

CLARIFICATION IN RELATION TO RECENT MEDIA ARTICLES

19 January 2017

There have been several recent media articles in relation to Blue Sky Alternative Investments Limited (**Blue Sky**) that have included statements that are either inaccurate and/or misleading. The purpose of this release is to provide the market with clarification on the key issues that have been raised.

Performance

Blue Sky continued to grow strongly in the first half of FY17 and we are on track to meet our earnings guidance for FY17. We expect to deliver underlying NPAT of \$24 - \$26 million for FY17 and be well through \$3.0 billion in fee-earning assets under management (AUM) by 30 June 2017. This will represent approximately 50% growth from FY16.

Our 1H FY17 results are scheduled for release on 17 February 2017 and we look forward to providing an update at this point.

Board and governance

As announced at Blue Sky's AGM on 18 November 2016, throughout the second half of last year we undertook a thorough process to add additional independent, non-executive directors to our board. This process is now reaching its conclusion and we expect to announce the appointment of two additional directors in the near future.

Blue Sky has always maintained a strong focus on governance and risk management. This focus is supported by an independent chairman who is a recognised expert in corporate law, three internal legal staff, two dedicated compliance staff and a compliance committee comprised of three independent experts.

We are proud of the track record of governance and risk management that we have built over the last ten years and have always operated in compliance with the ASX listing rules.

Valuation of assets

Some recent media speculation questioned Blue Sky's valuation process used for its underlying investments. This process incorporates the use of top-tier independent valuation experts across all of our asset classes, has multiple levels of review and sign off, and has been consistently applied since our IPO. The process is the same as that used by the leading, global alternative asset managers such as Blackstone, KKR, and Partners Group.

Specifically, we use independent valuation experts such as KPMG (in Private Equity and Venture Capital), JLL (in Private Real Estate), Colliers (in Real Assets), and NAB (in Hedge Funds). The valuations of our investments are then reviewed each reporting period by Ernst & Young (in their capacity as auditor). These valuations are also reviewed by our institutional investors (where relevant to their investments) and are signed off by the board of Blue Sky each reporting period, as well as the board of the Blue Sky Alternatives Access Fund ('**BAF**') (for each fund where BAF has an investment).

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As previously reported, for the 30 assets that we have realised since inception, 27 have been at a value either in line with or higher than their book value and our realised returns are superior to our overall returns.

Leverage in Blue Sky's private equity investments

Recent speculation that Blue Sky's investee companies have high levels of debt is inaccurate. Blue Sky's private equity and venture capital team provides expansion capital and late stage venture capital to established businesses. Only nine out of twenty five portfolio companies have any core debt and each of those nine companies are conservatively geared (with debt levels typically less than 2-3x EBITDA).

Blue Sky's own underlying balance sheet remains in a significant net cash position.

Departure of private real estate executive

A recent media article referred to the departure of one of our investment directors – Adam Vaggelas. Adam was a valued member of the Blue Sky team and, with Nick Singleton, established Blue Sky's student accommodation business in 2014. Adam resigned from Blue Sky in September 2016 and Nick Singleton has led the team since this date.

Blue Sky's student accommodation investments continue to perform strongly. Our first development was delivered on budget and ahead of schedule. It is now operational, is performing above our investment targets and is on track to pay fund investors a 10% p.a. yield in its first year of operations. Our second development will be completed in the next few months and is also on budget and well ahead of schedule. Similarly, all of our other sites are performing in line with or ahead of our investment targets.

For more information please contact:

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