

INVESTMENT PERFORMANCE OF FUNDS

20 August 2014

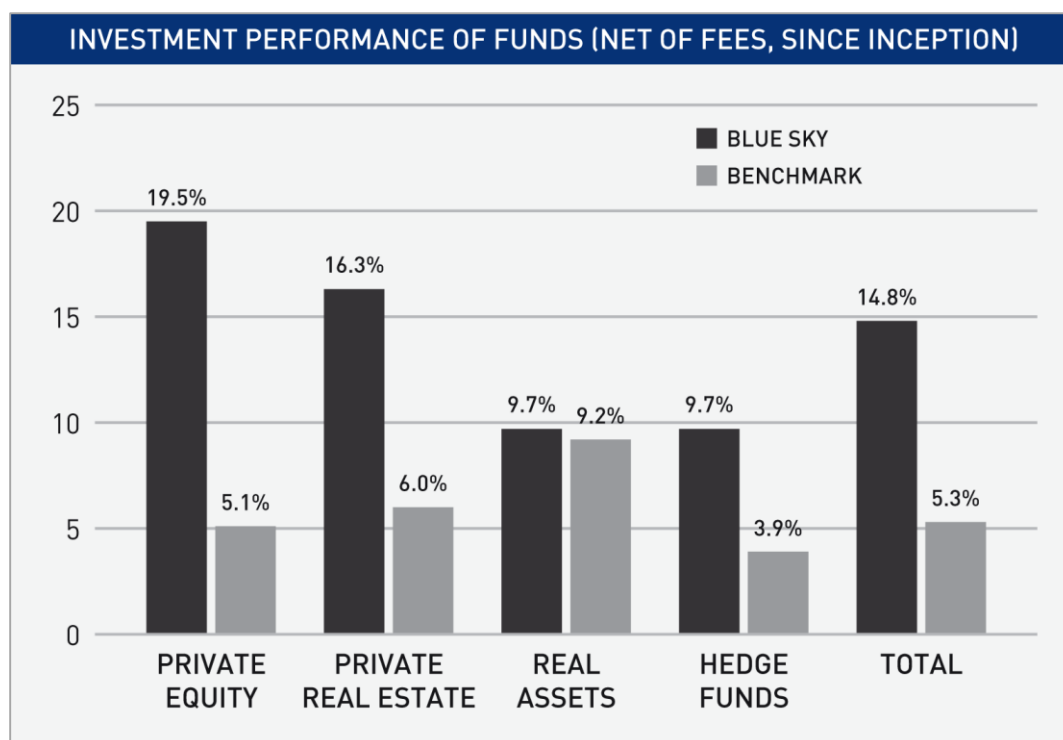
The Board of Blue Sky Alternative Investments Limited ('Blue Sky') provides the following update on the investment performance of funds and investments managed by the company on behalf of investors.

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 internal rate of return (IRR) across its funds of **14.8% p.a. net of fees** on an equity weighted basis to the end of June 2014. This represents an increase from the last update in May 2014, where the IRR across its funds was 13.9% p.a. net of fees. This increase was driven by:

- Higher returns in Private Equity and Venture Capital as a number of investments mature and work towards exit;
- Higher returns in Real Assets, reflecting the strong performance of Blue Sky's Water Fund which returned 15.6% (net of fees) to investors in FY14; and
- Marginally lower returns in Private Real Estate and Hedge Funds.

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 completion of half yearly reviews of the investment portfolio.



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Notes to investment returns:

Fund	Basis of valuation	Benchmark
Hedge Funds (inception: Feb 2006)	<ul style="list-style-type: none"> Valued daily by an independent third party fund administrator. 	<ul style="list-style-type: none"> Chant West - Hedge Fund performance over 7 years¹
Real Assets (inception: Aug 2012)	<ul style="list-style-type: none"> Water Fund investments valued monthly by an independent third party fund administrator. Other Real Assets investments in the first eighteen months of the investment period are typically held at cost (and not included in reported returns) unless there has been a material change in valuation. 	<ul style="list-style-type: none"> Chant West - Unlisted Infrastructure performance (average of 1 and 3 year performance)¹
Private Equity (inception: Oct 2006)	<ul style="list-style-type: none"> Realised investments valued on the basis of cash returns to investors. Unrealised investments valued: <ul style="list-style-type: none"> At least annually by an independent third party valuer (after the end of each financial year) for those investments where Blue Sky is likely to earn a performance fee; and Otherwise based on half yearly management review. Investments in the first eighteen months of the investment period are held at cost (and not included in reported returns) unless there has been a material change in valuation. 	<ul style="list-style-type: none"> Chant West – Private Equity performance over 7 years¹
Private Real Estate (inception: Jan 2007)	<ul style="list-style-type: none"> Realised investments valued on the basis of cash returns to investors. Unrealised investments based on management estimates, with reference to the latest third party feasibility study for each investment. 	<ul style="list-style-type: none"> Chant West – Australian Unlisted Property performance over 7 years¹
Overall (inception: Jul 2006)		<ul style="list-style-type: none"> ASX200 accumulation index since July 2006

1. Published 22 July 2014

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