

INVESTMENT PERFORMANCE OF FUNDS

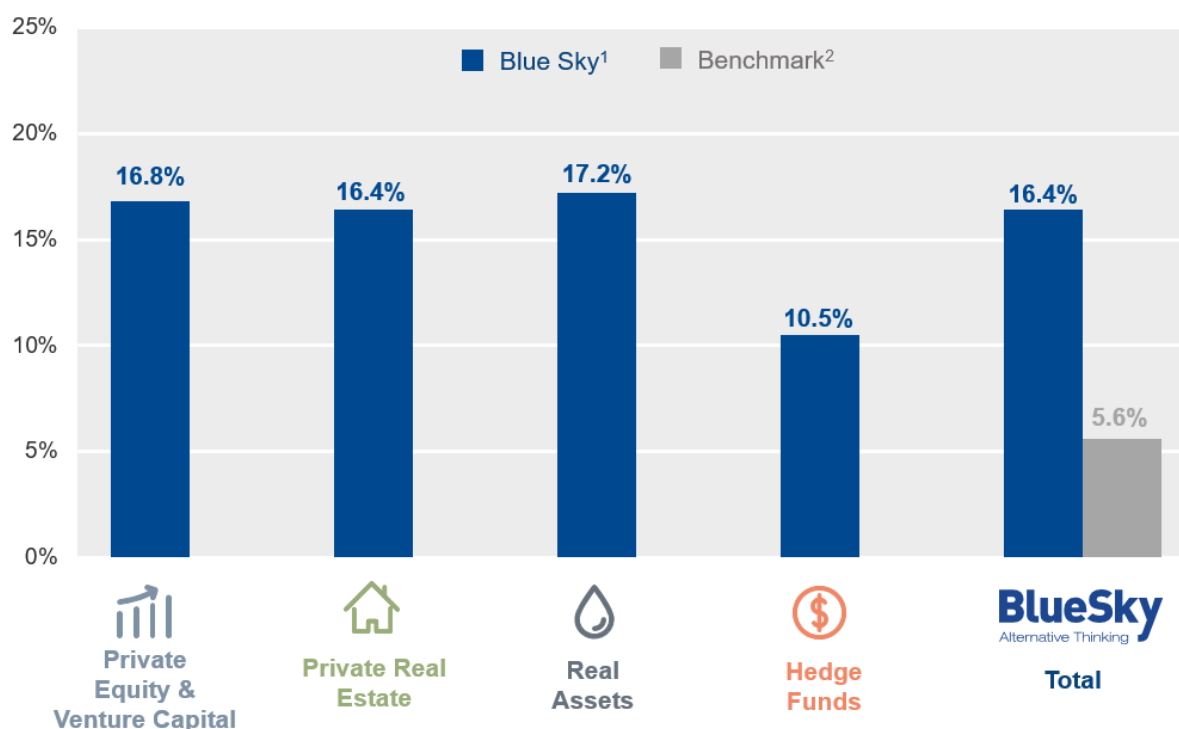
10 February 2017

The Board of Blue Sky Alternative Investments Limited (ASX:BLA) (Blue Sky) provides the following update on the investment performance of funds and investments managed by the company on behalf of investors.

Blue Sky is exposed to the investment performance of these funds through the generation of performance fees and equity owned by the company in those funds. In addition, this investment performance represents the collective investment track record of Blue Sky's investment managers which plays an important role in the company's ability to increase assets under management (AUM).

Since inception in July 2006, the company has generated an equity-weighted composite return across its funds of **16.4% p.a. net of fees** to 31 December 2016.

The Board of Directors acknowledges the investment performance of the company's funds is an important driver of value and will continue to provide this update every six months following the completion of half yearly reviews of the investment portfolio.



1. Total returns are equity weighted returns since inception through to 31 December 2016. Returns are net of fees and include both realised and unrealised investments. Past performance is not a reliable indicator of future performance.
2. Overall benchmark – S&P ASX200 Accumulation Index from 1 July 2006 to 31 December 2016.

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Notes to investment returns:

Fund	Basis of valuation
Private Equity and Venture Capital <i>(inception: Oct 2006)</i>	<ul style="list-style-type: none"> Realised investments' returns are calculated on the basis of cash receipts from, and cash returns to, fund investors. Valuations of unrealised investments are reviewed at least annually by an independent third party valuer and by Blue Sky's auditors at the end of each reporting period (for all funds that may have a material impact on Blue Sky's or BAF's financial statements and/or reported investor returns). Investment funds in the first twelve months of the investment period are held at cost (and not included in reported returns) unless there has been a material increase or decrease in value.
Private Real Estate <i>(inception: Jan 2007)</i>	<ul style="list-style-type: none"> Same as Private Equity and Venture Capital.
Real Assets <i>(inception: Aug 2012)</i>	<ul style="list-style-type: none"> The Blue Sky Water Fund is valued monthly by an independent third party fund administrator, using observable market prices in the Australian water market. Other Real Assets investments are closed ended fund investments and are valued using the same approach as articulated for Private Equity and Venture Capital and Private Real Estate.
Hedge Funds <i>(inception: Feb 2006)</i>	<ul style="list-style-type: none"> Valued daily by an independent third party fund administrator using observable market prices.
Total <i>(inception: Jul 2006)</i>	<ul style="list-style-type: none"> Equity-weighted composite of asset-class composite returns.
Benchmark (Total) <i>(inception: Jul 2006)</i>	<ul style="list-style-type: none"> ASX200 accumulation index.

For further enquiries, please contact:

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