

JOINT RELEASE**18 October 2018****Proposal to Transition BAF to New Manager
and New Investment Mandate**

The Boards of Blue Sky Alternative Investments Limited (ASX: BLA) ('BLA') and Blue Sky Alternatives Access Fund Limited (ASX: BAF) ('BAF') today confirm a proposal to reposition BAF as a diversified alternatives multi-manager fund, to be managed by an entity that is majority owned by Pinnacle Investment Management Group Limited (ASX: PNI, 'Pinnacle').

The proposal follows discussions between BLA (the holding company of the current Manager of BAF) and the Directors of BAF as to the positioning of BAF, the costs and strategic alignment of BAF with BLA's future business model and a strategic review undertaken by the Directors of BAF to seek to address BAF's recent trading discount to net tangible assets ('NTA').

BLA Rationale for Separation

- BLA continues its transition to a predominantly institutional-based fund manager of private market assets
- BAF's discounted fee arrangements do not sufficiently compensate for the costs of managing BAF
- BLA's forecast annual savings for BLA from the new arrangement are greater than \$1.0 million p.a.

BAF Rationale for Separation

- The proposal seeks to preserve the nature of BAF as a unique vehicle for retail investors to gain access to sought after private market investments typically only accessible by institutional and wholesale investors, while broadening its scope to a multi-manager strategy
- Provides an opportunity to deploy capital into a multi manager platform and broadens the scope of its investment opportunities, including into asset classes that BLA does not offer

New Arrangements

- Agreements executed today seek to transition BAF to a new manager and a new investment mandate, effective from 1 January 2019, subject to obtaining requisite shareholder approvals
- Proposed mutually agreed cessation of BLA as the Manager of BAF and entry into new arrangements with BLA in relation to existing BLA-managed funds going forward
- New arrangements with BLA in respect of existing BLA managed underlying funds as follows:
 - Consistent with current fee rate, a 1.2% pa management fee payable to BLA on a fund by fund (not a portfolio) basis, monthly in arrears from 1 January 2019
 - Consistent with current fee rate, a 17.5% performance fee in excess of an 8% IRR, calculated from 1 January 2019 and payable on a fund by fund (not a portfolio) basis on the same terms as the underlying fund (but with the investment cost base reset to the higher of \$1 per unit or the carrying value at 31 December 2018)
 - Any underperformance to the 8% pa hurdle rate in the existing management agreement to 31 December 2018 must be caught up prior to future performance fees being paid
- BAF intends to continue to support BLA in its management of existing BAF investments in BLA funds post the change of manager of BAF
- Proposed new investment mandate for a diversified alternatives multi-manager fund, with Alterum Investment Management ('New Manager'), a majority-owned subsidiary of Pinnacle. Pinnacle is an investment

management firm which holds equity interests in 12 other specialist fund managers with \$47.8 billion funds under management

- From 1 January 2019, BAF's management will transition to the New Manager consistent with BLA's stated strategy of reducing costs below recurring income streams
- BAF to be renamed Alternative Markets Access Fund Limited (ASX: AMF), subject to shareholder approval
- A new Investment Committee will be established by the New Manager, initially consisting of three members, including one independent non-executive member with appropriate experience in the alternatives industry (who is to be appointed in due course following shareholder approvals), one Pinnacle representative and one Executive Shareholder
- The Board of the New Manager will consist of two Pinnacle appointments and one Executive Shareholder

It is also proposed that Andrew Champion, the Executive Chair of BAF, and Adam Sharplin, BAF Portfolio Analyst, will join the New Manager and hold minority equity interests in the New Manager alongside Pinnacle. This has been a decision made by Pinnacle as the proposed New Manager and agreed to by the independent directors of BAF. Andrew Champion will be the Executive Shareholder representative on the Board and Investment Committee of the New Manager. As previously announced, and separate to the new agreements, the role of Chair of BAF will be transitioned to an Independent Non-Executive Director at the conclusion of BAF's 2018 AGM.

Shareholder Approval Requirements

BAF intends to convene an EGM on 13 December 2018 at which shareholders will have the opportunity to consider and approve the proposed arrangements, including the entry into the new management agreement with the New Manager and the proposed change of company name. Implementation of the proposed agreements with both BLA and the New Manager are subject to the arrangements being approved by BAF's shareholders at the EGM.

An EGM Notice of Meeting will be distributed to shareholders in due course which will contain further details regarding the proposed arrangements including a summary of the new management agreement. Whilst not formally required under the ASX Listing Rules or *Corporations Act 2001* (Cth), BAF is commissioning an IER in relation to certain aspects of the proposed transaction, a copy of which will be provided to shareholders with the EGM documentation. The IER is expected to opine on: a) whether the advantages to BAF shareholders of the proposed transaction outweigh the disadvantages; and b) whether the new management arrangements are at arm's length.

BLA does not require shareholder approval.

Summary

Today represents a significant milestone for BAF and further progress in BLA's transition to an institutional alternative asset manager. For BLA it is a continued demonstration of a pursuit of an institutionally funded scalable asset management platform and a further saving of greater than \$1.0 million p.a. For BAF, it represents an opportunity to deploy capital into a multi manager platform and broaden the scope of its investment opportunities.

BAF shareholders can find further details in a BAF Investor Presentation lodged today on the ASX.

For more information please contact:

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