

30 August 2018

The FY18 Results Presentation lodged by Blue Sky Alternative Investments Limited ('Blue Sky' or the 'Company') earlier today contained clerical errors on pages 20 to 24. These errors have been corrected by the Company in the attached presentation.

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Blue Sky Alternative Investments

FY18 Results and Business Update

30th August 2018

Disclaimer

This presentation has been prepared by Blue Sky Alternative Investments Limited ('Blue Sky'). 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 Blue Sky's full year results including 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 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 in accordance with *AASB 10 'Consolidated Financial Statements'* and *AASB 128 'Investments in Associates and Joint Ventures'*.

The non-IFRS financial information, as presented in the 2018 annual report, has been reviewed by Blue Sky's auditor (Ernst & Young).

1. Executive Summary

2. FY18 Results

3. Business Update

4. Corporate Initiatives

5. Outlook

Appendices

Executive Summary

- Net loss after tax (underlying earnings) of \$85.6m for FY18; reflecting a significant disruption to operations, asset review and business restructure
- Underlying net tangible assets ('NTA') of \$152.4m (\$1.97 per share) at 30 June 2018, or \$131.4m (\$1.70 per share) following the estimated impact of new accounting standard AASB 15 from 1 July 2018
- Cash position of \$40m at 30 June 2018 with no corporate debt
- Fee-earning assets under management ('FEAUM') of \$3.4b at 30 June 2018 including equity and debt capital deployed of \$2.8b
- Overall realised returns to fund investors over the last 5 years^{1,2,3} to 30 June 2018 of 18.7% p.a. net of fees. Overall returns (realised and unrealised) to fund investors since inception^{1,3} to 30 June 2018 of 13.9% p.a. net of fees
- Strategic update:
 - Restructure to focus on our strengths: Real Assets, Private Equity & Private Real Estate
 - Risk and governance framework: having a consistent, disciplined approach; institutional grade
 - Business operating model: enhanced alignment with investor & shareholder outcomes; business unit profit accountability
 - Improving confidence: completed asset review, deliver on exits, independent chair of Trustee entity; appoint additional directors
 - Strategic partnership: progressing with Oaktree Capital Management

Notes:

1. Returns are calculated net of fees and equity-weighted through to 30 June 2018.
2. Realised returns include returns on open-ended funds (i.e. where investors have redemption rights). Returns realised over the last 5 years include funds that have been fully or partially exited during the 5 years preceding 30 June 2018.
3. Past performance is not a reliable indicator of future performance.

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2018 in review

A challenging year

- FY18 was a very disappointing year for Blue Sky. An activist short-selling campaign severely disrupted our business ahead of what is typically our most productive period for new fund capital raisings
 - Blue Sky's FY18 result is a reflection of this significant disruption, its resulting direct and indirect impact and a range of structural changes we have implemented in order to improve trust and confidence with all our stakeholders
 - Large reductions in previously anticipated revenue as our expected new fund capital raisings were halted;
 - Large increases in abnormal legal, audit and consultant costs relating to the disruption to our usual business operations;
 - Costs associated with restructuring our business including staff redundancies, staff retention measures and the closing of certain investment strategies;
 - Revisions of carrying values of all investments resulting in some non-cash reductions in accrued performance fees and balance sheet investments; and
 - Provisions against outstanding loans to certain investment funds which are currently underperforming
 - In addition and unrelated to the impact of the short-selling campaign, the year's results were also affected by the cessation of a number of development projects in the Retirement Living and Purpose Built Student Accommodation (PBSA) divisions, resulting in:
 - The refunding of investor client monies and associated fees; and
 - A reduction in the carrying value of their respective operating platforms Aura and Atira
 - On 24 August 2018 Blue Sky announced a sale agreement for its interests in the Blue Sky Retirement Living Funds and operating platform, Aura
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Underlying financial performance - summary

- Financial results reflect disruption to the business resulting in:
 - Reductions in previously anticipated operating revenue (particularly transaction fees) – down 63% vs FY17 on a normalised basis
 - Refunding fees (management & transaction fees). Six significant real estate development projects and associated Blue Sky funds were terminated or deferred prior to construction
 - Increases in operating expenses associated with the business disruption and consequential restructure
 - Non-cash valuation reductions reflecting the revaluation of platform assets following termination or deferral of six real estate development projects

In AUD \$m	FY18	FY17
Operating revenue	\$24.9m	\$68.0m
Add abnormal ¹ items (fees refunded)	\$19.0m	\$2.0m
Normalised operating revenue	\$43.9m	\$70.0m
Operating expenses	\$98.2m	\$46.1m
Less abnormal items (impairments and costs)	-\$45.6m	-
Normalised operating expenses	\$52.6m	\$46.1m
Normalised operating EBITDA²	-\$8.7m	\$23.9m
Net profit / (loss) after tax	-\$85.6m	\$25.5m
Add abnormal items	\$73.8m	\$2.0m
Normalised net profit / (loss) after tax	-\$11.8m	\$27.5m
Net operating cash flow	-\$38.4m	\$19.5m
Add abnormal items	\$23.1m	\$7.3m
Normalised net operating cash flow	-\$15.3m	\$26.8m
NTA	\$152.4m	\$150.6m
NTA per share (\$)³	\$1.97	\$2.22
Net cash position	\$40.0m	\$62.2m

Notes:

1. Broadly defined throughout the document to include non-recurring items that would not typically be expected at a normal level of business output.
2. Earnings before interest, tax, depreciation and amortisation excluding investment income and share of profit / (loss) of associates and joint ventures.
3. Based on 77.5m shares on issue at 30 June 2018 and 67.7m shares on issue at 30 June 2017.

Underlying income statement – adjusted for abnormal items

In AUD \$m	FY18	Terminated / Delayed Projects ¹	Non-cash valuation Reviews (Platforms) ²	Provisions and impairments ³	Restructure costs	Other	Total abnormal items	FY18 (adjusted for abnormal items)	FY17 Underlying
Management fees	\$13.6m	\$7.6m				\$1.9m	\$9.5m	\$23.1m	\$21.9m
Transaction fees	\$4.1m	\$7.1m				\$1.5m	\$8.6m	\$12.7m	\$15.7m
Responsible Entity fees	\$0.2m	\$0.0m				\$0.9m	\$1.0m	\$1.2m	\$1.3m
Performance fees	\$2.8m							\$2.8m	\$22.3m
Other income	\$4.1m							\$4.1m	\$6.8m
Operating revenue	\$24.9m	\$14.8m				\$4.3m	\$19.0m	\$43.9m	\$68.0m
Investment income	-\$19.8m	\$1.7m	\$17.2m				\$18.9m	-\$0.9m	\$7.6m
Share of profit of associates	-\$5.1m							-\$5.1m	\$9.4m
Total income	-\$0.0m	\$16.4m	\$17.2m			\$4.3m	\$37.9m	\$37.9m	\$85.0m
Employee benefits expense	-\$33.5m				\$6.5m		\$6.5m	-\$27.0m	-\$24.8m
Occupancy	-\$2.3m							-\$2.3m	-\$2.0m
Consultancy	-\$3.9m				\$2.5m		\$2.5m	-\$1.3m	-\$1.2m
External service providers	-\$7.5m				\$0.7m		\$0.7m	-\$6.7m	-\$2.7m
External capital raising expenses	-\$4.4m							-\$4.4m	-\$2.4m
Fee rebates to BAF	-\$2.7m							-\$2.7m	-\$5.9m
Other operating costs	-\$12.4m					\$4.3m	\$4.3m	-\$8.1m	-\$7.1m
Provisions and impairments	-\$31.5m			\$31.5m			\$31.5m	\$0.0m	-
Total operating expenses	-\$98.2m			\$31.5m	\$9.8m	\$4.3m	\$45.6m	-\$52.6m	-\$46.1m
EBITDA	-\$98.2m	\$16.4m	\$17.2m	\$31.5m	\$9.8m	\$8.6m	\$83.5m	-\$14.7m	\$38.9m
Depreciation and amortization	-\$0.4m							-\$0.4m	-\$0.4m
Finance costs	-\$1.7m							-\$1.7m	-\$1.0m
Net profit / (loss) before tax	-\$100.3m	\$16.4m	\$17.2m	\$31.5m	\$9.8m	\$8.6m	\$83.5m	-\$16.8m	\$37.5m
Tax	\$14.7m					-\$9.7m ⁴		\$5.0m	
Net profit / (loss) after tax	-\$85.6m	\$16.4m	\$17.2m	\$31.5m	\$9.8m	-\$1.1m	\$73.8m	-\$11.8m	\$25.5m

Notes:

1. Includes terminated or deferred student accommodation and retirement living projects.
2. Includes non-cash valuation adjustments in relation to Atira and Aura that were negatively impacted from the above.
3. Includes provision and impairments in relation to a number of underperforming assets.
4. Attributable largely to a deferred tax asset not being recognised in relation to tax losses.

Underlying income statement – income breakdown

1	Management fees	FY18	FY17
	Fees earned	\$23.1m	\$22.8m
	Fees refunded ¹	-\$9.5m	-\$0.9m
	Net	\$13.6m	\$21.9m

2	Transaction fees	FY18	FY17
	Fees earned	\$12.7m	\$16.8m
	Fees refunded ¹	-\$8.6m	-\$1.1m
	Net	\$4.1m	\$15.7m

3	Responsible Entity fees	FY18	FY17
	Gross	\$1.1m	\$1.3m
	Fees repaid ¹	-\$0.9m	-
	Net	\$0.2m	\$1.3m

4	Performance Fees	FY18	FY17
	Cash: crystallised ²	\$6.8m	\$1.6m
	Non-cash: accrued	\$6.6m	\$21.5m
	Non-cash: written back	-\$10.6m	-\$0.8m
	Net	\$2.8m	\$22.3m

5	Investment income	FY18	FY17
	Platform (Aura and Atira valuation) ³	-\$17.2m	\$11.9m
	Funds	-\$2.6m	-\$4.3m
	Net	-\$19.8m	\$7.6m

6	Associates (Blue Sky's carrying value) ⁴	FY18	FY17
	Cove Property Group	-\$4.3m	\$0.1m
	Student Quarters	-\$0.8m	\$9.3m
	Net	-\$5.1m	\$9.4m

	In AUD \$m	FY18	FY17
1	Management fees	\$13.6m	\$21.9m
2	Transaction fees	\$4.1m	\$15.7m
3	Responsible Entity fees	\$0.2m	\$1.3m
4	Performance fees	\$2.8m	\$22.3m
	Interest income	\$1.2m	\$4.1m
	Other income	\$3.0m	\$2.7m
	Operating revenue	\$24.9m	\$68.0m
5	Investment income	-\$19.8m	\$7.6m
6	Share of profit / (loss) of associates	-\$5.1m	\$9.4m
	Total income	-\$0.0m	\$85.0m

Notes:

1. Fees refunded includes the impact of the decision to terminate or defer three student accommodation projects and three retirement living projects.
2. Broadly defined to capture the concept that the risk of reversal in a future period is not present – does not represent cash received during the year.
3. Significantly impacted by the lower than expected occupancy in some PBSA facilities at the student census date on 31 March 2018 and by the decision to terminate or defer three student accommodation projects and three retirement living projects.
4. Reflects Blue Sky's carrying value of its share of joint ventures.

Underlying income statement – operating expenses breakdown

1	Employee benefits expense	FY18	FY17
	Salaries & superannuation	\$25.3m	\$17.9m
	Share based compensation	\$2.0m	\$1.1m
	Performance based compensation:		
	Cash	\$4.7m	\$1.9m
	Non cash	\$1.5m	\$3.9m
		<u>\$33.5m</u>	<u>\$24.8m</u>
	FY18 includes \$6.5 million of abnormal expenses (FY17 - \$0.0 million)		

2	Consultancy
	FY18 includes \$2.5 million of abnormal expenses (FY17 - \$0.0 million)

3	External service providers
	FY18 includes \$0.7 million of abnormal expenses (FY17 - \$0.0 million)

4	Other operating costs
	FY18 includes \$4.3 million of abnormal expenses, including a franking deficit tax expense of \$4.1 million (FY17 - \$0.0 million)

5	Provisions and impairments	FY18	FY17
	Loan provisions	\$29.1m	-\$0.0m
	Loans written off	\$ 0.8m	-\$0.0m
	Goodwill & other impairments	\$ 1.6m	-\$0.0m
		<u>\$31.5m</u>	<u>-</u>
	FY18 includes \$31.5 million of abnormal items (FY17 - \$0.0 million)		

	In AUD \$m	FY18	FY17
1	Employee benefits expense	-\$33.5m	-\$24.8m
	Occupancy	-\$2.3m	-\$2.0m
2	Consultancy	-\$3.9m	-\$1.2m
3	External service providers	-\$7.5m	-\$2.7m
	External capital raising expenses	-\$4.4m	-\$2.4m
	Fee rebates to BAF	-\$2.7m	-\$5.9m
4	Other operating costs	-\$12.4m	-\$7.1m
5	Provisions and impairments	-\$31.5m	-
	Total operating expenses	-\$98.2m	-\$46.1m
	Depreciation and amortisation	-\$0.4m	-\$0.4m
	Finance costs	-\$1.7m	-\$1.0m
	Total expenses	-\$100.3m	-\$47.5m

Underlying statement of financial position - summary

- Robust balance sheet with \$152.4m of NTA including \$40.0m of cash with no corporate debt
- Continued co-investment expected as receivables recycle into cash in the short to medium term

In AUD \$m	FY18	FY17
Cash	\$40.0m	\$70.6m
Trade and other receivables	\$46.4m	\$38.0m
Other current assets	\$7.0m	\$4.6m
Total current assets	\$93.4m	\$113.2m
Investments in associates and joint ventures	\$19.7m	\$11.5m
Financial assets at fair value through profit and loss	\$41.1m	\$63.4m
Trade and other receivables	\$41.7m	\$52.8m
Property, plant and equipment	\$3.0m	\$3.2m
Intangible assets	\$4.9m	\$5.6m
Total non-current assets	\$110.4m	\$136.5m
Total assets	\$203.8m	\$249.7m
Trade and other payables	\$17.7m	\$36.6m
Borrowings	\$0.7m	\$8.4m
Other current liabilities	\$13.3m	\$14.0m
Total current liabilities	\$31.7m	\$59.0m
Other non-current liabilities	\$14.8m	\$34.5m
Total non-current liabilities	\$14.8m	\$34.5m
Total liabilities	\$46.5m	\$93.5m
Net assets	\$157.3m	\$156.2m
Net tangible assets	\$152.4m	\$150.6m

Underlying statement of financial position – assets breakdown

1	Current trade and other receivables	FY18	FY17
	Performance fees receivable	\$8.3m	\$3.0m
	Trade receivables	\$1.1m	\$0.8m
	Bridging finance	\$21.5m	\$17.6m
	Working capital loans	\$7.0m	\$2.8m
	Accrued, invoiced and unpaid fees	\$7.5m	\$12.8m
	Other receivables	\$1.0m	\$1.0m
		<u>\$46.4m</u>	<u>\$38.0m</u>

2	Investments in associates and joint ventures	FY18	FY17
	Cove	\$7.6m	\$11.4m
	Student Quarters ¹	\$12.1m	\$0.1m
		<u>\$19.7m</u>	<u>\$11.5m</u>

3	Financial assets at fair value through profit and loss	FY18	FY17
	Private Equity	\$7.9m	\$14.1m
	Private Real Estate	\$23.5m	\$42.2m
	Real Assets	\$9.7m	\$7.1m
		<u>\$41.1m</u>	<u>\$63.4m</u>
	Includes \$30.8 million of co-investments alongside institutional and other investors		

4	Non-current trade and other receivables	FY18	FY17
	Performance fees receivable	\$25.0m	\$28.9m
	Staff loans	\$2.9m	\$1.8m
	Working capital loans	\$12.1m	\$15.1m
	Accrued, invoiced and unpaid fees	\$1.7m	\$6.3m
	Other receivables	\$0.0m	\$0.7m
		<u>\$41.7m</u>	<u>\$52.8m</u>

In AUD \$m	FY18	FY17
Cash	\$40.0m	\$70.6m
1 Trade and other receivables	\$46.4m	\$38.0m
Other current assets	\$7.0m	\$4.6m
Total current assets	\$93.4m	\$113.2m
2 Investments in associates and joint ventures	\$19.7m	\$11.5m
3 Financial assets at fair value through profit and loss	\$41.1m	\$63.4m
4 Trade and other receivables	\$41.7m	\$52.8m
Property, plant and equipment	\$3.0m	\$3.2m
Intangible assets	\$4.9m	\$5.6m
Total non-current assets	\$110.4m	\$136.5m
Total assets	\$203.8m	\$249.7m

Notes:

1. Significant movement represents additional capital contributed partially offset by the share of losses and impairments. On a like-for-like basis, the carrying amount at 30 June 2017 would have been \$2.9 million.

Underlying statement of financial position – liabilities breakdown

1	Trade and other payables	FY18	FY17
	Trade payables	\$1.0m	\$5.2m
	Accrued expenses	\$3.2m	\$1.6m
	Lease incentive liability	\$0.4m	\$0.4m
	Fee rebates, reimbursements & refunds ¹	\$10.4m	\$12.0m
	Uncalled capital on balance sheet investments ²	\$2.7m	\$17.4m
		<u>\$17.7m</u>	<u>\$36.6m</u>

2	Other current liabilities	FY18	FY17
	Deferred revenue	\$6.3m	\$8.4m
	Income tax provision	-	\$1.3m
	Employee benefits	\$7.0m	\$4.3m
		<u>\$13.3m</u>	<u>\$14.0m</u>

3	Other non-current liabilities	FY18	FY17
	Deferred revenue	\$1.0m	\$5.1m
	Employee benefits & provisions	\$4.2m	\$4.7m
	Provision for franking deficit tax	\$4.1m	\$0.0m
	Deferred tax liabilities ³	\$1.1m	\$16.2m
	Other non-current liabilities	\$4.4m	\$8.5m
		<u>\$14.8m</u>	<u>\$34.5m</u>

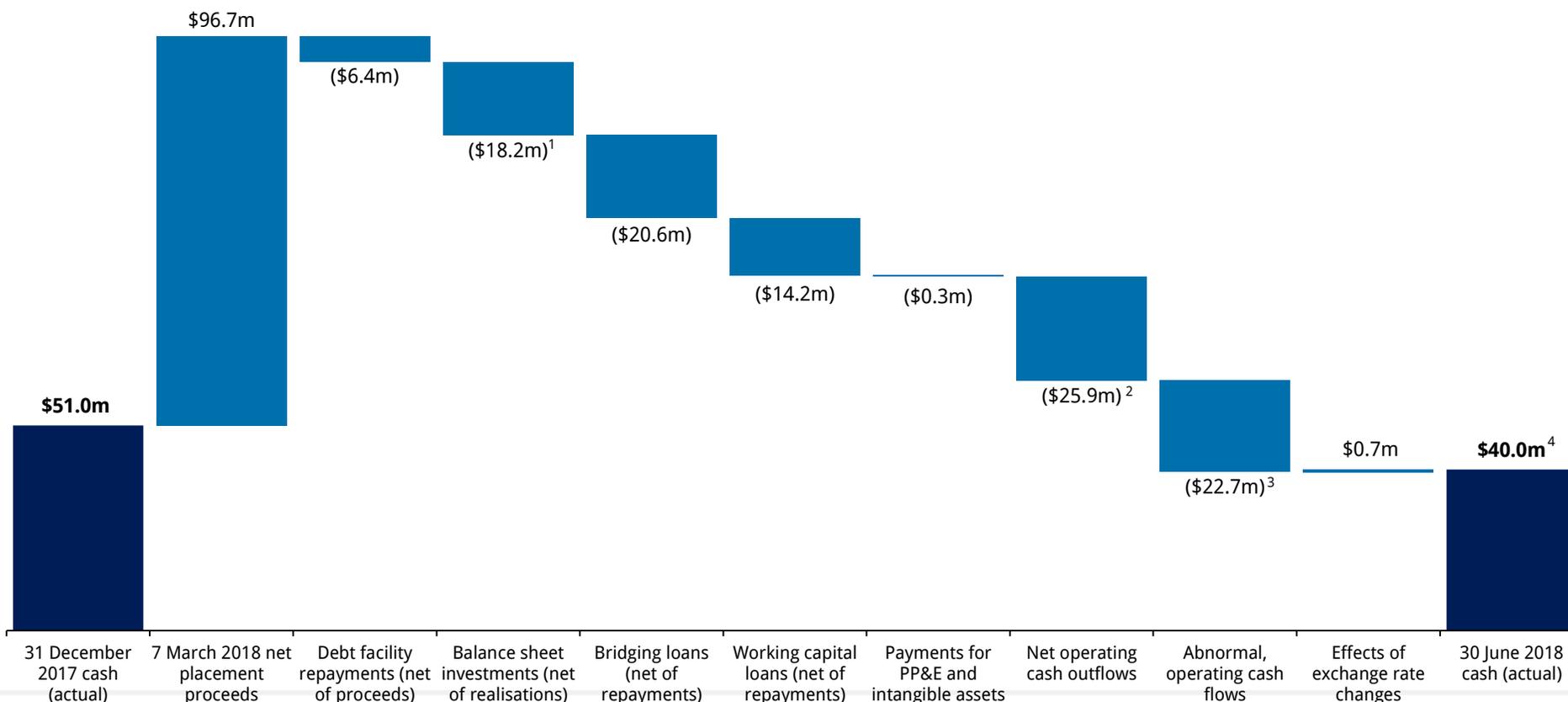
	In AUD \$m	FY18	FY17
1	Trade and other payables	\$17.7m	\$36.6m
	Borrowings	\$0.7m	\$8.4m
2	Other current liabilities	\$13.3m	\$14.0m
	Total current liabilities	\$31.7m	\$59.0m
3	Other non-current liabilities	\$14.8m	\$34.5m
	Total non-current liabilities	\$14.8m	\$34.5m
	Total liabilities	\$46.5m	\$93.5m

Notes:

1. The most significant items within the balance relate to BAF fee rebates in accordance with the BAF Management Services Agreement and fee refunds and reimbursements in relation to the sale of the retirement portfolio.
2. Significant reduction during the year reflects continued co-investment alongside institutional and other investors.
3. Significant reduction during the year reflects the unwinding of deferred tax liabilities previously recorded on increases in realisable balance sheet assets such as accrued performance fees and financial assets held at fair value.

Capital Management Update

- Cash balance of \$40.0m at 30 June 2018, with no corporate debt, impacted by \$22.7m of abnormal operating cash flows and \$20.6m of unanticipated bridging finance loans to funds since 31 December 2017 as wholesale capital raisings were halted amidst a lack of investor confidence
- *Update: Cash balance of approximately \$31.0m at end of August 2018, reflecting neutral operating cash flows and continued balance sheet investing since 30 June 2018*

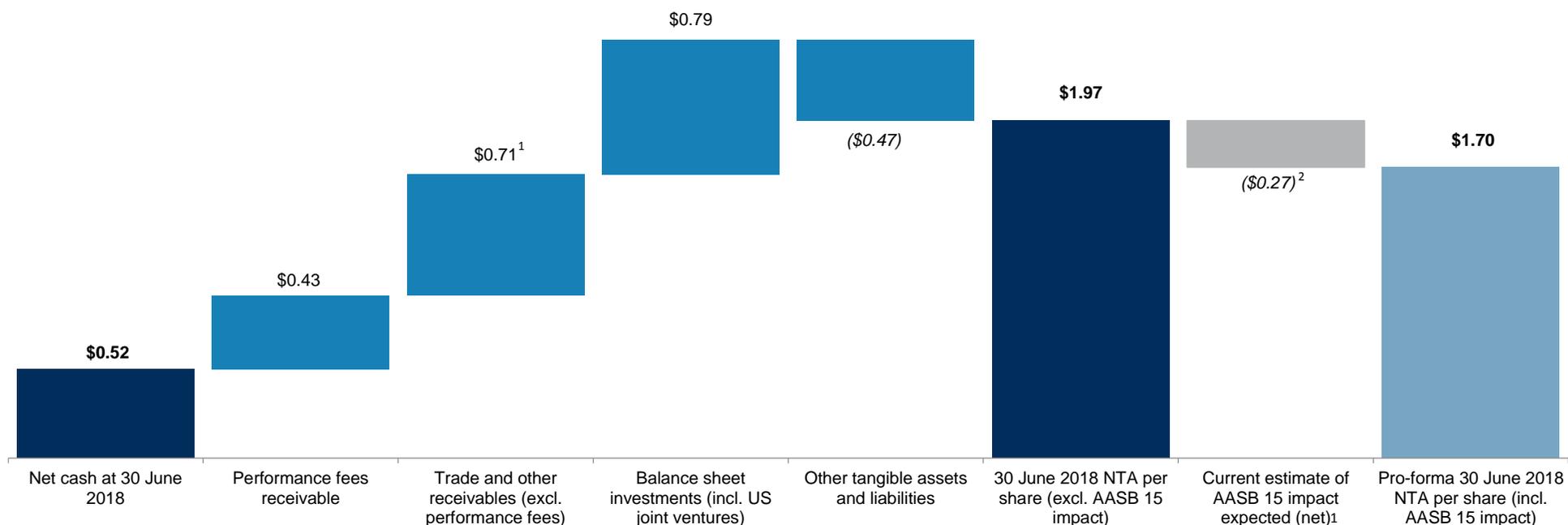


Notes:

1. Includes alignment capital deployed alongside institutional and other investors and US joint ventures.
2. Net operating cash flow excluding abnormal items was impacted by the lack of investor confidence and reflects the halt of wholesale investor capital raisings, amongst other things
3. Includes fees repaid in relation to terminated or deferred student accommodation and retirement living projects, and restructure costs where appropriate – includes 2H18 only.
4. The company maintains a minimum level of liquidity, currently set at \$20 million, sufficient to meet obligations over the next 12 months, regulatory requirements such as Australian Financial Services obligations and financial covenants attached to contractual obligations.

NTA per share at 30 June 2018

- Underlying NTA per share of \$1.97 reflects cash and recently reviewed receivables & balance sheet investments - estimated to reduce to \$1.70 per share following adoption of AASB 15 on 1 July 2018



Notes:

- Estimated at \$1.10 per share on 12 June 2018. Principal differences relate to reclassification of loans to investments under AASB 128, additional impairments against loans and other specific provisions, and refund of fees in relation to sale of retirement living portfolio and deferred student accommodation projects.
- Estimated at \$0.18 per share on 12 June 2018. Principal differences relate to equity accounted investments and joint ventures.

Underlying cash flow statement - summary

- 30 June 2018 cash balance negatively impacted by:
 - \$23.1m of abnormal operating cash flows and
 - \$20.6m of unanticipated bridging finance loans to funds as wholesale capital raisings were halted amidst a lack of investor confidence
- Co-investment alongside institutional and other investors continued with \$32.5m of capital deployed from the balance sheet during the year

In AUD \$m	FY18	FY17
Receipts from customers	\$36.4m	\$71.6m
Payments to suppliers and employees	-\$69.2m	-\$49.8m
Interest received	\$0.6m	\$2.4m
Interest and other finance costs paid	-\$1.1m	-\$0.9m
Income taxes paid	-\$5.1m	-\$3.8m
Net cash used in / from operating activities	-\$38.4m	\$19.5m
Payments for equity investments	-\$32.5m	-\$12.1m
Proceeds from disposal of equity investments	\$6.8m	\$17.7m
Payments for property, plant and equipment	-\$0.2m	-\$0.1m
Payments for intangible assets	-\$0.4m	-\$0.2m
Bridging finance and loans to funds (net)	-\$41.4m	-\$7.5m
Net cash used in investing activities	-\$67.7m	-\$2.2m
Proceeds from issue of shares	\$101.8m	\$1.0m
Share issue transaction costs	-\$3.5m	-\$0.2m
Proceeds from borrowings	\$35.4m	\$33.4m
Repayment of borrowings	-\$43.3m	-\$33.0m
Dividends paid	-\$15.7m	-\$10.8m
Net cash from / used in financing activities	\$74.7m	-\$9.6m
Effect of exchange rate changes	\$0.8m	-
Starting cash balance	\$70.6m	\$62.9m
Ending cash balance	\$40.0m	\$70.6m

Underlying cash flow statement – operating activities breakdown

1	Receipts from customers	FY18	FY17
	Management fees	\$21.5m	\$16.1m
	Transaction fees	\$7.3m	\$33.3m
	Performance fees	\$5.4m	\$15.5m
	Other fees	\$2.2m	\$6.7m
		<u>\$36.4m</u>	<u>\$71.6m</u>
	FY18 receipts from customers is net of \$18.7 million of abnormal fee refunds		

2	Payments to suppliers and employees	FY18	FY17
	Employee benefits	-\$28.1m	-\$20.9m
	Occupancy	-\$2.5m	-\$2.3m
	Fee rebates to BAF	-\$4.0m	-\$4.9m
	Other operating costs	-\$34.6m	-\$21.7m
		<u>-\$69.2m</u>	<u>-\$49.8m</u>
	FY18 includes \$4.3 million of abnormal expenses		

In AUD \$m	FY18	FY17	
1	Receipts from customers	\$36.4m	\$71.6m
2	Payments to suppliers and employees	-\$69.2m	-\$49.8m
	Interest received	\$0.6m	\$2.4m
	Interest and other finance costs paid	-\$1.1m	-\$0.9m
	Income taxes paid	-\$5.1m	-\$3.8m
	Net cash used in / from operating activities	-\$38.4m	\$19.5m

Underlying cash flow statement – investing and financing activities breakdown

1	Payments for equity investments (co-investment)	FY18	FY17
	Private Equity	-\$3.5m	-
	Private Real Estate	-\$21.1m	-\$11.3m
	Real Assets	-\$7.9m	-\$0.8m
		<u>-\$32.5m</u>	<u>-\$12.1m</u>

2	Proceeds from disposal of equity investments	FY18	FY17
	Private Equity	\$3.2m	\$6.7m
	Private Real Estate	\$3.0m	\$2.3m
	Real Assets	\$0.6m	\$2.9m
	Other (BAF)	\$0.0m	\$5.8m
		<u>\$6.8m</u>	<u>\$17.7m</u>

3	Bridging finance and loans to funds	FY18	FY17
	Private Equity	-\$27.7m	-\$4.7m
	Private Real Estate	-\$7.5m	-\$0.5m
	Real Assets	-\$5.1m	-\$2.3m
	Other	-\$1.1m	\$0.0m
		<u>-\$41.4m</u>	<u>-\$7.5m</u>
	FY18 includes \$27.0 million of bridge financing and \$14.4 million of working capital and co-investment staff loans		

	In AUD \$m	FY18	FY17
1	Payments for equity investments	-\$32.5m	-\$12.1m
2	Proceeds from disposal of equity investments	\$6.8m	\$17.7m
	Payments for property, plant and equipment	-\$0.2m	-\$0.1m
	Payments for intangible assets	-\$0.4m	-\$0.2m
3	Bridging finance and loans to funds (net)	-\$41.4m	-\$7.5m
	Net cash used in investing activities	-\$67.7m	-\$2.2m
	Proceeds from issue of shares	\$101.8m	\$1.0m
	Share issue transaction costs	-\$3.5m	-\$0.2m
	Proceeds from borrowings	\$35.4m	\$33.4m
	Repayment of borrowings	-\$43.3m	-\$33.0m
	Dividends paid	-\$15.7m	-\$10.8m
	Net cash from / used in financing activities	\$74.7m	-\$9.6m

1. Executive Summary

2. FY18 Results

3. Business Update

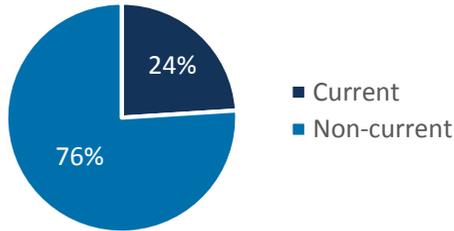
4. Corporate Initiatives

5. Outlook

Appendices

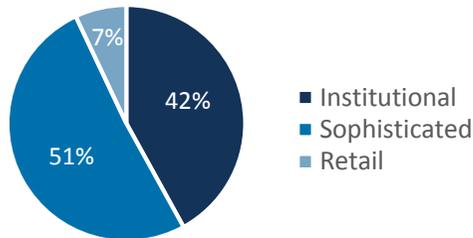
Blue Sky's funds are mostly longer-term and closed-ended

FEAUM: Current vs. non-current



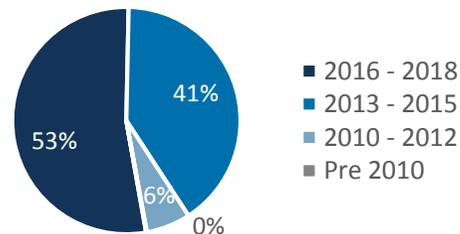
- **'Sticky' closed-ended funds:**
 - Of Blue Sky's 85 funds, 83 are closed-ended, private market funds
- **76% of FEAUM (\$2.6b) is 'non-current':**
 - Long term investment timeframes means ~5 year fund duration is typical; often substantially longer for institutional mandates
 - 'Non-current' FEAUM includes (i) closed-ended funds and institutional mandates not anticipated to be realised in next twelve months; and (ii) Blue Sky Alternatives Access Fund

FEAUM: By investor type



- **Limited short-term FEAUM:**
 - 24% of FEAUM (\$0.8b) is 'current' and includes (i) closed-ended funds with anticipated realisations in next twelve months and (ii) all open-ended funds (e.g. Hedge Funds, Blue Sky Water Fund (excluding institutional mandates))
- **Diverse investor base (by type and location):**
 - 42% of FEAUM is from institutional investors across multiple jurisdictions (Australia, North America, Asia)
 - 51% of FEAUM is from our network of sophisticated investors (high net worth investors, family offices)

FEAUM: By vintage



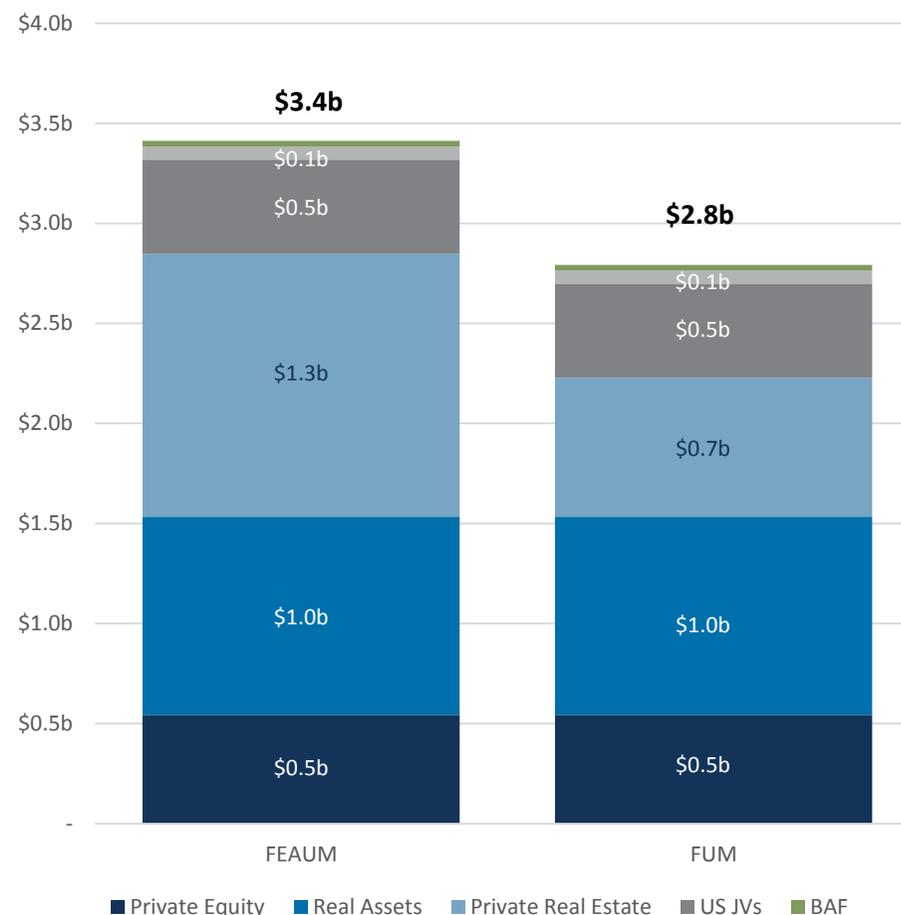
- **Majority of FEAUM relates to recently raised funds**
 - Over 50% of FEAUM relates to funds that were established between 2016 and 2018
 - 94% of FEAUM is less than 6 years old

Notes:

1. All data is as at 30 June 2018

FEAUM vs FUM at 30 June 2018

30 June 2018	FEAUM	FUM
Growth Capital	\$318.1m	\$318.1m
Venture Capital	\$225.0m	\$225.0m
Total Private Equity	\$543.1m	\$543.1m
Water Fund	\$195.1m	\$195.1m
Other Agriculture - wholesale	\$53.5m	\$53.5m
Institutional mandates	\$742.3m	\$742.3m
Total Real Assets	\$990.9m	\$990.9m
Student Accommodation	\$629.2m	\$486.0m
Retirement Living	\$331.2m	\$75.8m
Residential Development	\$315.8m	\$94.5m
Commercial property and MLR	\$36.8m	\$36.8m
Total Private Real Estate	\$1,313.0m	\$693.1m
Cove ³	\$397.7m	\$397.7m
Student Quarters ³	\$74.3m	\$74.3m
Total US Joint Venture Platforms	\$472.0m	\$472.0m
Hedge Funds	\$64.4m	\$64.4m
BAF (uncommitted)	\$28.7m	\$28.7m
Total	\$3,412.1m	\$2,792.2m

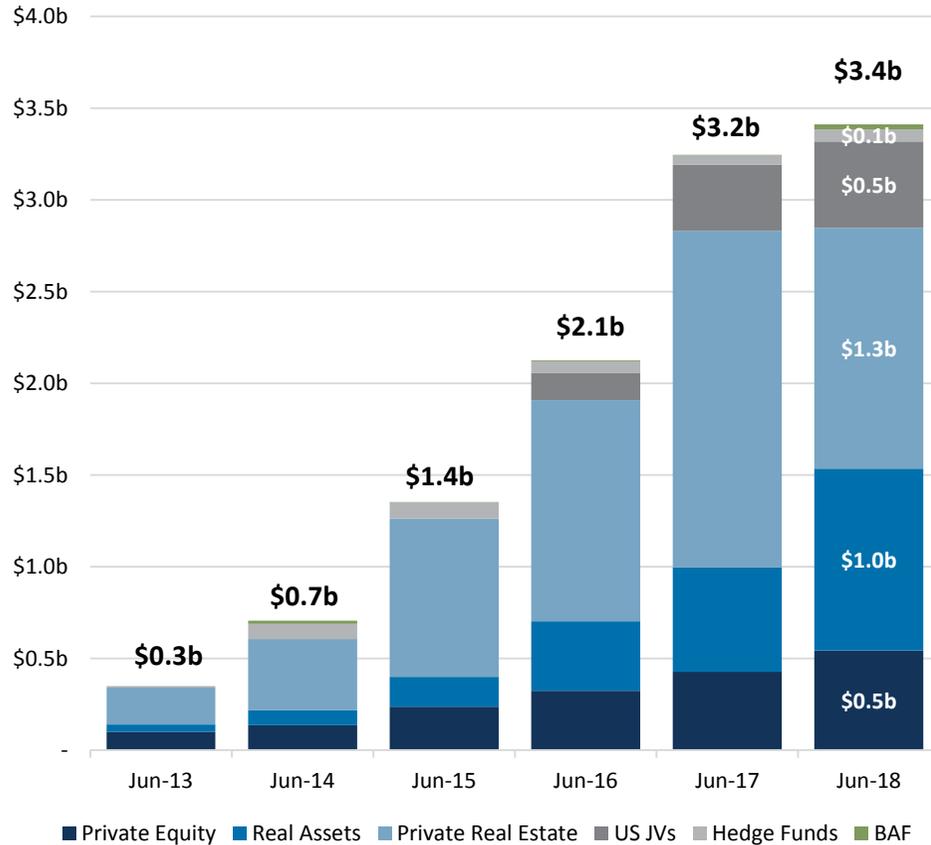


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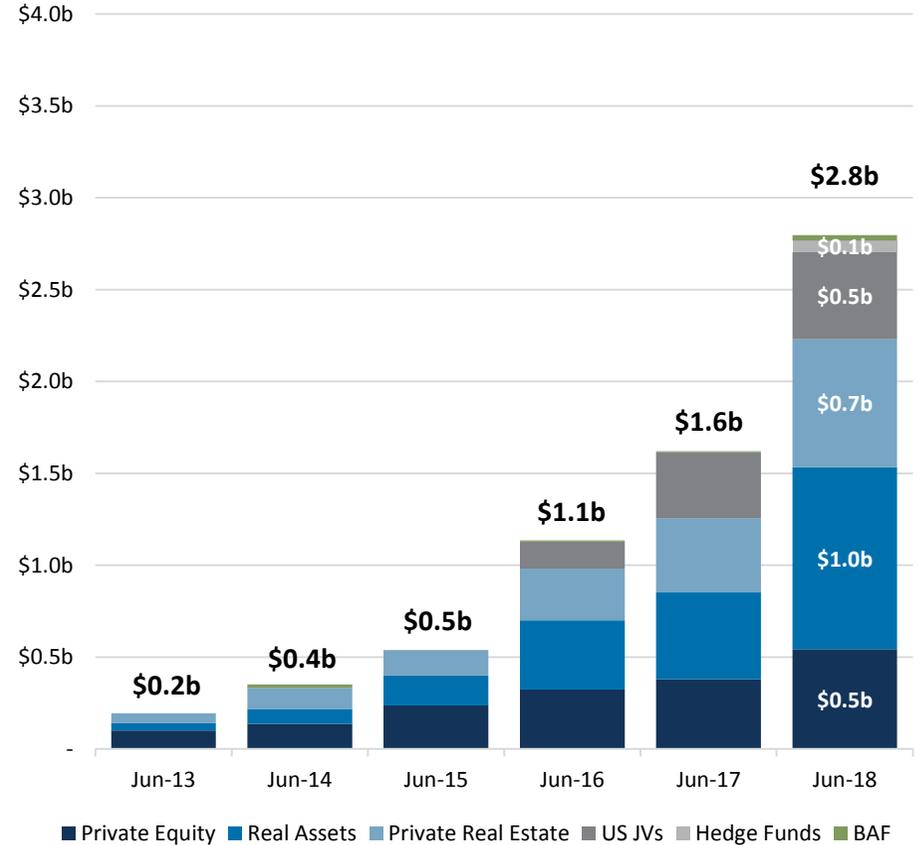
1. FEAUM definitions are consistent with those disclosed on 7 May 2018.
2. Funds under Management ('FUM') is based on the same principles that have been applied for FEAUM for all asset classes with the exception of Private Real Estate, which is based on equity plus drawn debt and excludes net development margins.
3. Reflects Blue Sky's 38% share in Cove Property Group and its 60% share in Student Quarters.
4. The combined effect on FEAUM of the sale of the retirement living portfolio and exiting our Hedge Fund, Property Management Rights, and regional Residential Development funds as intended would be (\$682m).

FEAUM vs FUM over time

FEAUM¹



FUM^{2,3}

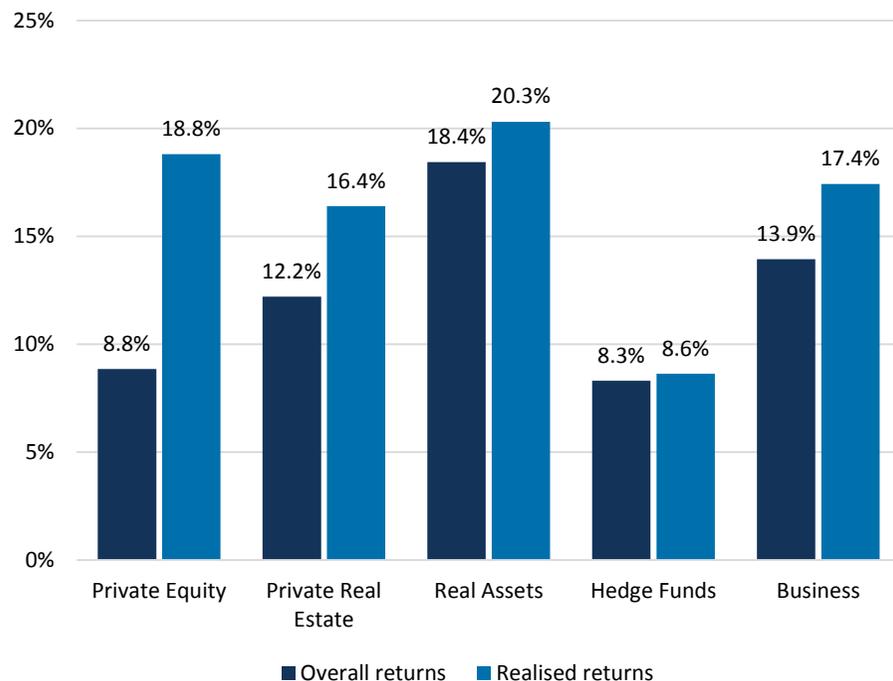


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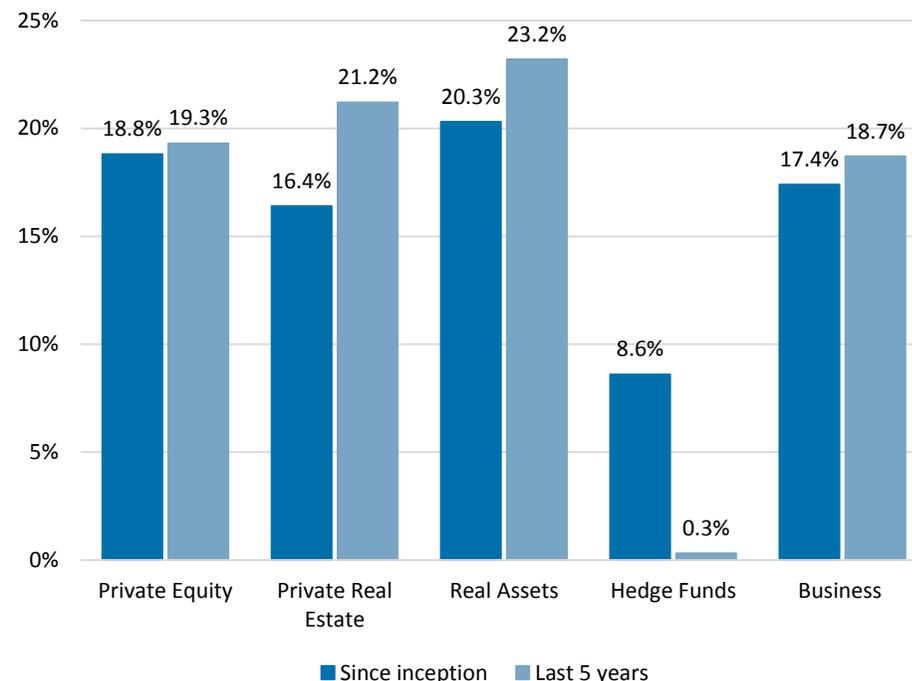
- FEAUM definitions are consistent with those disclosed on 7 May 2018.
- Funds under Management ('FUM') is based on the same principles that have been applied for FEAUM for all asset classes with the exception of Private Real Estate, which is based on equity plus drawn debt and excludes net development margins.
- Historical drawn debt balances are based on the best available information at the current reporting date.

Returns profile

Since inception returns^{1,2,3,4}



Realised returns^{1,3,4}



Notes:

- Returns are equity weighted, pre-tax and net of fees as at 30 June 2018.
- Overall returns since inception include both realised and unrealised investments.
- Realised returns include returns on open-ended funds (i.e. where investors have redemption rights). Returns realised over the last 5 years include funds that have been fully or partially exited during the 5 years preceding 30 June 2018.
- Past performance is not a reliable indicator of future performance.

Business unit updates

Real Assets

	30-Jun-17	31-Dec-17	30-Jun-18
FEAUM⁴	\$569m	\$697m	\$991m

Overall realised returns since inception of 20.3% p.a.^{1,3}

- 75% growth in FEAUM during FY18 to \$991m at 30 June 2018
- Achieved second close on the Blue Sky Strategic Australian Agriculture Club at \$210m, with deployment progressed across water entitlements, private equity farmland developments and agricultural supply chain infrastructure
- Entered a strategic partnership with a Canadian pension fund in December 2017 to deploy in water entitlements and invest in properties with operating tenants in fresh produce opportunities. Deployment continues in water entitlements and horticultural assets
- Continued deployment of capital on behalf of a major Australian super fund to develop almond orchards leased to Select Harvests Limited, as announced in August 2015. An additional orchard asset developed and planted at Euston, NSW during FY18
- Sale of 'Gundaline' executed by shareholders, including Blue Sky's Agriculture Fund I. Completion subject to FIRB approval and private binding tax ruling. Anticipate Blue Sky Agriculture Fund I will be wound up and proceeds distributed in Q2 2018

Real Assets (continued)

- Blue Sky Water Fund returned 27.6% during FY18 (net of fees, gross of tax)^{2,3}. The fund has generated a since inception return of 17.8% p.a. (net of fees, gross of tax)^{2,3}
- Blue Sky Water Fund holds a diversified portfolio of water entitlements concentrated on the southern Murray Darling Basin ('MDB')
- Water entitlements continued to appreciate based on long term demand arising from increased expansion of high value crops (almonds, citrus and other horticulture) across the southern MDB, and further supported by extended dry conditions supporting seasonal water prices in the near-term
- Water price appreciation was set against a backdrop of robust commodity prices, low interest rates, free trade agreement access to high paying export markets, and the progressive impact of the Commonwealth's MDB buy-back program (implemented 10 years ago) which has reduced access to irrigation water supplies by up to 25% in some regions
- Blue Sky's activities in the water markets provides a vital source of liquidity and multiple risk management products for irrigation farmers (spot & forward sales, long term water entitlement leases)

Notes:

- Overall returns on realised funds include returns on open-ended funds (where investors have redemption rights).
- Accumulated returns for the initial and lead unit series of the Blue Sky Water Fund Master Trust from inception through to 30 June 2018. All returns are net of fees, gross of tax. Inception date is 1 August 2012.
- Past performance is not a reliable indicator of future performance.
- FEAUM is rounded to closest A\$ million.

Business unit updates (continued)

Private Equity

	30-Jun-17	31-Dec-17	30-Jun-18
FEAUM⁴	\$428m	\$562m	\$543m

- Overall realised returns (net of fees) since inception of 18.8%^{1,2} p.a.
- Focus is on the consolidation of existing investments and exit of pre-2013 investments over 2H FY18 and into FY19
- Completed one significant exit in FY18 (Foundation Early Learning) and progressed a further six
- Overall returns declined to 8.8%^{1,2,3} p.a. since inception due mostly to weaker performance of EC2010 investments. Significant capital deployment (increase in FEAUM of \$159m) over the last 12 months is not yet contributing to returns
- Recent valuation review from 31 December to 30 June of this year saw a minor⁶ net change of value across the portfolio

Notes:

- Returns are net of fees and are equity-weighted since inception through to 30 June 2018.
- Past performance is not a reliable indicator of future performance.
- Overall returns are pre-tax, net of fees and include both realised and unrealised investments. All investment strategies originated and managed by Blue Sky since inception are included. Closed-ended funds that are less than 24 months old where there has been no material change in value of the underlying investment(s) are excluded.
- FEAUM is rounded to closest A\$ million.
- Defined as value of underlying investment being held below cost.
- Net total decline of 4.0%, reducing to a decline of 0.3% excluding EC2010.

Private Equity (continued)

Growth Capital

- Track record: 25 funds invested, 8 realisations with realised returns (net of fees) of 20.0%^{1,2} p.a., 17 current funds (4 of which are held below investment value⁵).
- Executed two new investments in the food and IT services sectors and two follow-on investments

Venture Capital

- Track record: 20 funds invested, 4 realisations with realised returns (net of fees) of 13.3%^{1,2} p.a., 16 current funds (4 of which are held below investment value⁵).
- Completed first two investments under the 15-year South Australian Venture Capital Fund mandate awarded in July 2017
- Continued expansion of Venture Capital business into South East Asia with two new investments

North America

- Track record: Three investments made with no realised returns due to early stage of the portfolio (first invested February 2016).
- Two investments made throughout the year
 - esVolta**: an energy storage business that focuses on developing, owning and operating utility contracted energy storage projects
 - Lord Hobo Brewing Co**: a premium brewer

Business unit updates (continued)

Private Real Estate

	30-Jun-17	31-Dec-17	30-Jun-18
FEAUM ⁴	\$1,834m	\$1,994m	\$1,313m

Overall realised returns since inception of 16.4%^{2,3} p.a.

Student Accommodation (operated by Atira¹)

- Portfolio of >3,500 beds across six sites in Australia
- Four sites complete and operational; two sites in Melbourne due to commence operations from January 2019
- Delays will be experienced on a third Melbourne asset and a Perth construction asset, while a proposed Sydney asset was terminated
- New site under contract in Sydney. Expected expansion in New Zealand in FY19

Industrial

- Settlement of Revesby specialty industrial facility (leased to Private Equity investment, Birch & Waite, at arms' length commercial terms)

Residential

- Brisbane residential development market remains challenged which has delayed certain projects. Brisbane apartment and townhouse development projects targeted to commence in FY19
- Progressively exiting management rights portfolio and regional real estate development projects

Notes:

- Atira is the operator of each student accommodation site that Blue Sky has developed or is developing. Blue Sky's student accommodation joint venture partner (Goldman Sachs) owns the remaining 50% of Atira.
- Returns are equity-weighted since inception through to 30 June 2018.
- Past performance is not a reliable indicator of future performance.
- FEAUM is rounded to closest A\$ million.
- Aura is the operator and sales manager of each retirement living project. Following completion of the intended sale of Blue Sky's 50% ownership, Aura will be 100% owned by Tim Russell and Mark Taylor.

Private Real Estate (continued)

Retirement Living (operated by Aura⁵)

- In August, Blue Sky announced a binding sale of Blue Sky's wholesale funds' interests in each of the remaining five retirement living projects
- Sale remains conditional on FIRB approval and a number of third party consents
- Subject to expected deal completion Blue Sky fund investors in the Corinda, Maroochydore, Lutwyche, Middle Ridge, Bilinga and the Diversified Retirement Living funds are expected to achieve an internal rate of return ('IRR') of between 6% p.a. and 30% p.a. depending on the applicable fund and if units were partly paid or fully paid
- Four funds achieved a sale price above the independently reviewed carrying values with one fund priced approximately in line with the carrying value and one fund below the carrying value
- The achieved sale prices represent an attractive risk adjusted return to fund investors
- Blue Sky's 50% ownership in Aura is to be sold. Net cash inflow following completion expected to be approximately \$2.5 million
- Total realised return for Blue Sky retirement funds since inception of Retirement Living is expected to be approximately 13% p.a. net of fees upon completion
- Exit from Retirement Living will result in \$331.2m decrease in FEAUM and a \$75.8m decrease in FUM

Business unit updates (continued)

US Joint Venture Platforms



Cove (Blue Sky Owns 38% of Cove)

- 2 Rector Street (rebranded to '101 Greenwich'): final works on the renovation were completed in March 2018. The team is now focused on leasing up the property
- 441 Ninth Avenue (rebranded to 'Hudson Commons'): substantial progress has occurred on site, with construction advancing on the incremental floors being built atop of the existing structure during 2H FY18

Student Quarters (Blue Sky owns 60% of Student Quarters)

- Portfolio represents 24 assets, consisting of >5,300 beds at 13 campuses across 7 states¹
- Now one of the 25 largest owners of student accommodation in the United States⁶
- Added three key senior hires to the management team in 2H FY18

Hedge Funds



Overall realised returns since inception of 8.6% p.a.^{2,4}

- The hedge fund business had institutional capital raising success over the course of the year securing support from US and European investors, however domestic success failed to match this pace
- The Board made the decision in June 2018 to wind back the domestic operations of the business and close the domestic Alliance Fund, returning capital to investors
- The hedge fund business will now solely manage the Dynamic Macro strategy for the institutional mandates. Blue Sky expects to exit the business entirely over the course of this year

Blue Sky Alternatives Access Fund Limited ('BAF')

- BAF is a listed investment company (ASX:BAF) that provides investors with direct exposure to a diverse portfolio of 50 Blue Sky managed funds
- Performance: Fund performance of 8.7%^{3,4} p.a. since inception
- Currently holds a strong cash position and is undertaking an on-market share buyback program

Notes:

- As at 30 June 2018.
- Returns relate to the hedge funds wound up during the financial year.
- Fund NTA performance to 30 June 2018 (which includes growth in pre-tax NTA, plus dividends and franking credits paid).
- Past performance is not a reliable indicator of future performance.
- FEAUM is rounded to closest A\$ million.
- Student Housing Business, December 2017.

1. Executive Summary

2. FY18 Results

3. Business Update

4. Corporate Initiatives

5. Outlook

Appendices

Underlying business model

Alternative asset investment management continues to be the focus

- Despite the events of the last five months, Blue Sky retains confidence in its private markets investment platform and its twelve year track record.
- Despite the distraction and disruption to our business, Blue Sky's investment teams have remained intact and have continued to focus on delivering the best possible returns to investors
- We are encouraged by the ongoing commitment of our investors, joint venture and other operating partners, and investee companies while we navigate through this difficult period
- We are confident that in making some tough decisions to reshape our business in FY18, we will build a better platform to continue to deliver growth for our investor clients and shareholders over the medium and long term.

But with enhanced oversight

- Following clear stakeholder feedback as well as internal and external reviews, Blue Sky has determined to improve its approach to transparency, governance and oversight
- Blue Sky's refined business model and practices are designed to enshrine the following principles:
 - *Alignment of interests between investors, the investment teams and Blue Sky*
 - *Investment managers with autonomy to control investment decisions*
 - *Institutional grade risk and governance frameworks applied uniformly across all business units and at Group level*
- Blue Sky is implementing improvements across the Group to ensure that these principles are firmly in place

Corporate restructuring – key objectives

Objective	Action
1. Focus on our strengths	<ul style="list-style-type: none">▪ Focus only on strategies that are institutional grade, scalable, profitable and where Blue Sky offers a competitive advantage
2. Implement a uniform <i>Risk and Governance Framework</i> across investment teams	<ul style="list-style-type: none">▪ Each business unit will be governed by its own Board and Management Investment Committee, with investing, compliance, risk management, and reporting policies to be uniform across each business unit▪ Formation of Group Investment Committee to provide oversight and consistency of investment discipline across the Group
3. Enhancing the autonomy, alignment and oversight of business unit investment teams	<ul style="list-style-type: none">▪ Investment team employment & remuneration will be tied to their discrete management vehicle. Investment teams will be incentivised by a share of their business unit’s realised profitability, rather than performance fees alone.▪ Business unit investment decisions to be made by the investment professionals in each business unit
4. Improving confidence of all stakeholders	<ul style="list-style-type: none">▪ Strengthen relationships and alignment between investment managers and Limited Partners (‘LPs’)▪ Paramount emphasis on achieving risk-adjusted investor client returns as the means to grow shareholder value over time▪ Improve transparency of operations and communications and results to stakeholders▪ Independent chair of trustee entity, Blue Sky Private Equity Limited, Australian Financial Services Licence (‘AFSL’) holder (314177)▪ Discussions progressing with Oaktree Capital Management

1. Focus on our strengths

- Blue Sky has reviewed its business and is committed to ensuring that in the future, every business unit must be institutional grade, scalable, profitable and operate in an underserved asset class where Blue Sky can offer stakeholders a competitive advantage
- Blue Sky will retain the following business units:

Business Unit	Asset Classes	FEAUM (30 June 2018)	Overall net returns ^{1,2,3}	Realised net Returns ^{1,2}
Real Assets	Water, farmland, operating agricultural assets, regional infrastructure	\$991m	18.4%	20.3%
Private Equity	Growth capital for small to mid cap private equity and venture capital opportunities in Australia, Asia and the United States	\$473m Australia \$70m USA	8.8%	18.8%
Private Real Estate	Student accommodation and commercial property development in Australia and the United States	\$1,313m Australia \$472m USA ⁴	12.2%	16.4%

- The decision has been made to progressively exit our Hedge Fund, Property Management Rights, and regional Residential Development funds over the next 12 months (FEAUM \$682m and FUM \$244m as at 30 June 2018)

Notes:

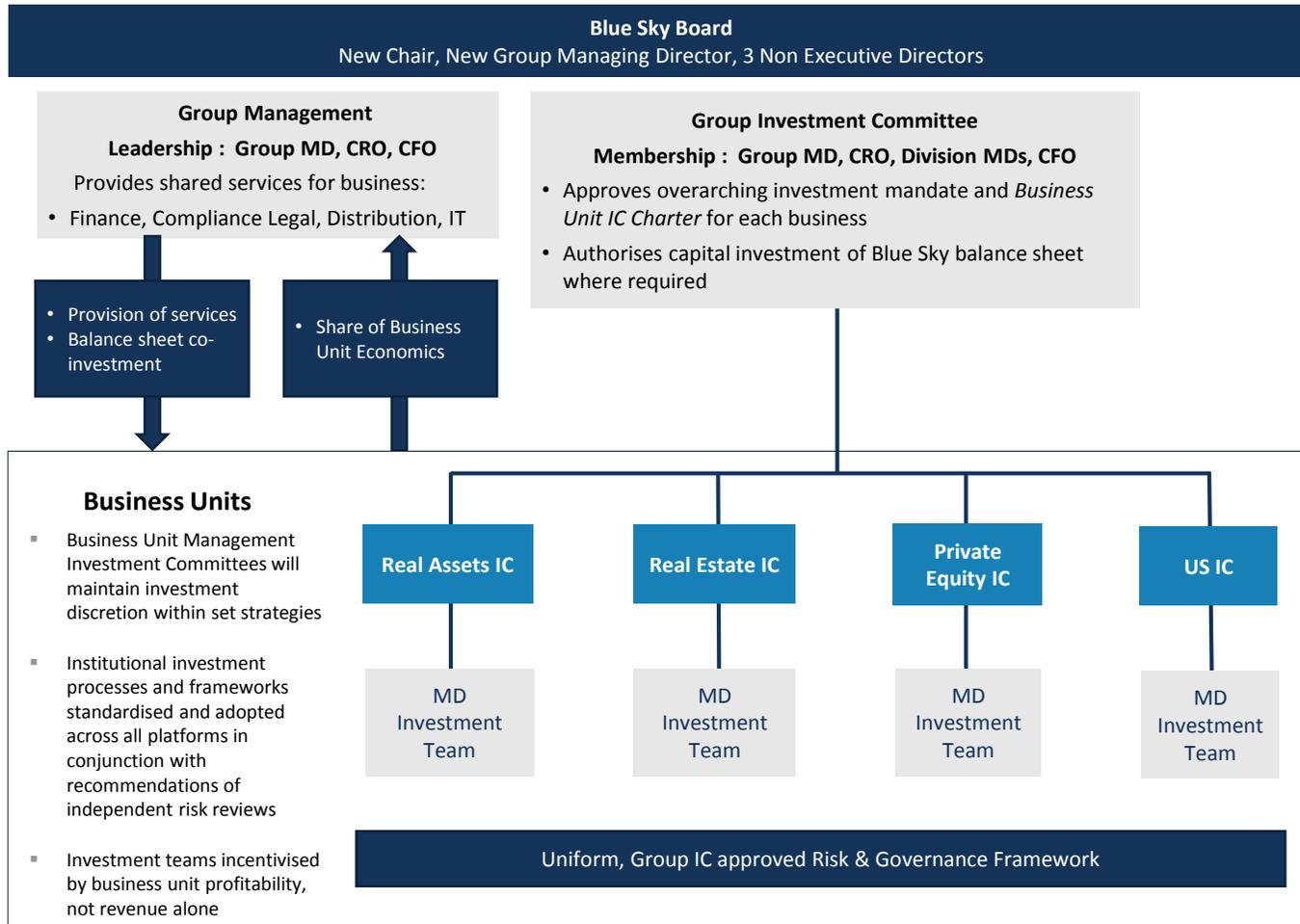
- Returns are equity-weighted since inception through to 30 June 2018. Returns include returns on open-ended funds (i.e. where investors have redemption rights).
- Past performance is not a reliable indicator of future performance.
- Overall returns are pre-tax, net of fees and include both realised and unrealised investments. All investment strategies originated and managed by Blue Sky since inception are included. Closed-ended funds that are less than 24 months old where there has been no material change in value of the underlying investment(s) are excluded.
- Represents Blue Sky's pro-rata asset holding given respective shareholding in JVs.

2. Establish a uniform risk and governance framework

- Blue Sky is implementing a new structure for investment approval, management and oversight.

Process	Policy
Strategy	<ul style="list-style-type: none"> Blue Sky's Group Investment Committee (IC) to approve overarching investment mandates for each business unit with any action outside mandate requiring Group IC approval Group IC to authorise alignment capital investment of Blue Sky balance sheet where required
Investment management	<ul style="list-style-type: none"> Business units to originate, research, approve, execute and manage investments (subject to LP/Investment Mandate terms) Business unit IC to approve every investment and exit with investments needing unanimous support and exits needing a majority
Oversight	<ul style="list-style-type: none"> A new position of Chief Risk Officer (CRO) created to ensure consistency of investment approach, risk management, adherence to mandate terms and to perform internal audit. Andrew Werro has commenced in this role.
Employment / Remuneration	<ul style="list-style-type: none"> Investment management teams directly recruited and employed by specific business unit entity Investment management teams incentivised by a defined share of realised (distributable cash) business unit profit, rather than performance fees alone. Major component of distributed key management personnel ('KMP') employee incentive to be reinvested in business unit investment strategies for on-going alignment and retention
Reporting	<ul style="list-style-type: none"> Direct reporting by business units to LPs/Mandates in the usual course Quarterly reporting to wholesale (sophisticated) investors co-ordinated across the firm

3. Enhance team autonomy, alignment and oversight



4. Improving confidence of all stakeholders

Objective	Process
<ul style="list-style-type: none"> Paramount emphasis on achieving risk-adjusted investor client returns 	<ul style="list-style-type: none"> Achieving superior risk-adjusted investor returns is the means to grow shareholder value over time
<ul style="list-style-type: none"> Strengthen relationships and alignment between investment managers and LPs 	<ul style="list-style-type: none"> Enhanced structure to ensure full alignment between fund investors, investment teams and Blue Sky
<ul style="list-style-type: none"> Appointments of high calibre industry specialists in critical roles 	<ul style="list-style-type: none"> Implementation of improved risk and governance framework across all parts of the business The creation of the CRO position and recruitment of a new Group MD
<ul style="list-style-type: none"> Improve transparency of operations and communications to stakeholders 	<ul style="list-style-type: none"> Independent valuation review of funds/portfolios on rotation throughout the year such that a quarter of all funds is valued each quarter (or as warranted based on significant developments/changes) Streamline investor reporting of private market investments
<ul style="list-style-type: none"> Strategic capital partnership 	<ul style="list-style-type: none"> A strategic partnership with Oaktree Capital Management would represent a significant vote of confidence in Blue Sky's strategic direction, its investment teams and the newly implemented operational infrastructure Balance sheet restored to ensure roll-out of planned co-investment strategy supporting pipeline of institutional investments Ability to attract high calibre independent Board Directors, Group Management and investment team talent (where required)

Corporate initiatives

Board & Executive Management

- Blue Sky is well advanced in its process for recruiting for the following roles:
 - A new Chairman
 - A new Group Managing Director
 - Non-executive Directors
- Chairman, John Kain will cease to be deemed independent from the time of the AGM (as a result of time served as a director of Blue Sky group entities) and will step down as Chairman once a replacement is confirmed
- Upon the appointment of a new Group MD Kim Morison will return to his role as Managing Director of Real Assets
- Executive Director, Tim Wilson will retire from the Board as non-executive directors are identified and appointed in the coming months and will continue in his role as MD of Private Equity.

Cost Reduction Initiatives

- Blue Sky committed in May 2018 to ensure recurring management fees exceed fixed operating expenses by FY19.
- A move to institutional grade platforms and co-mingled funds, along with fixed operating cost reductions, will re-weight fee structures towards recurring management fees, reducing Blue Sky's reliance on transaction fees
- Since Blue Sky's commitment to reduce expenses in May 2018, it has realised \$5 million in annualised fixed cost savings, and further cost reductions are planned in the first half of FY19
- By 31 December 2018, Blue Sky expects to have reduced its fixed cost base so that fixed operating expenses will be met from recurring management fee revenues

Strategic Partnership Update

- Blue Sky has received a number of inbound enquiries to invest in various parts of the business. Having regard to recent events the Blue Sky board ran a formal process to identify a capital partner who would help stabilise and grow the Blue Sky business by:
 - Investing capital in Blue Sky to fund further co-investment
 - Adding additional market leading expertise in asset management
 - Assisting to attract additional investment capital into underlying funds and strategies
- Following a comprehensive assessment of all interested parties, Blue Sky selected Oaktree Capital Management as its preferred capital partner and entered into exclusive negotiations in July.
- The key terms of the capital partnership with Oaktree contemplate:
 - An investment in Blue Sky of approximately \$60m by a convertible note facility
 - Proceeds to fund co-investment and working capital requirements
 - Board representation
 - Conversion right capped at 30% of issued share capital
 - Detailed terms remain confidential, noting that the Transaction remains subject to final approval by all parties
 - Aspects of the conversion rights will be subject to shareholder approval

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1. Executive Summary
 2. FY18 Results
 3. Business Update
 4. Corporate Initiatives

5. Outlook

Appendices

Outlook

- FY19:
 - Complete the planned corporate restructure
 - Engage with strategic partner
 - Establish Group Investment Committee; consistent investment disciplines across the Group
 - Exit selected Private Equity investments; initiation of institutional private equity capital raise
 - Continued deployment in Real Assets; water entitlements, farmland developments, sale and leaseback of high value agricultural assets
 - Re-engage with sophisticated investor base

- Further restructuring costs will be incurred in H1 FY19
- FEAUM will fall following exit of Retirement Living projects and Hedge Funds in H1 FY19
- At the time of writing Blue Sky has not been notified of any class action against the firm, and is continuing to work with ASIC in relation to their review of disclosure compliance

Conclusion

- What is most important to Blue Sky:
 - Delivering compelling risk-adjusted investment returns for investors
 - A profitable and sustainable private market investment management business
 - Earning, and preserving the trust and confidence of investors
 - The quality and integrity of our investment teams. Maintaining the relationships they hold with investor clients
 - Delivering shareholder value.
- Ensuring each investment management business unit is scalable, profitable, institutional grade, offers a point of difference for investor clients, and operates within its circle of competence and risk tolerance.
- Reducing fixed operating costs in line with recurring management fee revenue
- A uniform institutional grade risk, compliance, valuation, risk management and investment governance framework
- Autonomy of investment decisions in the best interests of investor clients
- Alignment of interests of investors, investment management teams and Blue Sky shareholders.

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1. Executive Summary
 2. FY18 Results
 3. Business Update
 4. Corporate Initiatives
 5. Outlook

Appendices

Understanding Blue Sky's financials

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

- Blue Sky invests into a range of funds that it manages, typically as alignment capital alongside institutional investors
- Blue Sky has also made several investments into joint ventures (e.g. Cove, Student Quarters) and operational businesses that are related to funds that we manage (e.g. Atira (the operator of our Australian student accommodation assets) and Aura (the operator of our Australian retirement living assets))
- **Statutory results:** *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 from funds in which it has invested and is deemed to have control are eliminated upon consolidation and therefore do not appear in our statutory results;
 - The assets and liabilities of funds that are consolidated are included in the Consolidated Group's Statement of Financial Position, but the fair value of the units held by Blue Sky in those funds is eliminated upon consolidation; 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 results:** Blue Sky's underlying results are prepared on exactly the same basis as its statutory results, 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 included in our underlying results
 - All investments in our funds are included in our underlying results at fair value
 - No consolidation of profit and loss, balance sheet and cash flow items from funds that we manage
 - Balance sheet investments into joint ventures (e.g. Cove, Student Quarters) are accounted for in the same way under our statutory and underlying results

Does Blue Sky's audit include its underlying results?

Ernst & Young audits our statutory results and reviews our underlying results

Do other alternative asset managers present underlying results?

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

Understanding Blue Sky's financials

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 significant 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"> Seven
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) 	<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 entities 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 significant 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-five 	<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) 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

Detailed underlying and statutory results:

Income statement

In AUD \$m	Underlying Results		Statutory Results	
	FY18	FY17	FY18	FY17
Management fees	\$13.6m	\$21.9m	\$14.7m	\$17.7m
Transaction fees	\$4.1m	\$15.7m	\$4.3m	\$15.7m
Responsible Entity fees	\$0.2m	\$1.3m	\$0.2m	\$1.3m
Performance fees	\$2.8m	\$22.3m	\$2.8m	\$22.3m
Investment income	-\$19.8m	\$7.6m	\$4.8m	\$7.2m
Share of profit of associates	-\$5.1m	\$9.4m	-\$6.2m	\$8.1m
Other income	\$4.2m	\$6.8m	\$8.1m	\$12.1m
Total income	-\$0.0m	\$85.0m	\$28.7m	\$84.4m
Employee benefits expense	-\$33.5m	-\$24.8m	-\$35.7m	-\$26.5m
Occupancy	-\$2.3m	-\$2.0m	-\$2.4m	-\$2.2m
Consultancy	-\$3.9m	-\$1.2m	-\$3.9m	-\$1.2m
External service providers	-\$7.5m	-\$2.7m	-\$7.6m	-\$2.9m
External capital raising expenses	-\$4.4m	-\$2.4m	-\$4.4m	-\$2.4m
Fee rebates to BAF	-\$2.7m	-\$5.9m	-\$2.7m	-\$5.9m
Other operating costs	-\$12.4m	-\$7.1m	-\$16.0m	-\$11.0m
Provisions and impairments	-\$31.5m	-	-\$30.5m	-
Total operating expenses	-\$98.2m	-\$46.1m	-\$103.2m	-\$52.1m
Depreciation and amortization	-\$0.4m	-\$0.4m	-\$0.6m	-\$1.4m
Finance costs	-\$1.7m	-\$1.0m	-\$1.9m	-\$1.2m
Net loss before tax	-\$100.3m	\$37.5m	-\$77.0m	\$29.7m
Net loss after tax to owners of BSAIL	-\$85.6m	\$25.5m	-\$70.6m	\$20.6m
Non-controlling interests	-	-	\$3.0m	\$0.1m

Commentary on statutory results:

- Statutory results exclude the management fees, performance fees and other fees that have been earned by Blue Sky from consolidated funds (as these are eliminated upon consolidation in accordance with AASB 10)
- Statutory results include all of the revenue and expenses attributable to funds that have been consolidated, as well as a share of the profit/(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 attributable to funds that have been consolidated in the statutory results, as well as the share of profit/(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

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 and fund related entities 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	
	FY18	FY17	FY18	FY17
Cash	\$40.0m	\$70.6m	\$40.9m	\$72.2m
Trade and other receivables	\$46.4m	\$38.0m	\$43.4m	\$38.4m
Other current assets	\$7.0m	\$4.6m	\$8.7m	\$5.1m
Total current assets	\$93.4m	\$113.2m	\$93.0m	\$115.7m
Investments in associates and joint ventures	\$19.7m	\$11.5m	\$46.3m	\$51.6m
Financial assets at fair value through profit and loss	\$41.1m	\$63.4m	\$0.2m	\$0.0m
Trade and other receivables	\$41.7m	\$52.8m	\$49.7m	\$48.5m
Property, plant and equipment	\$3.0m	\$3.2m	\$9.8m	\$4.8m
Intangible assets	\$4.9m	\$5.6m	\$9.6m	\$11.0m
Investment property – retirement villages	\$0.0m	\$0.0m	\$112.2m	\$54.9m
Other non-current assets	\$0.0m	\$0.0m	\$3.8m	\$2.0m
Total non-current assets	\$110.4m	\$136.5m	\$231.6m	\$172.8m
Total assets	\$203.8m	\$249.7m	\$324.6m	\$288.5m
Trade and other payables	\$17.7m	\$36.6m	\$18.6m	\$35.7m
Borrowings	\$0.7m	\$8.4m	\$6.2m	\$16.7m
Resident loans – retirement villages	\$0.0m	\$0.0m	\$23.5m	\$14.9m
Other current liabilities	\$13.3m	\$14.0m	\$14.7m	\$14.8m
Total current liabilities	\$31.7m	\$59.0m	\$63.0m	\$82.1m
Borrowings	\$0.0m	\$0.0m	\$86.1m	\$37.2m
Other non-current liabilities	\$14.8m	\$34.5m	\$14.8m	\$27.8m
Total non-current liabilities	\$14.8m	\$34.5m	\$100.9m	\$65.0m
Total liabilities	\$46.5m	\$93.5m	\$163.9m	\$147.1m
Net assets	\$157.3m	\$156.2m	\$160.7m	\$141.4m
Net tangible assets	\$152.4m	\$150.6m	\$151.1m	\$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. 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

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 and fund related entities 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	
	FY18	FY17	FY18	FY17
Receipts from customers	\$36.4m	\$71.6m	\$46.1m	\$65.8m
Payments to suppliers and employees	-\$69.2m	-\$49.8m	-\$75.0m	-\$54.8m
Interest received	\$0.6m	\$2.4m	\$0.6m	\$2.4m
Interest and other finance costs paid	-\$1.1m	-\$0.9m	-\$1.2m	-\$1.1m
Income taxes paid	-\$5.1m	-\$3.8m	-\$5.1m	-\$3.9m
Net cash from / used in operating activities	-\$38.4m	\$19.5m	-\$34.6m	\$8.4m
Payments for equity investments	-\$32.5m	-\$12.1m	-\$28.5m	-\$11.0m
Proceeds from disposal of equity investments	\$6.8m	\$17.7m	\$6.7m	\$27.6m
Payments for property, plant and equipment	-\$0.2m	-\$0.1m	-\$6.1m	-\$0.4m
Payments for investment property	\$0.0m	\$0.0m	-\$34.2m	-\$28.3m
Payments for intangible assets	-\$0.4m	-\$0.2m	-\$0.6m	\$0.7m
Bridging finance and loans to funds (net)	-\$41.4m	-\$7.5m	-\$38.7m	-\$7.3m
Net cash from / used in investing activities	-\$67.7m	-\$2.2m	-\$101.4m	-\$18.7m
Proceeds from issue of shares	\$101.8m	\$1.0m	\$101.9m	\$1.0m
Share issue transaction costs	-\$3.5m	-\$0.2m	-\$3.5m	-\$0.2m
Proceeds from borrowings	\$35.4m	\$33.4m	\$75.9m	\$71.9m
Repayment of borrowings	-\$43.3m	-\$33.0m	-\$54.4m	-\$37.6m
Dividends paid	-\$15.7m	-\$10.8m	-\$16.0m	-\$16.4m
Net cash from / used in financing activities	\$74.7m	-\$9.6m	\$103.9m	\$18.7m
Effect of exchange rate changes	\$0.8m	-	\$0.8m	-
Starting cash balance	\$70.6m	\$62.9m	\$72.2m	\$63.8m
Ending cash balance	\$40.0m	\$70.6m	\$40.9m	\$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

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 and fund related entities 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)

Understanding Blue Sky's performance fees

A Closed-ended funds

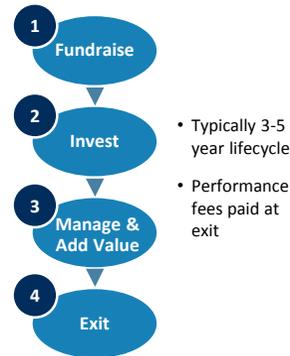
Performance fees

Accounting treatment

- Accrued (i.e. non-cash) at least annually throughout fund lifecycle based on hypothetical liquidation of fund assets at market value
 - Recorded in fund as a liability to report an accurate unit price to fund investors
 - Recorded in Blue Sky as an asset (net of performance fee related compensation to investment teams) to report an accurate NTA to shareholders

Cash treatment

- Paid upon realisation event (e.g. the sale of the asset held in the fund) if specified return realised by fund investors (typically 20% of returns above an 8% p.a. hurdle rate)



Trustee obligation

Report to investors the value of their investment throughout lifecycle at least annually



Key assets in fund to be valued at least annually



Asset valuations independently reviewed annually to report accurate value to investors

B Open-ended funds¹

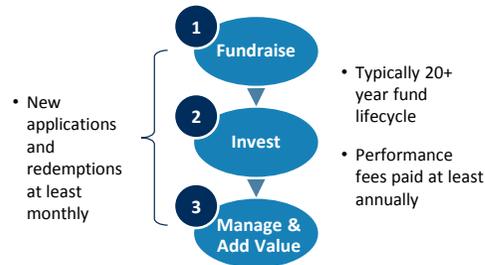
Performance fees

Accounting treatment

- Accrued (i.e. non-cash) at least monthly throughout fund lifecycle based on hypothetical liquidation of fund assets at market value
 - Recorded in fund as a liability to report an accurate unit price to fund investors
 - Recorded in Blue Sky as an asset (net of performance fee related compensation to investment teams) to report an accurate NTA to shareholders

Cash treatment

- Paid at least annually if specified return achieved for fund investors (e.g. for the Blue Sky Water Fund, 17.5% of returns above an 8% hurdle rate subject to "high water mark"²)



Trustee obligation

Report to investors the value of their investment throughout lifecycle at least monthly



Key assets in fund to be valued at least monthly



Asset valuations independently reviewed at least monthly to report accurate value to investors

Notes:

- For example, the Blue Sky Water Fund
- Represents the highest value that a fund has reached historically and is used as a required benchmark for future performance fees

Summary of expected AASB 15 impacts

- Performance fee revenue recognition expected to align with the realisation of fund assets or contracted performance fee entitlements (e.g. per open-ended fund or mandate agreements)
- One-off material impact to opening balances following the adoption of AASB 15 on 1 July 2018. On a pro-forma basis the estimated reduction is \$0.27 in NTA per share to the 30 June 2018 financial position
- The transition from previous revenue standards and the complete impact will be disclosed in our financial report for the half-year ending 31 December 2018
- Financial Statement impacts expected to include:
 - Timing of future years revenue recognition
 - One-off adjustment to opening balances
 - No effect to cash flow
 - Additional disclosures
- Further commentary and detail is provided in Blue Sky's Financial Report for the year ended 30 June 2018

Glossary

AASB	Australian Accounting Standards Board
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
Atira	Operator of student accommodation. Blue Sky owns 50% of Atira
AUD	Australian dollars
AUM	Assets Under Management
Aura	Operator of retirement villages. Blue Sky owns 50% of Aura
BAF	Blue Sky Alternatives Access Fund Limited
Blue Sky	Blue Sky Alternative Investments Limited
Board IC	Board Investment Committee
CFO	Chief Financial Officer
Cove	Cove Property Group, a US based funds management business that invests in institutional grade commercial property. Blue Sky owns 38% of Cove
CRO	Chief Risk Officer
EBITDA	Earnings before interest, tax, depreciation and amortisation
FEAUM	Fee-earning Assets Under Management
FIRB	Foreign Investment Review Board
FY17	Financial year ended 30 June 2017
FY18	Financial year ended 30 June 2018

FY19	Financial year ended 30 June 2019
IC	Investment Committee
IFRS	International Financial Reporting Standards
IMA	Investment Management Agreement
IRR	Internal rate of return
KMP	Key Management Personnel
LP	Limited Partner
MD	Managing Director
MDB	Murray Darling Basin
NPAT	Net profit after tax
NPBT	Net profit before tax
NTA	Net tangible assets
p.a.	Per annum
pcp	Prior corresponding period
PM	Portfolio Manager
Q4	Quarter financial year ended 30 June
Student Quarters	A US based funds management business that invests in institutional grade student accommodation. Blue Sky owns 60% of Student Quarters

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BlueSky
Alternative Thinking