	-	-	\$837.4m	\$153.6m		\$991.0m
Student Accommodation	\$629.2m	18.4%	GAV	\$24.0m	\$8.0m	\$275.1m	\$307.1m	(\$40.3m)	\$266.8m	\$176.6m	\$107.6m	\$551.0m	\$78.2m	5	\$629.2m
Retirement Living	\$331.2m	9.7%	GRV	\$14.5m	-	\$121.3m	\$135.8m	-	\$135.8m	\$20.0m	\$120.9m	\$276.8m	\$54.4m	6	\$331.2m
Residential Development	\$315.8m	9.3%	GRV	\$9.0m	\$2.0m	\$72.2m	\$83.2m	-	\$83.2m	\$4.0m	\$161.0m	\$248.2m	\$67.6m	6	\$315.8m
Other Real Estate	\$36.8m	1.1%	Equity + debt	\$4.5m	\$0.1m	\$15.4m	\$20.0m	-	\$20.0m	\$16.9m	-	\$36.8m	-		\$36.8m
Total Private Real Estate	\$1,313.0m	38.5%		\$52.0m	\$10.1m	\$484.0m	\$546.2m	(\$40.3m)	\$505.9m	\$217.5m	\$389.4m	\$1,112.8m	\$200.2m		\$1,313.0m
Cove	\$397.7m	11.7%	Equity + debt	\$12.0m	-	\$302.3m	\$314.3m	(\$37.4m)	\$276.9m	\$120.8m	-	\$397.7m	-		\$397.7m
Student Quarters	\$74.3m	2.2%	GAV	-	-	\$30.2m	\$30.2m	-	\$30.2m	\$47.9m	-	\$78.1m	(\$3.8m)	7	\$74.3m
Total US Joint Ventures	\$472.0m	13.8%		\$12.0m	-	\$332.5m	\$344.5m	(\$37.4m)	\$307.1m	\$168.7m	-	\$475.8m	(\$3.8m)		\$472.0m
Hedge Funds	\$64.4m	1.9%	NAV	-	-	\$64.4m	\$64.4m	-	\$64.4m	-	-	\$64.4m	-	8	\$64.4m
BAF (Uncommitted)	\$28.7m	0.8%	Equity	\$28.7m	-	-	\$28.7m	-	\$28.7m	-	-	\$28.7m	-		\$28.7m
Current FEAUM⁹	\$3,412.1m	100.0%		\$214.9m	\$33.1m	\$2,181.1m	\$2,429.1m	(\$135.2m)	\$2,293.9m	\$386.3m	\$389.4m	\$3,069.6m	\$342.6m		\$3,412.1m

Notes:

- One Growth Capital fund charges fees based on equity market value. This value represents the difference between equity market value and total equity raised at balance date
- Represents the difference between Gross Asset Value ('GAV') or Net Asset Value ('NAV') and equity deployed into institutional water portfolios
- Represents the difference between the NAV and equity deployed into institutional agriculture portfolios
- Represents the difference between Water Fund GAV and equity deployed
- The difference between GAV as if complete and equity + debt represents net development margin
- The difference between GRV and equity + debt represents net development margin
- The total debt + equity currently deployed into Student Quarters' funds is more than GAV due to the impact of transaction costs, operating reserves and fees
- Represents the FEAUM attributable to remaining hedge fund products following the decision to close the domestic products
- Figures above are consistent with historic definitions as disclosed on 7 May 2018

Glossary

AASB	Australian Accounting Standards Board
AUM	Assets Under Management
BAF	Blue Sky Alternatives Access Fund Limited
BLA or Blue Sky or Company	Blue Sky Alternative Investments Limited
FEAUM	Fee-earning Assets Under Management
GAV	Gross Asset Value

GRV	Gross Realisable Value as if complete
N/A	Not applicable
NAV	Net Asset Value
NTA	Net Tangible Assets
p.a.	Per annum
US	United States
US JVs	United States Joint Ventures

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