

FY15 RESULTS PRESENTATION

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

AUGUST 2015

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).

SUMMARY

- Underlying net profit after tax for FY15 of \$10.4 million, up from \$6.2 million in FY14 and ahead of \$8.0 - \$10.0 million guidance provided in February 2015
- Underlying NTA of \$56.9 million at 30 June 2015, including \$21.1 million cash
- Fee earning AUM at 30 June 2015 of \$1.35 billion
- Anticipate having \$2 billion in fee earning AUM by no later than 31 December 2016, twelve months ahead of previous target
- Delivered all priorities outlined at last year's AGM
- Declared 11 cents per share fully franked dividend (record date: 11th September 2015; payment date: 2nd October 2015)

	Statutory Results		% Change	Underlying Results		% Change
	FY14	FY15		FY14	FY15	
Total income	\$35.2m	\$64.5m	83%	\$24.0m	\$43.6m	82%
Net profit after tax ¹	\$3.9m	\$10.4m	167%	\$6.2m	\$10.4m	68%
Net tangible assets	\$60.1m	\$58.0m	-3.5%	\$50.3m	\$56.9m	13%

1. Excluding non controlling interests

Please refer to the Consolidated Report for the full year ended 30 June 2015 for an explanation (and reconciliation) of the difference between the statutory and underlying results.

FY15 PRIORITIES

Priorities for FY15	Current Status
 Grow AUM to \$1b by 30 June 2015	 Fee earning AUM at 30 June 2015 of \$1.35 billion
 Investment track record of >15% p.a. net of fees since inception ¹	 15.4% p.a. net of fees since inception as at 30 June 2015
 Complete institutional mandates in Real Assets division	 Institutional capital deployed across all four asset classes
 Deliver 3 – 5 exits from Private Equity division	 Delivered 3 exits

1. Note that past performance is not a reliable indicator of future performance.

FY15 RESULTS

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

INCOME STATEMENT: SUMMARY

In AUD \$m	Statutory Results		Underlying Results	
	FY14	FY15	FY14	FY15
Management fees	\$13.5m	\$24.7m	\$14.7m	\$24.8m
Performance fees	\$2.7m	\$8.8m	\$2.7m	\$8.8m
Investment income	\$0.3m	\$2.3m	\$4.1m	\$5.5m
Share of gain/(loss) of associates	\$2.7m	\$3.7m	-	-
Other income	\$16.0m	\$25.0m	\$2.5m	\$4.5m
Total income	\$35.2m	\$64.5m	\$24.0m	\$43.6m
Expenses				
Employee benefits expense	-\$9.3m	-\$15.2m	-\$6.9m	-\$12.4m
Occupancy	-\$0.8m	-\$1.6m	-\$0.5m	-\$1.1m
External service providers	-\$2.7m	-\$3.2m	-\$2.0m	-\$3.0m
External capital raising expenses	-\$1.1m	-\$3.0m	-\$1.1m	-\$3.0m
Fee rebates to BSAAF Limited (BAF)	-\$1.2m	-\$3.3m	-\$1.2m	-\$3.3m
Other operating costs	-\$14.4m	-\$21.2m	-\$2.8m	-\$5.3m
Total operating costs	-\$29.5m	-\$47.5m	-\$14.5m	-\$28.1m
EBITDA	\$5.7m	\$17.0m	\$9.5m	\$15.5m
EBIT	\$4.1m	\$14.8m	\$9.2m	\$15.2m
Net profit/(loss) after tax	\$1.0m	\$9.9m	\$6.2m	\$10.4m
Non-controlling interests (NCI)	-\$2.9m	-\$0.5m	-	-
Owners of Blue Sky	\$3.9m	\$10.4m	\$6.2m	\$10.4m

Commentary on underlying results:

- 69% increase in management fees, reflecting larger AUM and ongoing deal activity across private equity, private real estate and real assets
- 226% increase in performance fees, driven by ongoing strong investment performance across a larger AUM base
- Other income includes sales commissions (\$1.2m), responsible entity revenue (\$1.0m) and interest revenue (\$1.1m)
- 80% increase in employee expenses, reflecting ongoing investment in our team (now 75 people) and increased performance fees paid
- **Fee rebates to BAF include rebate of costs of deployment, as well as the rebate of management fees and performance fees paid by its underlying fund investments**
- Other operating costs include travel and entertainment (\$1.8m) and administrative expenses (\$1.1m)

Commentary on statutory results:

- Investment income (\$2.3m) excludes gains in fair value of balance sheet investments that are either consolidated or accounted for using the equity method under AASB10
- Other income includes revenue earned by funds managed by Blue Sky that are consolidated under AASB10. This includes apartment sales revenue (\$8.7m), supply of water revenue (\$6.1m) and management and letting rights revenue (\$3.9m)
- Similarly, other operating costs are higher than the underlying results as they include expenses associated with funds consolidated under AASB10. This includes costs associated with apartment sales (e.g. construction costs) (\$7.4m), management and letting rights expenses (\$4.4m) and costs associated with the supply of water (\$1.5m)

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 Result 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).

FINANCIAL POSITION: SUMMARY

In AUD \$m	Statutory Results	Underlying Results
	At 30 June 2015	At 30 June 2015
Cash	\$22.4m	\$21.1m
Other current assets	\$22.9m	\$17.2m
Total current assets	\$45.3m	\$38.3m
Investments accounted for using the equity method	\$22.7m	-
Financial assets at fair value through profit and loss	\$0.2m	\$32.8m
Property, Plant and Equipment	\$30.2m	\$3.6m
Intangible assets	\$18.9m	\$5.7m
Other non-current assets	\$13.1m	\$13.6m
Total non current assets	\$85.1m	\$55.7m
Total assets	\$130.4m	\$94.0m
Trade and other payables	\$7.8m	\$6.1m
Borrowings	\$11.6m	\$7.1m
Other current liabilities	\$9.6m	\$9.1m
Total current liabilities	\$29.0m	\$22.3m
Borrowings	\$9.3m	-
Other non current liabilities	\$15.2m	\$9.1m
Total non current liabilities	\$24.5m	\$9.1m
Total liabilities	\$53.5m	\$31.4m
Net assets	\$76.9m	\$62.6m
Net tangible assets	\$58.0m	\$56.9m

Commentary on underlying results:

- Underlying cash position increased from \$14.8m at 30 June 2014 to \$21.1m at 30 June 2015
- Other current assets include \$5.6m in bridging finance provided to funds and \$3.5m in accrued performance fees
- Financial assets at fair value declined from \$39.1m at 30 June 2014 to \$32.8m, primarily driven by realisations throughout the year
- Other non current assets include accrued performance fees of \$7.1m, loans to funds of \$4.1m and \$2.4m in employee loans
- Borrowings remained at \$7.1m

Commentary on statutory results:

- Other current assets include receivables payable to funds that were consolidated under AASB10 as well as \$4.1m of inventory related to residential real estate development
- PP&E includes water infrastructure assets held by funds consolidated under AASB10
- Intangible assets include the value of long term customer contracts that were acquired as part of the Willunga Basin Water Company infrastructure asset
- Borrowings include debt that is consolidated from funds under AASB10 (e.g. 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 Result 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).

CASH FLOW: SUMMARY

In AUD \$m	Statutory Results	Underlying Results
	FY15	FY15
Receipts from customers	\$51.8m	\$32.5m
Payments to suppliers and employees	-\$46.8m	-\$25.4m
Interest received	\$0.1m	-
Interest and other finance costs paid	-\$0.6m	-
Income taxes paid	-\$1.7m	-\$1.0m
Net cash from operating activities	\$2.8m	\$6.1m
Cash disposed on de-consolidation of a controlled entity	-\$1.3m	-
Payment for equity investments	-\$1.7m	-\$2.4m
Payment for property, plant and equipment	-\$1.0m	-\$0.5m
Payments for intangible assets	-\$0.4m	-\$0.2m
Proceeds from disposal of equity investments	\$8.2m	\$9.5m
Loans from/(to) related and other parties	-\$0.5m	-\$2.0m
Net cash from investing activities	\$3.3m	\$4.4m
Proceeds from issue of shares	\$0.1m	\$0.1m
Issue of shares to non-controlling interests	-\$4.4m	-
Proceeds from borrowings	\$18.7m	\$3.8m
Repayment of borrowings	-\$10.1m	-\$4.2m
Dividends paid	-\$4.3m	-\$3.9m
Net cash used in financing activities	-\$0.0m	-\$4.2m

Commentary on underlying results:

- Total net cash generated by the business was \$10.5m
- Operating cash flow increased from \$4.4m in FY14 to \$6.1m in FY15.
- Total realisations of balance sheet investments of \$9.5m throughout the year, including \$1.7m in gains on investment and distributions
- No significant movement in debt levels during the year
- \$3.9m dividend paid during FY15

Commentary on statutory results:

- Significantly higher cash receipts and payments to suppliers reflect the impact of consolidating several funds under AASB10. Receipts include cash from the sale of water, proceeds of the sale of apartments and management rights letting income (and payments to suppliers reflecting the relevant funds costs of providing these services)
- Proceeds from borrowings include debt that is consolidated from funds under AASB10 (e.g. construction debt; debt related to water infrastructure) and that is non-recourse to Blue Sky

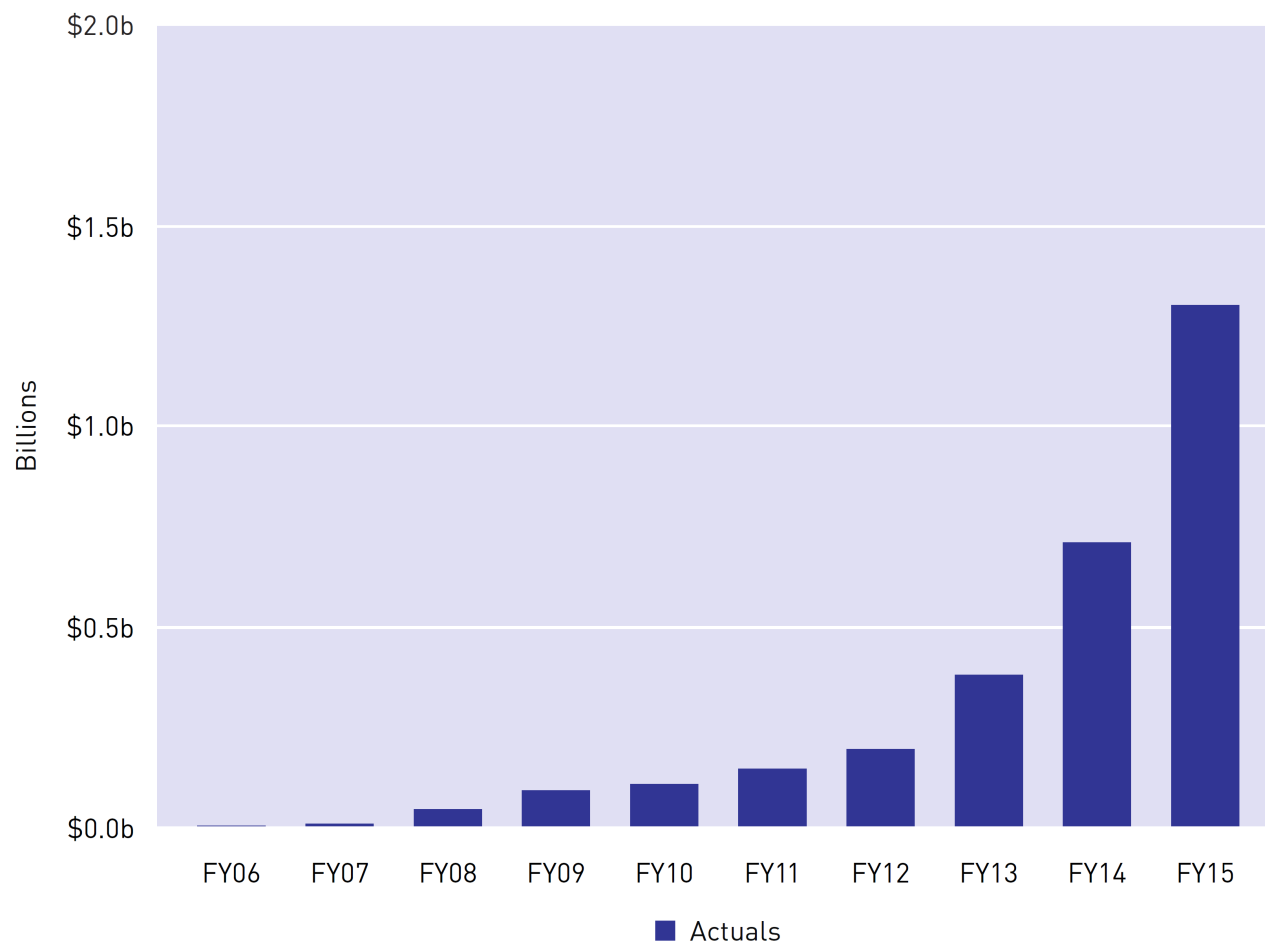
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ASSETS UNDER MANAGEMENT; INVESTOR RETURNS

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

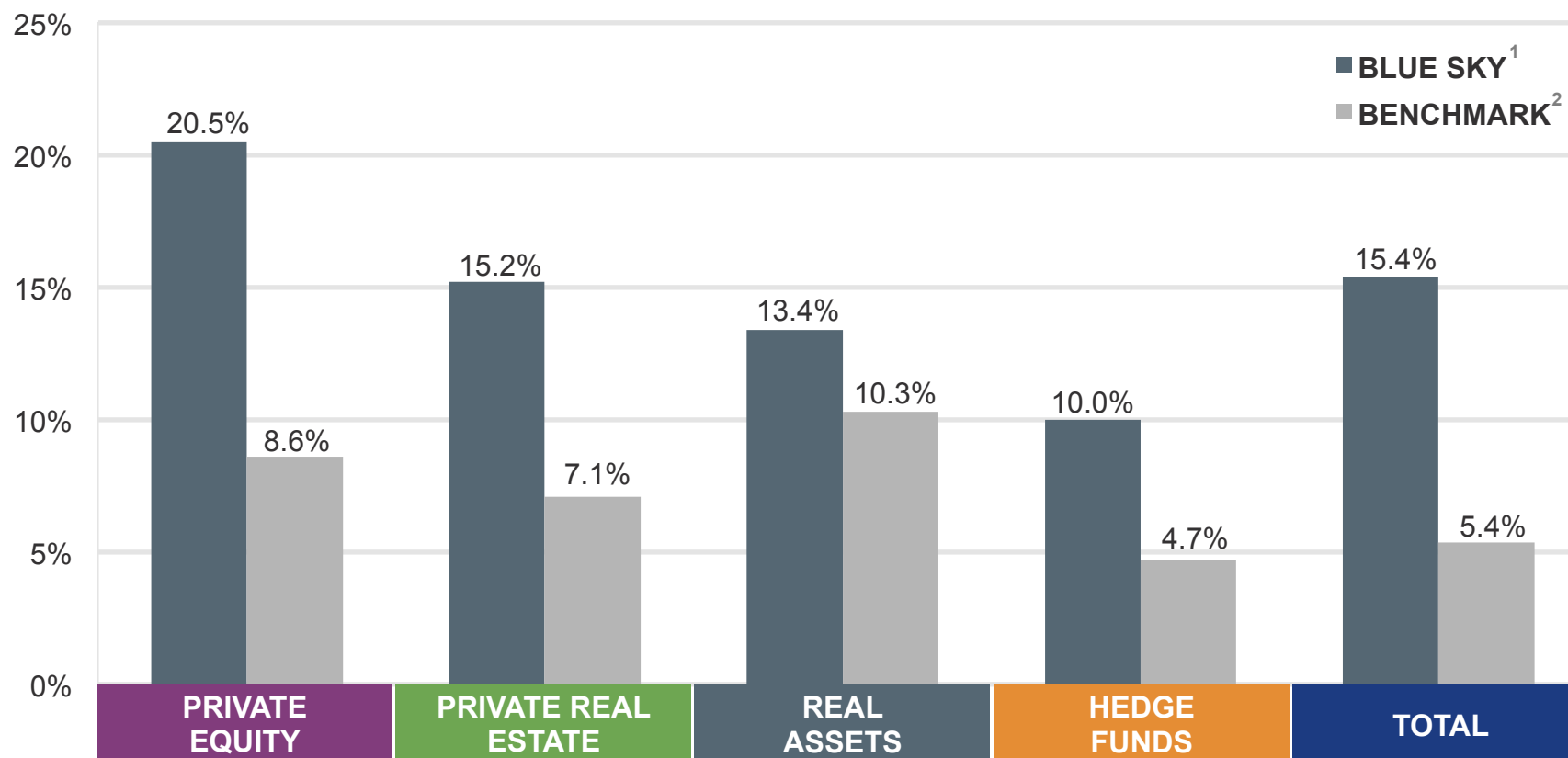
ASSETS UNDER MANAGEMENT

Fee earning assets under management



- Fee earning AUM grew from ~\$700m at 30 June 2014 to ~\$1.35b at 30 June 2015
- All four asset classes contributed to growth in AUM in FY15
- Capital deployed from institutional investors (domestic and offshore) across all four asset classes
- Anticipate having \$2b in fee earning AUM by no later than the end of calendar year 2016 (twelve months ahead of previous target)

INVESTOR RETURNS: 15.4% NET OF FEES SINCE INCEPTION



1. Total returns are equity weighted returns since inception through to 30 June 2015. Returns are net of fees and include a mix of realised and unrealised. 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 January 2015 and July 2015 media release. Hedge Fund – Chant West Hedge Fund performance over 7 years. Real Assets – Chant West Unlisted Infrastructure performance over 3 years. Private Equity – Average of Chant West Private Equity performance over 7 and 10 years. Private Real Estate – Average of Chant West Australian Unlisted Property performance over 7 and 10 years. Overall – ASX200 accumulation index since July 2006.

OUR INVESTMENT TEAMS

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

PRIVATE EQUITY AND VENTURE CAPITAL



**A diverse portfolio of rapidly growing businesses,
focused around our core theme of 'the essentials'**

PRIVATE REAL ESTATE

Residential developments



The Governor – Bowen Hills, Brisbane

Management Rights



Southport Central, Gold Coast

Student Accommodation

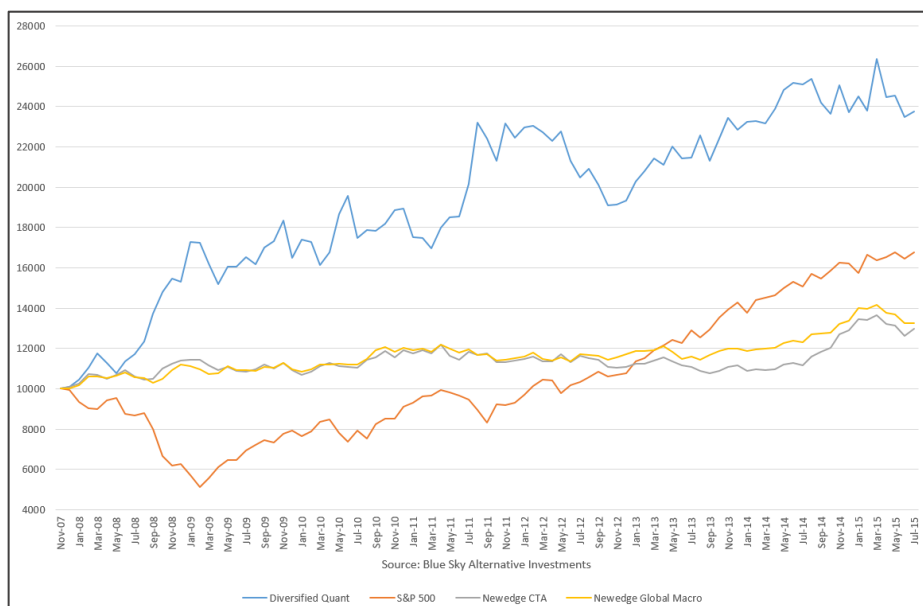


Latrobe Street Melbourne - Artist Impression 2015

**An active approach ('private equity into real estate')
that invests in different parts of the market depending on the cycle**

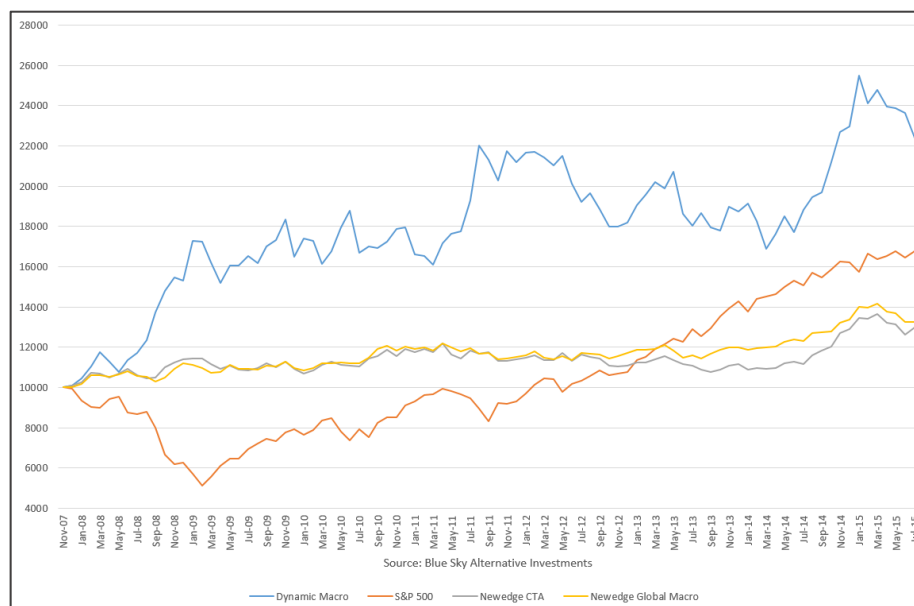
HEDGE FUNDS

Fund example: Diversified Quant



11.9% p.a. return compounding since inception (net of fees)¹

Fund example: Dynamic Macro



12.0% p.a. return compounding since inception (net of fees)¹

**A long term track record that is globally competitive;
provides a 'liquid alternative' solution to improve portfolio outcomes**

1. As at 30 June 2015. Note that past performance is not a reliable indicator of future performance.

REAL ASSETS

Water Entitlements



Water Infrastructure



Agribusiness



A leading position in water related real assets, leveraging our deep expertise and networks in these markets

THE YEAR AHEAD

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

CORE ELEMENTS OF OUR STRATEGY

- We remain committed to being an **alternatives solution provider** to all investor segments (institutions, wholesale investors and retail investors)
 - We will continue to ‘package’ our investment solutions to cater for this wide variety of investor types
- Our **platform** is one which is almost impossible to replicate
 - Includes a nine year investment track record across the four major alternative asset classes
- We are seeing the benefits of having a “**brand**”
- **Alternatives Fund** (ASX: BAF):
 - If we execute well, we believe this fund can become the default alternatives allocation in many portfolios

WE REMAIN FOCUSED ON GROWTH ACROSS ALL FOUR ASSET CLASSES

Private Equity and Venture Capital

- Continue to focus on exits (targeting a further 3 – 5 exits this year)
- Continue to deploy expansion capital into opportunities that reflect our investment themes (and capitalising on the constrained bank lending environment)
- Leverage government policy support (SIV) and investor demand for venture capital

Private Real Estate

- Rapidly scale student accommodation
- Deliver existing residential development projects
- Continue to build our portfolio of income generating, asset backed property assets

Hedge Funds

- Capitalise on:
 - Our long term investment track record and the momentum established that has seen AUM increase to >\$100m in early FY16
 - Increasing investor recognition of the role that hedge funds – as a liquid alternative – can play in portfolio construction

Real Assets

- Continue to deploy capital into water entitlements where market pricing is compelling
- Deploy further capital into other related areas (e.g. agribusiness, water infrastructure)

LONG TERM, STRUCTURAL TAILWINDS REMAIN SUPPORTIVE

- Australian investment management market now greater than \$2.0 trillion and growing at an annual rate of 15.7%¹
- The five fastest growing asset classes were: infrastructure (up 72%); hedge funds (up 36%); international property (up 35%); unlisted property (up 17%); and international fixed interest (up 17%)¹
- AUM allocated to the alternatives segment increased to \$385 billion (19% of the market), representing 36% growth over the past 12 months¹

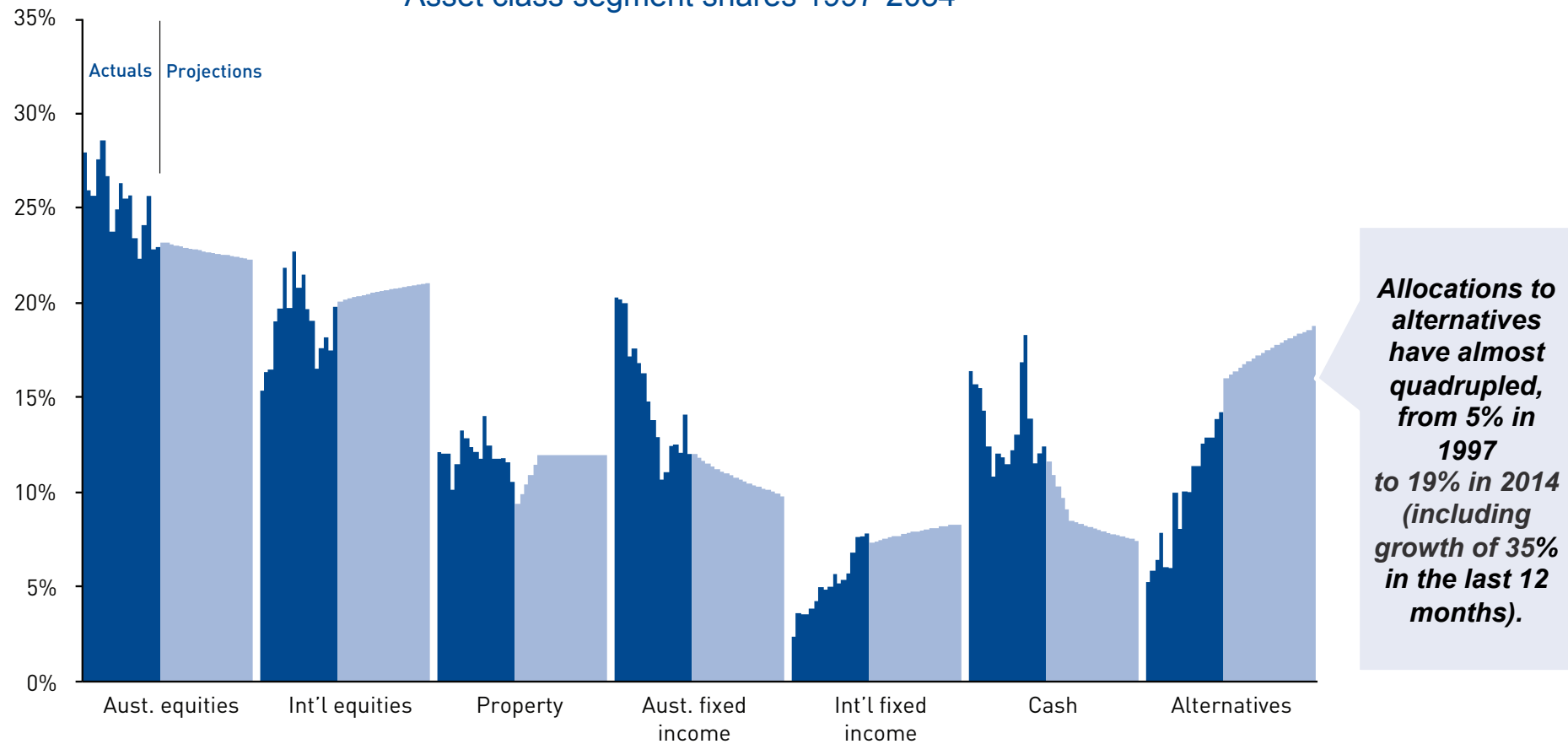
*“Alternative firms, with their **emphasis on outcomes rather than products**, and **specialisation rather than commoditisation**, will increasingly attract investors seeking customisation, diversification and **genuine long-term alpha**. At the same time, **alternatives will increasingly occupy a prominent allocation in the world’s economies**, both established and emerging. Fast-forwarding to 2020, alternatives will have a centre stage role to play in the investment universe and in the global economy”*

PWC – Alternative Asset Management 2020 (2015)

1. Rainmaker Roundup – Edition 70 (June 2015)

ALTERNATIVES ARE GROWING FASTER THAN ALL OTHER ASSET CLASSES

Asset class segment shares 1997-2034



Source: Rainmaker Roundup – Edition 70 (June 2015)

SUMMARY

- Since our IPO, we have invested heavily in building teams and infrastructure capable of delivering institutional grade investment performance
- **At the same time, we have maintained strong investment performance, grown AUM, grown revenues, increased profits and paid dividends to our shareholders**
- There remains a long way to go: by definition, alternative investment managers have to play a multi-decade game
 - At \$2 billion in AUM, this would still only represent a market share of <1% of the alternatives market in Australia, meaning there is significant opportunity for further growth beyond 2017



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