



# Blue Sky Alternative Investments Limited

## ANNUAL GENERAL MEETING

November 2016

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

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**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 Comprehensive Income, Statement of Financial Position 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 financial statements where a range of Blue Sky's equity holdings in the funds that it manages are either consolidated or equity accounted following the adoption of the AASB 10 – Consolidated Financial Statements accounting standard.

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

# AGENDA

**1** **Executive Summary**

2 Investor Returns

3 Assets Under Management

4 Investment Thematics

5 Alternatives Access Fund (ASX: BAF)

6 Financials

7 Conclusion

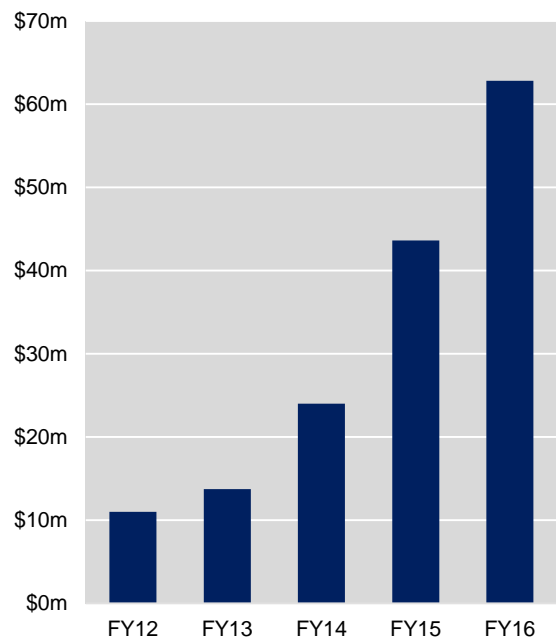
8 Formal Business

- **Our business grew at approximately 50% in FY16**
  - **Underlying NPAT:** Up 57% from \$10.4 million to \$16.3 million
  - **Fee-earning AUM:** Up 56% from \$1.35 billion to \$2.1 billion at 30 June 2016
  - **Underlying revenue:** Up 44% from \$43.6 million to \$62.8 million
  - **EBITDA margin:** Grew from 35.5% in FY15 to 39.0% in FY16 (and moving towards 50% as business scales)
  - **AUM to NPAT conversion:** Conversion of ~1.0% of average fee-earning AUM to NPAT expected to continue
  - **Cash flow conversion<sup>1</sup>:** Improved from 59% in FY15 to 71% in FY16 as our business matures
- **Investment returns over 10 years are 16.7% p.a. net of fees<sup>2</sup>**
  - **Realised 29 investments since inception**, with our realised track record superior to our overall track record
  - **Comprehensive review of returns since inception undertaken by Ernst & Young** at the end of FY16
  - Our track record is a **key source of competitive advantage** and is difficult to replicate
- **Fee-earning AUM grew to \$2.4 billion at the end of Q1 FY17 (up from \$2.1 billion at 30 June 2016)**
  - Fee-earning AUM to exceed **\$3 billion by the end of FY17**
  - Targeting **\$5 billion in fee-earning AUM by end of FY19 and \$10 billion shortly thereafter**
- **AUM from all investor segments has grown**
  - **Institutional investors:** Have attracted capital from 10 institutions (both domestic and offshore)
  - **Wholesale/sophisticated investors:** This network remains our core and continues to grow rapidly
  - **Retail investors:** Excess demand for recent BAF raise reflects strong demand for alternatives from retail investors
- **FY17 earnings guidance: anticipate underlying FY17 NPAT of \$24-26 million**

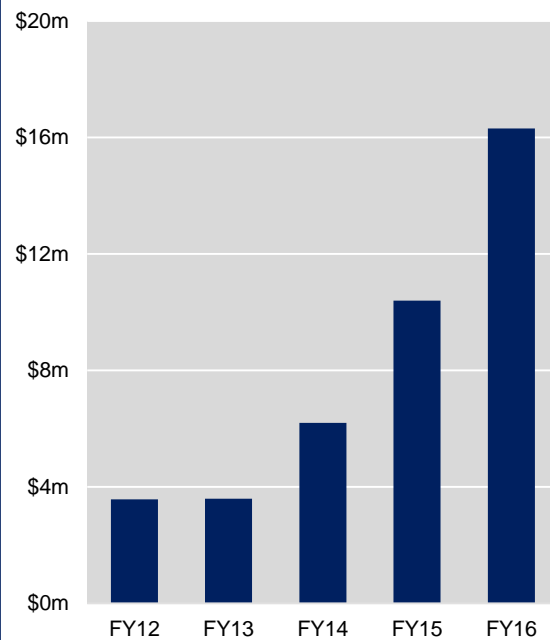
1. Cash flow conversion calculated as Net Operating Cash Flow divided by NPAT.

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

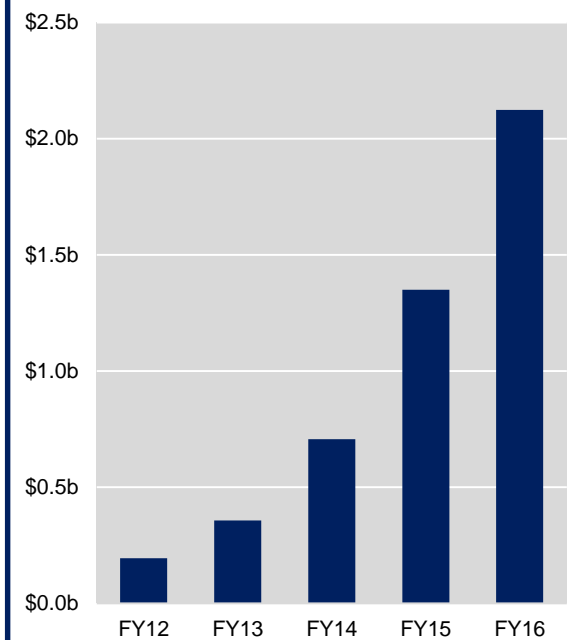
## Underlying Revenue



## Underlying NPAT



## Fee-earning AUM



Past performance is not a reliable indicator of future performance.





# Our growth in FY16 continued the trajectory of the last five years

	30 June 2011	30 June 2016	Result
<b>Fee-earning AUM</b>	\$140 million <sup>1</sup>	\$2.1 billion (as at 30 June 2016); \$2.4 billion (as at 30 Sept 2016)	✓ <b>15x growth (to 30 June 2016)</b>
<b>Underlying revenue</b>	\$3.5 million	\$62.8 million	✓ <b>18x growth</b>
<b>Underlying NPAT</b>	(\$0.4) million	\$16.3 million	✓ <b>Converting ~1% of average fee-earning AUM to NPAT</b>
<b>Balance sheet</b>	\$1.3m NTA (including \$0.5 million cash)	\$134m NTA (including \$63 million cash)	✓ <b>Provides platform for our next wave of growth</b>
<b>Market capitalisation</b>	Unlisted (IPO in Jan 2012 with a market cap of \$33 million)	\$546 million (as at 30 June 2016)	✓ <b>16.5x growth since IPO (to 30 June 2016)</b>
<b>Institutional investors</b>	Nil	10 institutional investors in underlying funds	✓ <b>Reflects institutional quality team and track record</b>
<b>Realised returns<sup>2</sup></b>	4 realisations in first five years (reflects long dated nature of funds)	29 realisations across PE & VC (18.2% IRR) and PRE (18.5% IRR)	✓ <b>Compelling 10 year investment track record</b>
<b>Team</b>	21 employees (\$6.7m fee-earning AUM/employee)	82 employees (\$25.6m fee-earning AUM/employee)	✓ <b>AUM per employee ~4x higher than 2011</b>
<b>Offices</b>	Brisbane, Adelaide	Brisbane, Adelaide, Sydney, Melbourne, New York	✓ <b>Strong domestic platform; emerging global capability</b>

1. Excludes offshore mandate that ended shortly after the FY11 financial year.

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

# We delivered our key priorities for FY16

What we said we'd do	Current status
 <p>Investment track record of &gt;15% p.a. net of fees since inception</p>	 <p>10 year investment track record. Returns of 16.7% p.a. net of fees since inception to 30 June 2016<sup>1</sup></p>
 <p>Grow AUM to achieve \$2 billion by 31 December 2016</p>	 <p>Fee-earning AUM of \$2.1 billion at 30 June 2016 (and \$2.4 billion at 30 September 2016)</p>
 <p>Raise two additional funds that attract institutional capital</p>	 <p>Raised capital from four new institutional investors</p>

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

## Our key priorities for FY17

1. Maintain our investment track record of >15% p.a. net of fees since inception<sup>1</sup>
2. Grow fee-earning AUM to exceed \$3 billion by 30 June 2017
3. Deliver on our FY17 earnings guidance – i.e. underlying NPAT of \$24–26 million

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



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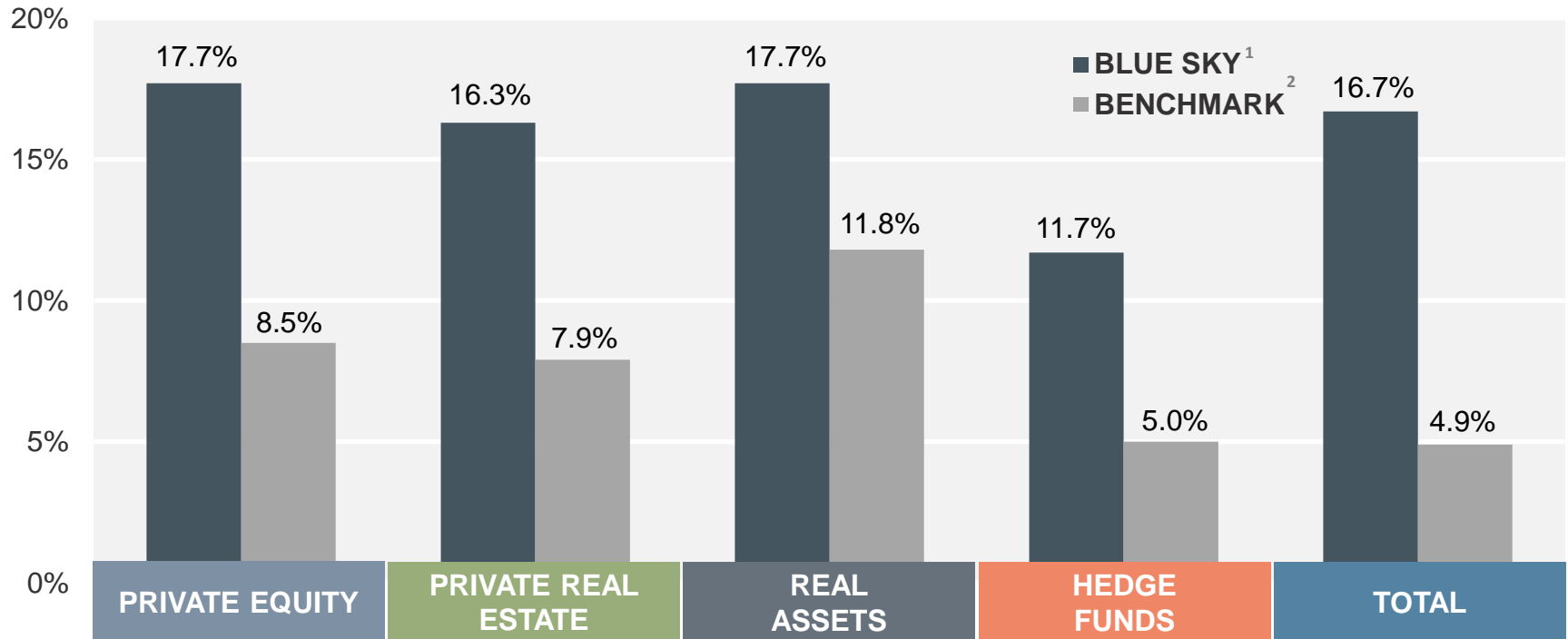
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# Investor returns at 30 June 2016: 16.7% p.a. net of fees since inception<sup>1</sup>



1. Total returns are equity weighted returns since inception through to 30 June 2016. Returns are net of fees and include both realised and unrealised investments. Past performance is not a reliable indicator of future performance.
2. Benchmarks are measured over the same time period as the returns for each division and are sourced from Chant West's December 2015 and June 2016 media releases. Private Equity – Chant West Private Equity performance over 10 years. Private Real Estate – Average of Chant West Australian Unlisted Property performance over 10 years. Real Assets – Average of Chant West Unlisted Infrastructure performance over 3 and 5 years. Hedge Funds – Chant West Hedge Fund performance over 10 years. Overall – S&P ASX200 Accumulation Index from 1 July 2006 to 30 June 2016.



## PRIVATE EQUITY

Continued Private Equity exits, including the sale of Readify that generated a 23.2% IRR (net of fees) to fund investors

Executed first growth equity investment in North America

Overall portfolio positioned well, with small decline in overall returns attributable to newer investments that are yet to deliver any significant change in value



## PRIVATE REAL ESTATE

Student accommodation investments playing out as anticipated and continue to deploy capital in this sector

Established Cove joint venture, which made its first investment in March 2016

Selected exits from management rights portfolio over FY17 will be delivered



## REAL ASSETS

Water Fund generated 26.2% return in FY16, and is now up 96.5% since inception (17.5% p.a.)<sup>2</sup>

Continued to deploy capital in water and agriculture

Agricultural investments continue to perform at or above investment case which may lead to early exit opportunities over the coming years



## HEDGE FUNDS

Dynamic Macro Strategy returned 8.2% in FY16, performing well in market downturns (such as January 2016). Returns since inception are now 10.1% p.a. with a correlation of -0.47 to the ASX200<sup>3</sup>

Dynamic Macro fund recognised by Barclay Hedge as one of the Top 20 hedge funds in its class globally

Each of our hedge fund products generated a positive return in FY16

1. Past performance is not a reliable indicator of future performance.  
 2. Returns since inception for the Water Fund are through to 31 October 2016.  
 3. Returns since inception for Blue Sky Alliance Fund – Dynamic Macro Portfolio are through to 31 October 2016.

- **We continue to exit investments and generate strong cash returns for investors**
  - **29 investments exited since inception** from our Private Equity/Venture Capital and Private Real Estate divisions
  - **Realised returns are superior to unrealised returns:**<sup>1</sup>
    - Private Equity/Venture Capital: realised returns of 18.2%; overall returns of 17.7%
    - Private Real Estate: realised returns of 18.5%; overall returns of 16.3%
  - In addition, our Water Fund (Real Assets) and our Hedge Funds are open-ended and marked to market (monthly for our Water Fund and weekly for our Hedge Funds)
- **A regular and multi-layered review occurs across our investments:**
  - **Top tier, independent valuation experts used** across all four asset classes (e.g. KPMG, JLL)
  - **Top tier firms used for audit** of BLA, BAF and our underlying funds (e.g. Ernst & Young, PWC)
  - **BLA/BAF boards** review and sign-off valuations
  - **Institutional investors** also review and provide sign-off for the funds where they have invested (e.g. First State Super sign-off water entitlement values)
  - Rigorous and inherently conservative process demonstrated by the fact 26 out of 29 exited investments have been at a valuation above the carrying value
- **A comprehensive review of our investment track record since inception was completed by Ernst & Young**
  - Review conducted following FY16 to coincide with our 10 years since inception
  - Confirmed overall track record of 16.7% p.a. net of fees as well as the track records of each of our divisions<sup>1</sup>

1. All returns are since inception to 30 June 2016 and are net of fees. Past performance is not a reliable indicator of future performance.

## Independent valuation experts used

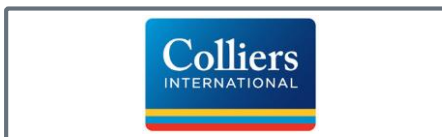
PRIVATE EQUITY AND VENTURE CAPITAL



PRIVATE REAL ESTATE



REAL ASSETS



HEDGE FUNDS



## Independent audit review

BLA



BAF



FUND LEVEL AUDITS  
(e.g. registered schemes)



## Board sign-off

BLA

*Signed off each reporting period by BLA board*

BAF

*Signed off each reporting period by BAF board, as well as monthly as part of NTA reporting*

Note: Businesses identified above are examples of independent valuation experts that are used by Blue Sky.

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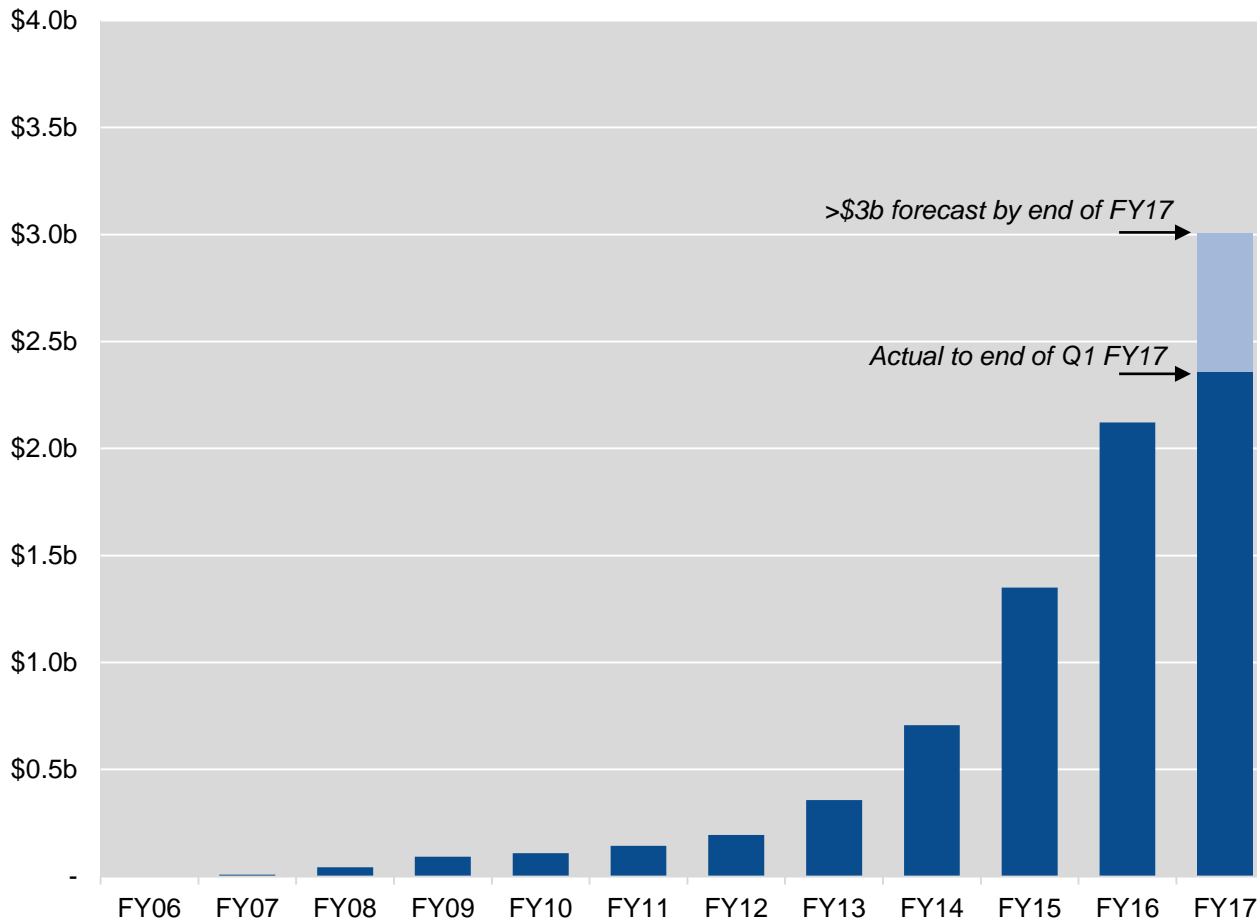
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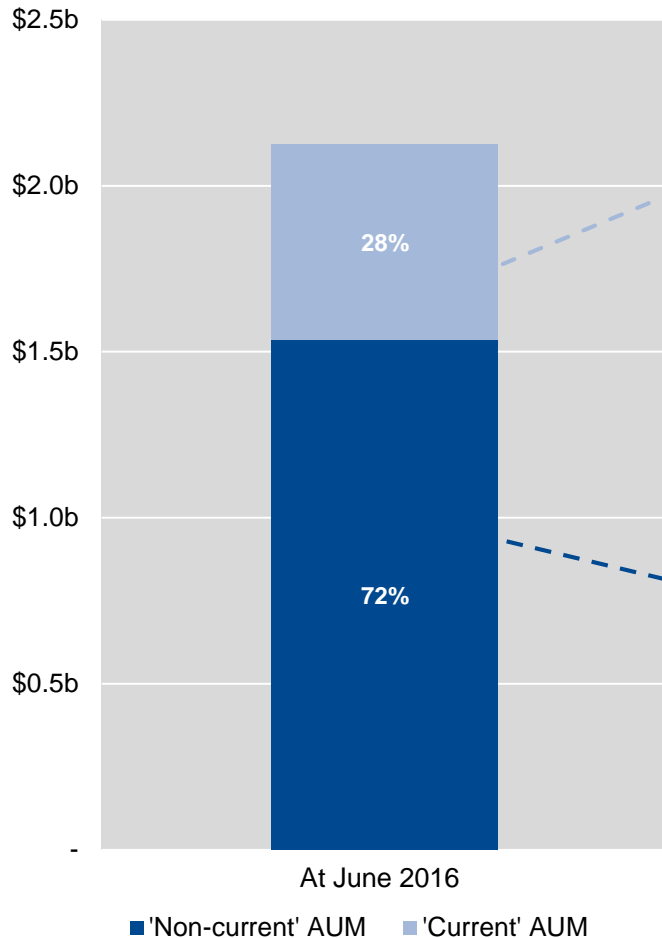
# Fee-earning AUM have grown to \$2.4 billion

## Fee-earning assets under management



- Fee-earning AUM have grown at 80% p.a. since FY12 when we listed on the ASX
- AUM growth has driven management and performance fee growth
- Forecast that fee-earning AUM **will exceed \$3 billion by the end of FY17**
- **Targeting at least \$5 billion by the end of FY19 and \$10 billion shortly thereafter**

## Fee-earning assets under management



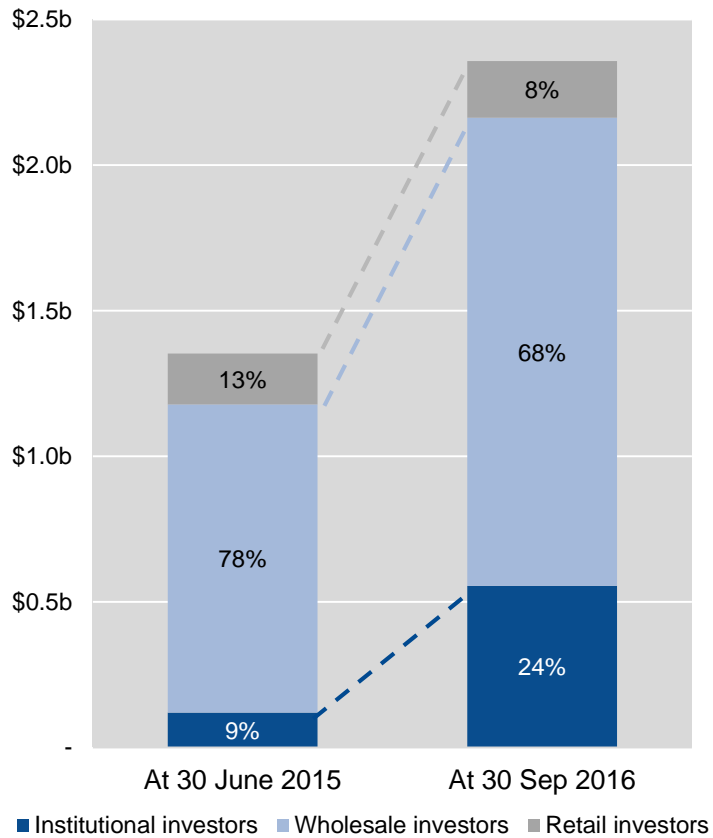
- Current AUM includes:
  - Open-ended funds: Hedge Funds; Water Fund (excl. institutional mandate)
  - Closed-ended funds with anticipated realisations in FY17 (e.g. some Private Equity and a number of Private Real Estate Funds)

- All remaining AUM is in closed-ended funds that are 'non-current'. These include:
  - Private Equity and Venture Capital: Funds with anticipated realisations beyond FY17
  - Private Real Estate: Funds with anticipated realisations beyond FY17
  - Real Assets: Institutional investment into water entitlements; closed-ended water infrastructure and agribusiness funds with anticipated realisations beyond FY17
  - BAF: 10-year management agreement
- **Provides baseline level of fee-earning AUM that generates fees over a multi-year period**

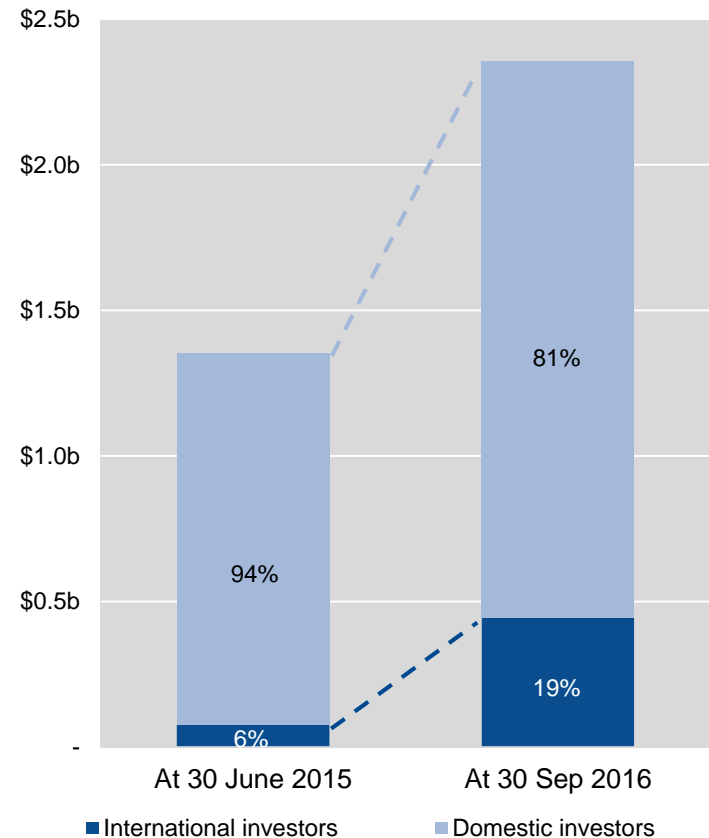


# We target diverse sources of capital

**Fee-earning AUM by investor type**



**Fee-earning AUM: International v domestic**



- **Institutional investors:**
  - Attracted capital from **10 institutional investors**, both domestic and offshore (includes First State Super, Goldman Sachs and Partners Group)
  - Institutional capital across **three of our four asset classes** (Private Equity and Venture Capital, Private Real Estate and Real Assets)
- **Wholesale investors:**
  - Continues to be our **core investor base** and a strength of our business. Comprised of family offices, HNWIs and SMSFs
  - Blue Sky pioneered providing access to alternative assets to this segment, however this **still in its infancy**
    - For example, there are over 570,000 SMSFs in Australia. We have a <1% share of this market
  - This segment **continues to grow**, however will decline as a percentage of our overall fee-earning AUM as we attract further institutional capital
  - Provides an **important source of proprietary deal flow** across our business
- **Retail investors:**
  - Two Blue Sky products are open to retail investors: the Blue Sky Alternatives Access Fund (ASX: BAF) and our Hedge Funds
  - BAF has grown to a market capitalisation of ~\$200 million following recent capital raise (up from \$60.4 million at IPO)<sup>1</sup>
    - Significant oversubscription for recent capital raise reflects **growing demand from retail investors for alternatives**
- **Domestic vs. international investors:**
  - Emerging international platform with New York office now well established and capital attracted from investors based in North America, Hong Kong, Singapore, the United Kingdom, South Africa and New Zealand
  - Long term **target to attract 50% of fee-earning AUM from offshore**

1. Market capitalisation (including allotment of new shares under the recent entitlement offer) was \$198m based on closing share price at 17 November 2016.

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## “The Essentials”

- Our investment focus continues to be on things people need, rather than things people want
  - We favour industries that – like alternatives – have long term, structural tailwinds

Examples of focus areas:

### Healthcare

**HPS**

**ALCIDION**

**sereneMEDICAL**

### Education



### Retirement

**AURA**



**OAK TREE**  
RETIREMENT VILLAGES

### Water



- Our Private Equity and Venture Capital team has invested in healthcare businesses since 2011:
  - **Large and growing market:** A\$175 billion market in Australia with growth driven by an expanding and ageing population.
  - **Defensive:** Consumption is generally non-discretionary
  - **Long-term contracts:** Many healthcare businesses benefit from long-term contracts
  - **Increasing trend towards outsourcing:** Has led towards private sector growth in excess of total market growth.
- Private Equity healthcare investments:
  - **HPS:** Market leading and rapidly growing provider of outsourced pharmacy services to hospitals, oncology clinics and correctional facilities in Australia.
  - **Alcidion:** A health infomatics business that has developed clinical risk management and decision support software for healthcare clients. Listed on the ASX; market capitalisation implies a ~4x return on our investment.<sup>1</sup>
- Venture Capital healthcare investments:
  - **Hatchtech:** Developer of a proprietary headache treatment. Commercialisation rights were sold to Dr Reddys. Awarded AVCAL's Best Early Stage Transaction in 2016.
  - **Conventus:** An orthopaedic medical device company. Since our investment, has received FDA approval for several of their key devices (for treatment of fractures).
  - **Serene Medical:** US based developer of a safer, longer lasting alternative to Botox. Since investing, Serene's device has received FDA approval and is being used by plastic surgeons in the US.



1. As at 17 November 2016.

## Student Accommodation:

- Our Private Real Estate team commenced investing in student accommodation developments in 2014:
  - **Large industry:** Education is Australia's third largest export industry
  - **Structural tailwinds:** Global, multi-decade trend towards increased international students; overall student enrolments in Australia having increased ~40% since 2004<sup>1</sup>
  - **Defensive:** Student enrolments typically increase during periods of economic downturn
  - **Under-investment in the sector:** On average, there are only 6.8 student beds for every 100 tertiary students in Australia's capital cities vs almost 25 in the UK<sup>2</sup>
- Signed a joint venture with Goldman Sachs in January 2016 (with Goldman Sachs investing 50% of the equity in each new development).
- Currently have 7 sites representing 3,900 beds. All sites at or ahead of investment case.

## Other education investments:

- **Origo Education:**
  - Private Equity investment into a provider of digitally led maths instructional materials for primary school students in Australia, New Zealand, North America and Thailand
- **Student Quarters:**
  - Blue Sky's US team has recently established a student accommodation platform (Student Quarters) to buy, own and operate US student accommodation assets
  - Student Quarters comprises a highly experienced team with a proven track record and currently manages ~5,000 beds on behalf of third party asset owners
  - This US platform focuses on investing in operational assets with strong cash yield, complementing our Australian development business
  - BLA owns 60% of the management company

1. Department of Education and Training Australia 2014; HESA, Destatis, INSEE, Ministerio de Educacion, Rijksoverheid.nl, National Centre for Education Statistics, Department of Education and Training, Savills World Research.  
2. Jones Lang LaSalle, 2015.

## Examples of Blue Sky sites



Woolloongabba, Brisbane



Waymouth Street, Adelaide



La Trobe Street, Melbourne

- **Backed by long term structural tailwinds:**
  - Exposure to Australia's ageing population, with the number of Australians aged over 65 expected to increase from 3.6 million today to 4.2 million by 2020 and 8.8 million by 2050<sup>1</sup>
  - Currently lower penetration of retirement living in Australia (6% of seniors reside in retirement villages in Australia vs. 12% in the USA)<sup>2</sup>
  - The Retirement Village Association has forecast 140,000 new independent living units will be required to meet demand over the next 15 years<sup>3</sup>
- **Blue Sky has partnered with highly successful operators:**
  - **Aura (metropolitan focus):**
    - Blue Sky has partnered with Tim Russell (founder and former CEO of Retire Australia) and Mark Taylor (former CFO of Retire Australia) to develop and operate a portfolio of metropolitan infill sites
    - Tim and Mark were instrumental in Retire Australia's success, which grew to become the largest independently owned retirement village operator in Australia (with 3,700 units), before it was sold to NZ Super and Infratil in 2014
    - Represents another scalable platform for Blue Sky
    - BLA owns 50% of the management company and Blue Sky Private Real Estate is responsible for the development of each site
  - **Oaktree (regional focus):**
    - Blue Sky Private Equity manages a fund that in 2013 invested in Oak Tree, a vertically integrated developer and operator of retirement villages
    - In addition to the long-term structural tailwinds in the sector, Blue Sky was attracted to Oak Tree's positioning as the dominant player in the regional/affordable segment of the market
    - Oak Tree has tripled the size of its retirement village portfolio in the three years since Blue Sky's investment

## 1<sup>st</sup> Aura site: 260 Cliveden Ave, Corinda, Brisbane



1. ABS Dataset: 3222.0 Population Projections, Australia, 2012-2101, TABLE A9. Population projections, by age and sex, Australia - Series A.  
 2. Colliers International, Research and Forecast Report 2015, Healthcare and Retirement Living.  
 3. Retirement Village Association Australia.

## Water entitlements – investment strategy:

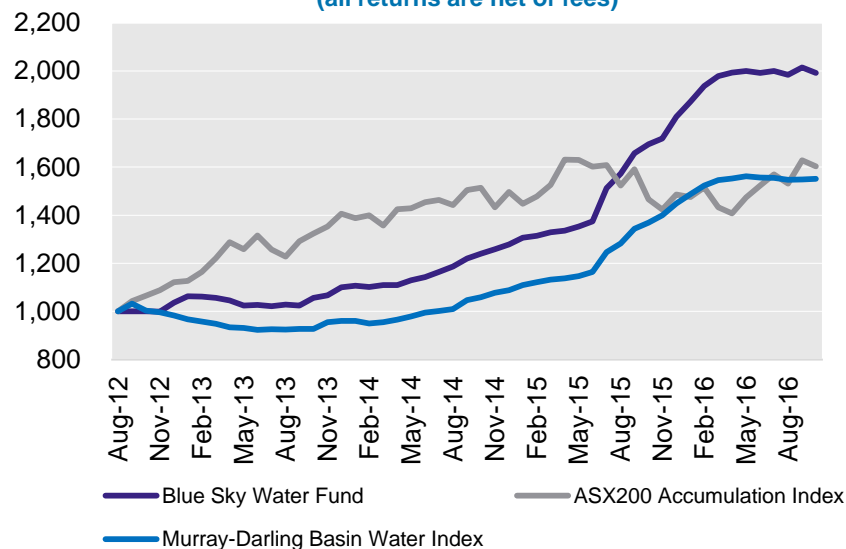
- Blue Sky's Water Fund invests in a portfolio of water entitlements across the Murray-Darling basin:
  - 'Water Entitlements' or 'water rights' are the perpetual right to a share of a specific water resource
  - 'Water Allocations' or 'temporary water' is the volume of extractable water allocated to a particular water entitlement each year
  - Value of the Fund is derived from both capital growth (of water entitlements) and annual income (from sales of water allocations)
  - Portfolio approach allows mitigation of commodity specific and geographic specific risks
  - ~\$1.5 billion p.a. turnover in the water entitlements market allows portfolio to be independently marked to market each month
- Long term, structural drivers of returns:
  - Growing global demand for Australian agricultural output
  - Long term movement towards higher value irrigated agriculture across the Murray-Darling basin
  - Limited supply: it is difficult to see any prospect of additional water in the Murray-Darling basin

## Performance:

- Has delivered annualised returns of 17.5% p.a. (net of fees) since inception<sup>2</sup>
  - Delivered a 26.2% return (net of fees) in FY16, including a yield of 4.95%
  - Broadly flat over the last 6 months after significant asset appreciation in 2015
- High winter rainfall had a limited impact on the overall value of water entitlements across the Murray-Darling basin, with the value of perpetual rights impacted by longer term demand/supply drivers rather than short term climatic conditions

1. Past performance is not a reliable indicator of future performance.  
2. Returns since inception for the Water Fund are through to 31 October 2016 and are net of fees.

## Performance Index since inception<sup>1,2</sup> (all returns are net of fees)



Performance 1 month	-0.03%
Performance rolling 3 months	-2.43%
Performance rolling 6 months	-1.32%
Financial year to date	-0.91%
Calendar year to date	1.51%
Rolling 12 months (1 Year)	8.62%
Performance since inception	96.59%
Since Inception (annualised) (p.a.)	17.49%



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- **About the Fund:**

- Established in June 2014 as a strategic vehicle to provide access for investors to a diversified portfolio of alternative assets
- Listed with a market capitalisation of \$60.4 million. Has grown to ~\$200 million<sup>1</sup> (following allotment of new shares under the recent entitlement offer)
- Core part of Blue Sky's strategy: this is a platform that has the potential to be the default allocation to alternatives for investors such as financial planners and wealth advisors

- **Track record:**

- BAF holds a diversified portfolio of 37 of Blue Sky's investments
- Total shareholder returns of 10.6% p.a.<sup>2</sup> and total pre-tax NTA growth of 9.0% p.a.<sup>3</sup> since inception

- **Entitlement offer:**

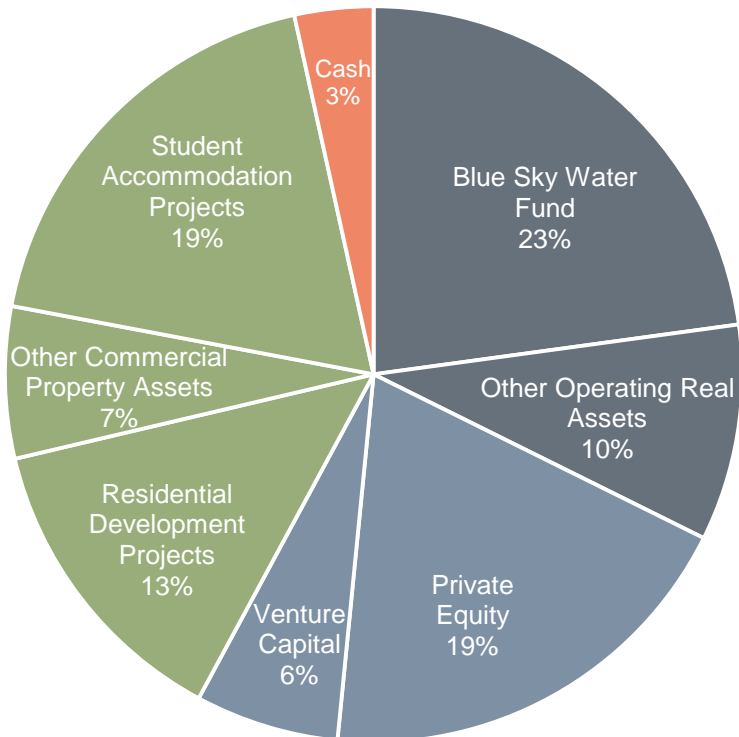
- Successfully raised just over \$47 million in November 2016
- 48% of investors took up their rights; remaining shortfall was heavily oversubscribed
- Oversubscription demonstrates the demand for alternative assets, as well as recognition of Blue Sky as a leading alternatives manager

1. Market capitalisation (including allotment of new shares under the recent entitlement offer) was \$198m based on closing share price at 17 November 2016.

2. Includes closing price of ASX:BAF as at 17 November 2016, plus dividends and franking credits. No adjustment has been made for brokerage or transaction costs.

3. Fund NTA performance to 31 October 2016 which includes growth in NTA, plus dividends and franking credits paid. Unrealised investments are valued in accordance with the Accounting Standards and BAF's published valuation policy, which is available on the ASX and BAF's website.

## Sector weightings as at 31 October 2016



### Real Assets

- Cornerstone position in the Blue Sky Water Fund
- 4 other agricultural investments



### Private Equity / Venture Capital:

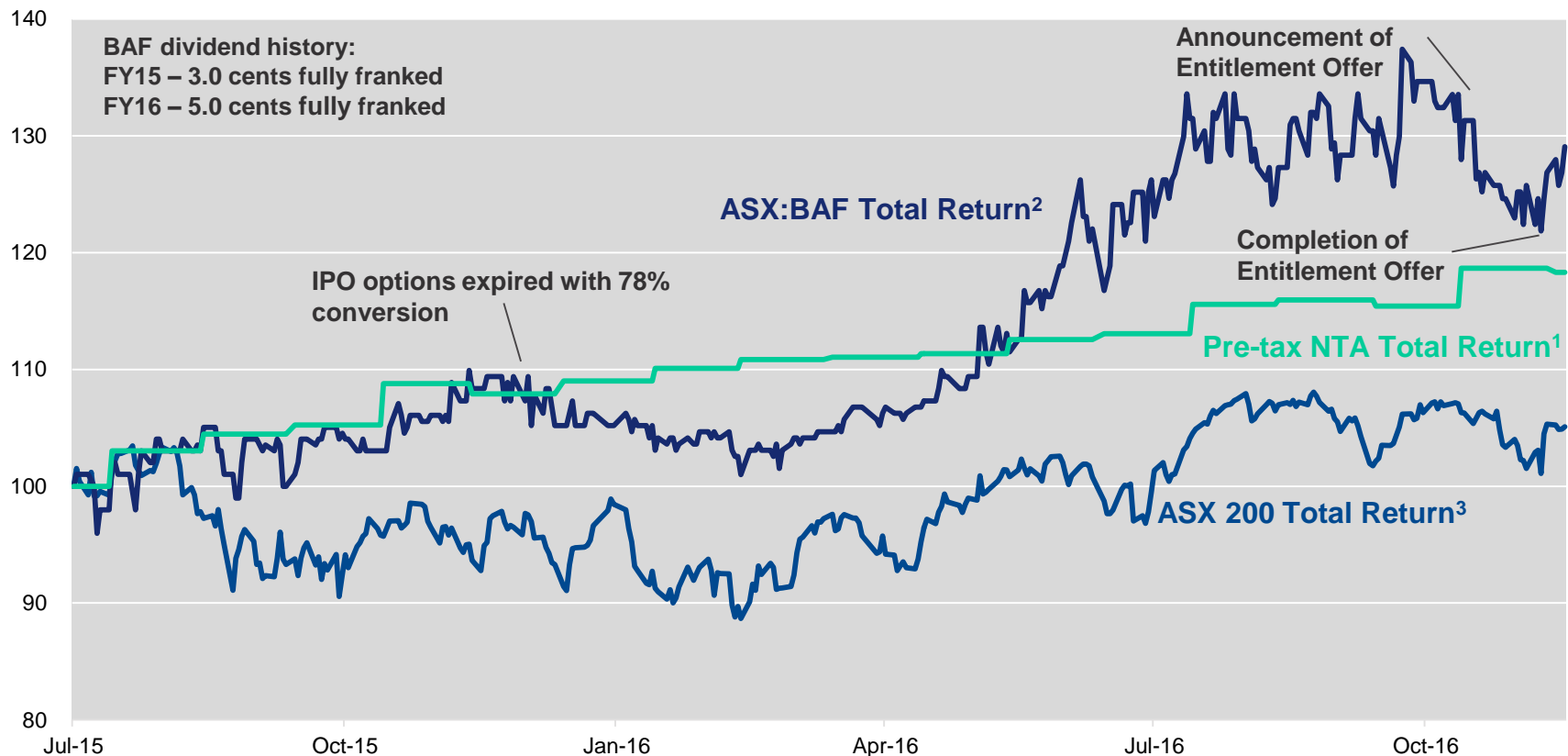
- 9 Private Equity (expansion capital) funds
- 4 late stage Venture Capital funds



### Private Real Estate:

- 6 purpose-built student accommodation projects
- Commercial property in Australia and New York
- 1 retirement living project
- Residential developments allocation will reduce to ~5% by the end of FY17

# The Alternatives Access Fund (ASX: BAF): Performance



1. Pre-Tax NTA Total Return includes growth in NTA, plus dividends and franking credits paid. Unrealised investments are valued in accordance with the Accounting Standards and BAF's published valuation policy, which is available on the ASX and BAF's website.
2. ASX:BAF Total Return includes closing price of ASX:BAF as at 17 November 2016, plus dividends and franking credits. No adjustment has been made for brokerage or transaction costs.
3. S&P/ASX 200 Franking Credit Adjusted Annual Total Return Index (Tax-exempt) to 17 November 2016.

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<i>In AUD \$m</i>	Underlying Results		Statutory Results	
	FY15	FY16	FY15	FY16
<b>Income</b>				
Management fees	\$24.8m	\$31.5m	\$24.7m	\$31.0m
Performance fees	\$8.8m	\$18.7m	\$8.8m	\$18.7m
Investment income	\$5.5m	\$6.9m	\$2.3m	(\$0.7m)
Share of gain/(loss) of associates	-	\$1.1m	\$3.7m	\$2.8m
Other income	\$4.5m	\$4.6m	\$25.0m	\$19.1m
<b>Total income</b>	<b>\$43.6m</b>	<b>\$62.8m</b>	<b>\$64.5m</b>	<b>\$70.9m</b>
<b>Operating costs</b>				
Employee benefits expense	(\$12.4m)	(\$19.2m)	(\$15.2m)	(\$20.7m)
Occupancy	(\$1.1m)	(\$1.9m)	(\$1.6m)	(\$2.1m)
External service providers	(\$3.0m)	(\$4.2m)	(\$3.2m)	(\$4.5m)
External capital raising expenses	(\$3.0m)	(\$2.1m)	(\$3.0m)	(\$2.1m)
Fee rebates to BSAAF Limited (BAF)	(\$3.3m)	(\$5.6m)	(\$3.3m)	(\$5.6m)
Other operating costs	(\$5.3m)	(\$5.3m)	(\$21.2m)	(\$16.6m)
<b>Total operating costs</b>	<b>(\$28.1m)</b>	<b>(\$38.3m)</b>	<b>(\$47.5m)</b>	<b>(\$51.6m)</b>
<b>EBITDA</b>	<b>\$15.5m</b>	<b>\$24.5m</b>	<b>\$17.0m</b>	<b>\$19.3m</b>
EBIT	\$15.2m	\$24.0m	\$14.8m	\$17.0m
<b>Net profit after tax</b>	<b>\$10.4m</b>	<b>\$16.3m</b>	<b>\$9.9m</b>	<b>\$10.5m</b>
Non-controlling interests (NCI)	-	-	(\$0.5m)	(\$0.9m)

### Commentary on underlying results:

- 27% increase in management fees reflects increase in fee-earning AUM from \$1.35bn at 30 June 2015 to \$2.1bn at 30 June 2016
- Compression in management fees as a % of average fee-earning AUM (FY16: 1.8%; FY15: 2.4%) reflects increasing investment from institutional investors (e.g. into Real Assets) and the Blue Sky Alternatives Access Fund. Focus remains on attracting capital at reasonable margins (rather than headline fee level)
- All four parts of the business generated performance fee revenue in FY16, with the largest contributors being Private Real Estate (\$8.7m), Real Assets (\$4.2m) and Private Equity (\$4.2m)
- Fixed employment costs grew from \$9.8m to \$14.5m, reflecting investments made in distribution, student accommodation and our New York office. Incremental costs reflect performance fees and bonuses earned by the team
- EBITDA margins are improving as the business begins to scale (FY16: 39.0%; FY15: 35.5%)

### Commentary on statutory results:

- 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
- For example, other income includes revenue earned by funds managed by Blue Sky and is largely made up of apartment sales revenue (\$4.4m), supply of water revenue (\$6.5m) and management and letting rights revenue (\$3.6m)
- Similarly, employee benefits expense includes the cost of staff employed by these funds
- Other operating costs are largely made up of costs associated with apartment sales (\$3.4m), the supply of water (\$2.7m) and management and letting rights expenses (\$4.5m)

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 Consolidated Financial Statements which may be downloaded from the ASX's website. The non-IFRS financial information has been subject to review by Blue Sky's auditor (Ernst & Young). Past performance is not a reliable indicator of future performance.

In AUD \$m	Underlying Results	Statutory Results
	At 30 June 2016	At 30 June 2016
Cash	\$62.9m	\$63.8m
Other current assets	\$58.5m	\$61.2m
<b>Total current assets</b>	<b>\$121.4m</b>	<b>\$125.0m</b>
Investments accounted for using the equity method	\$1.7m	\$35.5m
Financial assets at fair value through profit and loss	\$51.5m	-
Property, plant and equipment	\$3.7m	\$30.1m
Intangible assets	\$5.6m	\$18.7m
Other non-current assets	\$21.2m	\$19.1m
<b>Total non-current assets</b>	<b>\$83.7m</b>	<b>\$103.4m</b>
<b>Total assets</b>	<b>\$205.1m</b>	<b>\$228.4m</b>
Trade and other payables	\$19.8m	\$20.9m
Borrowings	\$7.9m	\$8.6m
Other current liabilities	\$10.3m	\$10.3m
<b>Total current liabilities</b>	<b>\$38.0m</b>	<b>\$39.8m</b>
Borrowings	-	\$9.3m
Other non-current liabilities	\$27.7m	\$31.9m
<b>Total non-current liabilities</b>	<b>\$27.7m</b>	<b>\$41.2m</b>
<b>Total liabilities</b>	<b>\$65.7m</b>	<b>\$81.0m</b>
Net assets	\$139.4m	\$147.4m
<b>Net tangible assets</b>	<b>\$133.8m</b>	<b>\$128.7m</b>

### Commentary on underlying results:

- Cash position is strong, reflecting \$18.7m in cash generated from operating activities and balance sheet realisations throughout FY16
- Other current assets include bridging finance provided to Blue Sky managed funds (\$25.6m), accrued performance fees (\$14.4m) and other fees (\$11.1m) expected to be realised in cash in the next 12 months
- Financial assets at fair value through profit and loss include balance sheet investments in: Private Equity and Venture Capital (\$17.2m) (e.g. Retirement Village Fund); Private Real Estate (\$20.8m) (e.g. student accommodation); Real Assets (\$7.4m) (e.g. water infrastructure); and Blue Sky Alternatives Access Fund (\$6.0m)
- Investments accounted for using the equity method represents the \$1.7m investment in Cove, our North American joint venture focused on institutional grade investments in commercial property
- Other non-current assets include accrued performance fees (\$9.6m), loans to funds (\$2.7m), co-investment loans to employees (\$2.1m) and other fees of (\$6.8m)
- Finished FY16 with over \$133 million in net tangible assets

### Commentary on statutory results:

- 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
- For example, investments accounted for using the equity method include investments by Blue Sky into funds that it manages such as our student accommodation co-investments
- Property, plant and equipment reflects assets owned by these funds (for example, water infrastructure assets)
- Borrowings include debt that is consolidated from funds under AASB10 (for example, construction debt; debt related to water infrastructure) and that is non-recourse to Blue Sky

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 Consolidated Financial Statements which may be downloaded from the ASX's website. The non-IFRS financial information has been subject to review by Blue Sky's auditor (Ernst & Young). Past performance is not a reliable indicator of future performance.

In AUD \$m	Underlying Results	Statutory Results
	FY16	FY16
Receipts from customers	\$52.1m	\$65.4m
Payments to suppliers and employees	(\$38.2m)	(\$48.9m)
Interest received	\$1.2m	\$1.2m
Interest and other finance costs paid	(\$0.7m)	(\$1.2m)
Income taxes paid	(\$2.9m)	(\$3.3m)
<b>Net cash from operating activities</b>	<b>\$11.5m</b>	<b>\$13.2m</b>
Payments for equity investments	(\$14.3m)	(\$14.3m)
Payments for property, plant and equipment	(\$0.8m)	(\$2.3m)
Payments for intangible assets	(\$0.1m)	(\$0.1m)
Proceeds from disposal of equity investments	\$7.1m	\$7.1m
Loans from/(to) related parties	(\$21.4m)	(\$20.5m)
<b>Net cash used in investing activities</b>	<b>(\$29.5m)</b>	<b>(\$30.1m)</b>
Proceeds from issue of shares	\$67.5m	\$67.5m
Share issue transaction costs	(\$2.4m)	(\$2.4m)
Proceeds from borrowings	\$7.6m	\$7.7m
Repayment of borrowings	(\$6.7m)	(\$8.2m)
Dividends paid	(\$6.2m)	(\$6.3m)
<b>Net cash from financing activities</b>	<b>\$59.8m</b>	<b>\$58.3m</b>
Starting cash balance	\$21.1m	\$22.4m
<b>Ending cash balance</b>	<b>\$62.9m</b>	<b>\$63.8m</b>

#### Commentary on underlying results:

- Net operating cash continues to strengthen as the business matures (FY15: \$6.1m; FY16: \$11.5m). In addition, realised gains on, and distributions of profit from, balance sheet investments contributed \$2.1m in FY16
- Payments for equity investments include initial co-investment in student accommodation (including The Pad) of \$6.5m and Private Equity and Venture Capital funds of \$5.2m
- Loans to related parties include bridging finance provided to Blue Sky funds
- No significant movement in borrowings during FY16
- Proceeds from the issue of shares reflects the gross capital received from the proceeds from placement and entitlement offer that was successfully completed in June 2016
- \$6.2m dividend paid in FY16

#### Commentary on statutory results:

- 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
- For example, higher receipts from customers and payments (than underlying results) include cash from the sale of water, proceeds from the sale of apartments and management rights letting income (and payments to suppliers reflecting the relevant funds' costs of providing these services)
- Statutory results for cash flow from investing activities and financing activities not significantly different to underlying results (refer to commentary above)

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 Consolidated Financial Statements which may be downloaded from the ASX's website. The non-IFRS financial information has been subject to review by Blue Sky's auditor (Ernst & Young). Past performance is not a reliable indicator of future performance.



# AGENDA

1 Executive Summary

2 Investor Returns

3 Assets Under Management

4 Investment Thematics

5 Alternatives Access Fund (ASX: BAF)

6 Financials

**7 Conclusion**

8 Formal Business

- **Returns, returns, returns:** Continue to deliver great returns (and access to alternatives) to all investors
- **Continue to lead the alternatives market in Australia:** Cement our position as Australia's leading diversified alternative asset manager
- **Growth to \$10b+ in AUM:** Would still represent <2% of the alternatives market
- **Trusted partner to Tier 1 institutions:** Will expand partnerships with institutional investors, while always retaining diverse sources of capital
- **International expansion:** Spearheaded by our North American business (incl. Cove); may move into other geographies selectively
- **Asset class expansion:** May expand into other alternatives classes (but won't go outside alternatives)

# AGENDA

1 Executive Summary

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7 Conclusion

**8 Formal Business**

## RESOLUTION 1

### **Approval and adoption of the Remuneration Report**

Resolution 1 seeks approval:

“THAT the Company’s Remuneration Report for the financial year ended 30 June 2016 is approved.”

**RESOLUTION 1**

**Approval and adoption of the Remuneration Report**

Resolution 1 seeks approval:

“THAT the Company’s Remuneration Report for the financial year ended 30 June 2016 is approved.”

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

**RESOLUTION 2a**

**Re-election of Directors**

Resolution 2a seeks approval:

*a. "THAT John Kain, who retires by rotation under rule 48 of the Company's Constitution, and being eligible, be re-elected as a director of the Company."*

**RESOLUTION 2a**

**Re-election of Directors**

Resolution 2a seeks approval:

*a. "THAT John Kain, who retires by rotation under rule 48 of the Company's Constitution, and being eligible, be reelected as a director of the Company."*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

## RESOLUTION 2b

### Re-election of Directors

Resolution 2b seeks approval:

*b. "THAT Kim Morison, who was appointed a Director by the Board on 31 March 2016 and will retire at the close of the Meeting in accordance with rule 47.2 of the Company's Constitution, being eligible, be re-elected as a director of the Company."*



**RESOLUTION 2b**

**Re-election of Directors**

Resolution 2b seeks approval:

*b. "THAT Kim Morison, who was appointed a Director by the Board on 31 March 2016 and will retire at the close of the Meeting in accordance with rule 47.2 of the Company's Constitution, being eligible, be re-elected as a director of the Company."*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

**RESOLUTION 2c**

**Re-election of Directors**

Resolution 2c seeks approval:

*c. “THAT Elaine Stead, who was appointed a Director by the Board on 30 September 2016 and will retire at the close of the Meeting in accordance with rule 47.2 of the Company’s Constitution, being eligible, be re-elected as a director of the Company.”*

**RESOLUTION 2c**

**Re-election of Directors**

Resolution 2c seeks approval:

*c. “THAT Elaine Stead, who was appointed a Director by the Board on 30 September 2016 and will retire at the close of the Meeting in accordance with rule 47.2 of the Company’s Constitution, being eligible, be re-elected as a director of the Company.”*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

**RESOLUTION 2d**

**Re-election of Directors**

Resolution 2d seeks approval:

*d. "THAT Nicholas Dignam, who was appointed a Director by the Board on 30 September 2016 and will retire at the close of the Meeting in accordance with rule 47.2 of the Company's Constitution, being eligible, be re-elected as a director of the Company."*

**RESOLUTION 2d**

**Re-election of Directors**

Resolution 2d seeks approval:

*d. "THAT Nicholas Dignam, who was appointed a Director by the Board on 30 September 2016 and will retire at the close of the Meeting in accordance with rule 47.2 of the Company's Constitution, being eligible, be re-elected as a director of the Company."*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

## RESOLUTION 3

### **Ratification and approval of previous allotment and issue of securities**

Resolution 3 seeks approval:

*“THAT for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the previous issue of 4,615,385 shares at an issue price of \$6.50 per share, issued under a placement to professional and sophisticated investors as detailed in the Explanatory Memorandum.”*

**RESOLUTION 3**

**Ratification and approval of previous allotment and issue of securities**

Resolution 3 seeks approval:

*“THAT for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify and approve the previous issue of 4,615,385 shares at an issue price of \$6.50 per share, issued under a placement to professional and sophisticated investors as detailed in the Explanatory Memorandum.”*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

## RESOLUTION 4

### **Approval of issue of options to Robert Shand**

Resolution 4 seeks approval:

*“THAT approval be given under ASX Listing Rule 10.14 for the issue of 1,300,000 options to Robert Shand under the Company’s employee share option plan (ESOP) and on the terms summarised in the Explanatory Memorandum.”*



**RESOLUTION 4**

**Approval of issue of options to Robert Shand**

Resolution 4 seeks approval:

*“THAT approval be given under ASX Listing Rule 10.14 for the issue of 1,300,000 options to Robert Shand under the Company’s employee share option plan (ESOP) and on the terms summarised in the Explanatory Memorandum.”*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

## RESOLUTION 5

### **Approval of issue of options to Elaine Stead**

Resolution 5 seeks approval:

*“THAT approval be given under ASX Listing Rule 10.14 for the issue of 200,000 options to Elaine Stead under the Company’s ESOP and on the terms summarised in the Explanatory Memorandum.”*

**RESOLUTION 5**

**Approval of issue of options to Elaine Stead**

Resolution 5 seeks approval:

*“THAT approval be given under ASX Listing Rule 10.14 for the issue of 200,000 options to Elaine Stead under the Company’s ESOP and on the terms summarised in the Explanatory Memorandum.”*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			

## RESOLUTION 6

### **Approval of issue of options to Nicholas Dignam**

Resolution 6 seeks approval:

*“THAT approval be given under ASX Listing Rule 10.14 for the issue of 300,000 options to Nicholas Dignam under the Company’s ESOP and on the terms summarised in the Explanatory Memorandum.”*

**RESOLUTION 6**

**Approval of issue of options to Nicholas Dignam**

Resolution 6 seeks approval:

*“THAT approval be given under ASX Listing Rule 10.14 for the issue of 300,000 options to Nicholas Dignam under the Company’s ESOP and on the terms summarised in the Explanatory Memorandum.”*

	Proxies Received		
	For	Against	Open
# of shareholders			
# of votes cast			
% of votes able to be cast			



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