

ANNUAL GENERAL MEETING

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

19 NOVEMBER 2015

Private Equity / Private Real Estate / Hedge Funds / Real Assets

BlueSky
Alternative Thinking

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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).

FY15 REVIEW

KEY PRIORITIES FOR FY15

What we said we'd do	What we did
<p> Grow AUM to \$1b by 30 June 2015</p>	<p> Fee earning AUM at 30 June 2015 of \$1.35 billion</p>
<p> Investment track record of >15% p.a. net of fees since inception</p>	<p> 15.4% p.a. net of fees since inception as at 30 June 2015¹</p>
<p> Complete institutional mandates in Real Assets division</p>	<p> Institutional capital deployed across all four asset classes</p>
<p> Deliver 3 – 5 exits from Private Equity division</p>	<p> Delivered 3 exits (Viking Rentals; Hatchtech; Firewire)</p>

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

KEY PRIORITIES FOR FY16

1. Investment track record of >15% p.a. net of fees since inception
2. Grow AUM to achieve \$2b+ by end of CY2016
3. Raise two additional funds that attract institutional capital

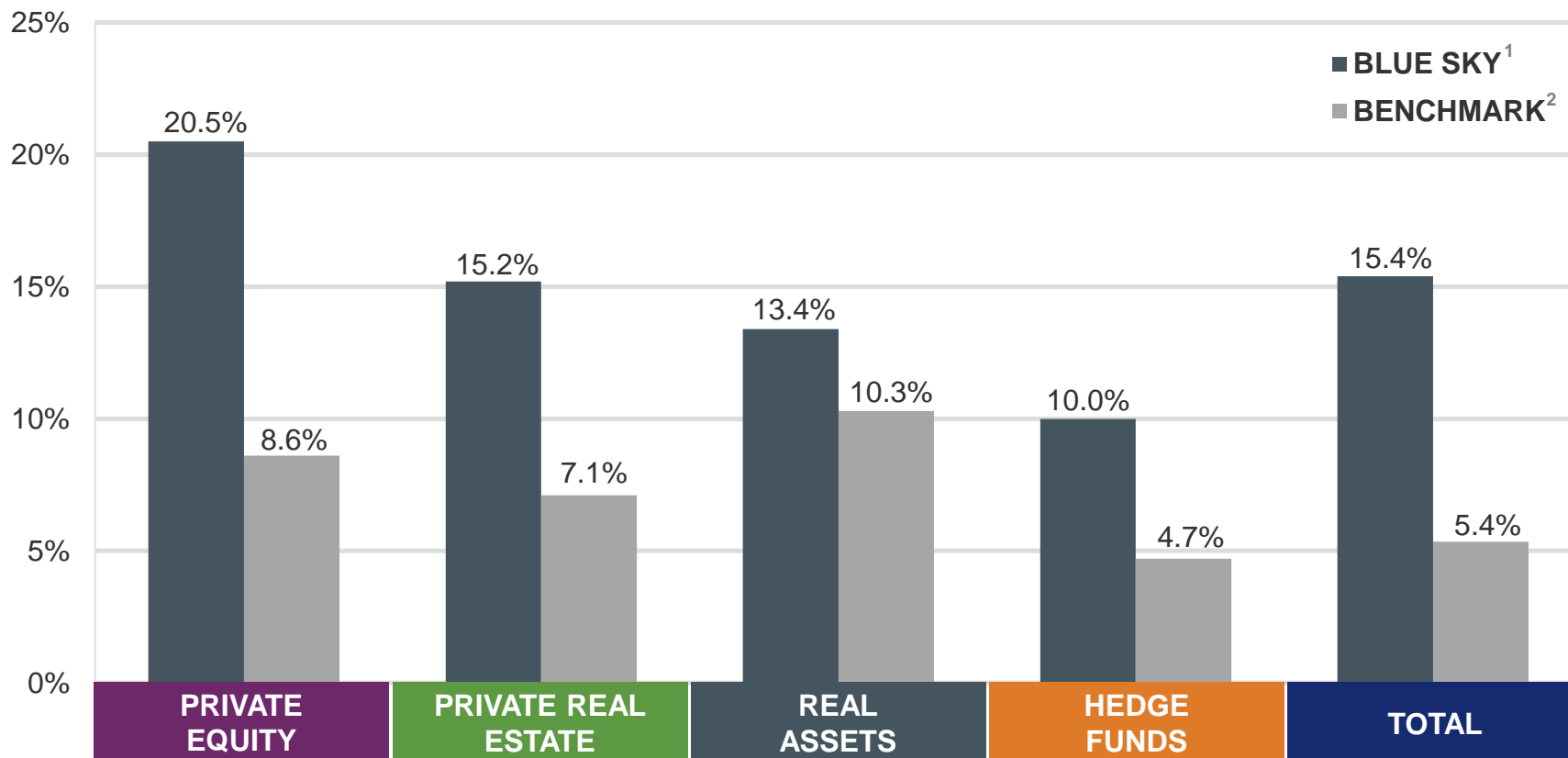
OTHER MILESTONES

- ✓ Delivered \$10.4m underlying NPAT with underlying NTA of \$56.9m at 30 June 2015
- ✓ Alternatives Access Fund (ASX: BAF) raised and deployed \$20m of additional capital
 - Platform provides access to a diverse portfolio of alternatives in an ASX listed structure
 - Currently ahead of performance fee hurdle
- ✓ Multiple industry awards
 - Professional Planner / Zenith 2015 Fund Awards - finalist
 - HFM Asia Hedge Fund Performance Awards – winner (best global macro fund)
 - The Australian Hedge Fund Awards 2015 - finalist
- ✓ Opened Melbourne office and expanded NYC office
- ✓ Admitted to the All Ordinaries index



Recognised as a solutions provider for alternative investments

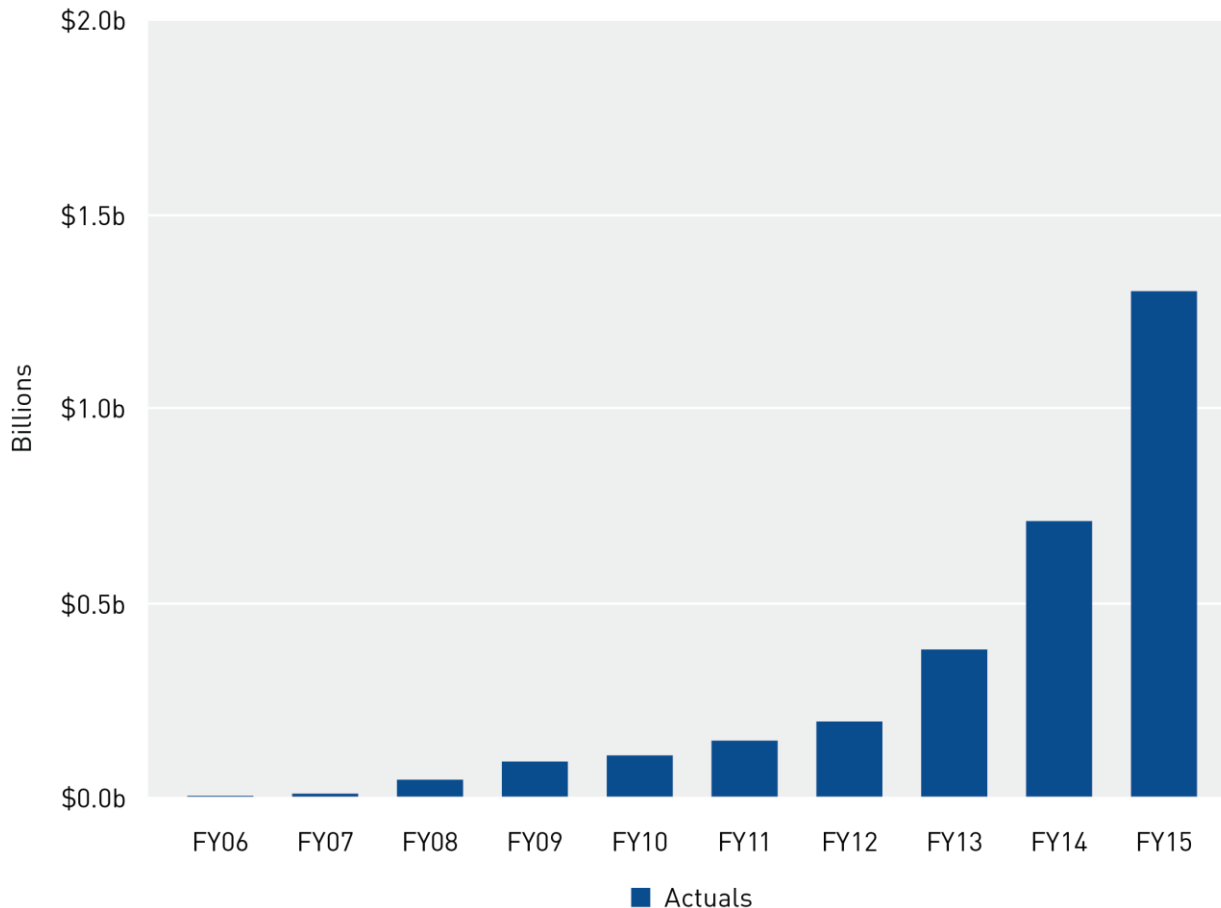
INVESTOR RETURNS: 15.4% NET OF FEES SINCE INCEPTION (AS AT 30 JUNE 2015)



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.

ASSETS UNDER MANAGEMENT

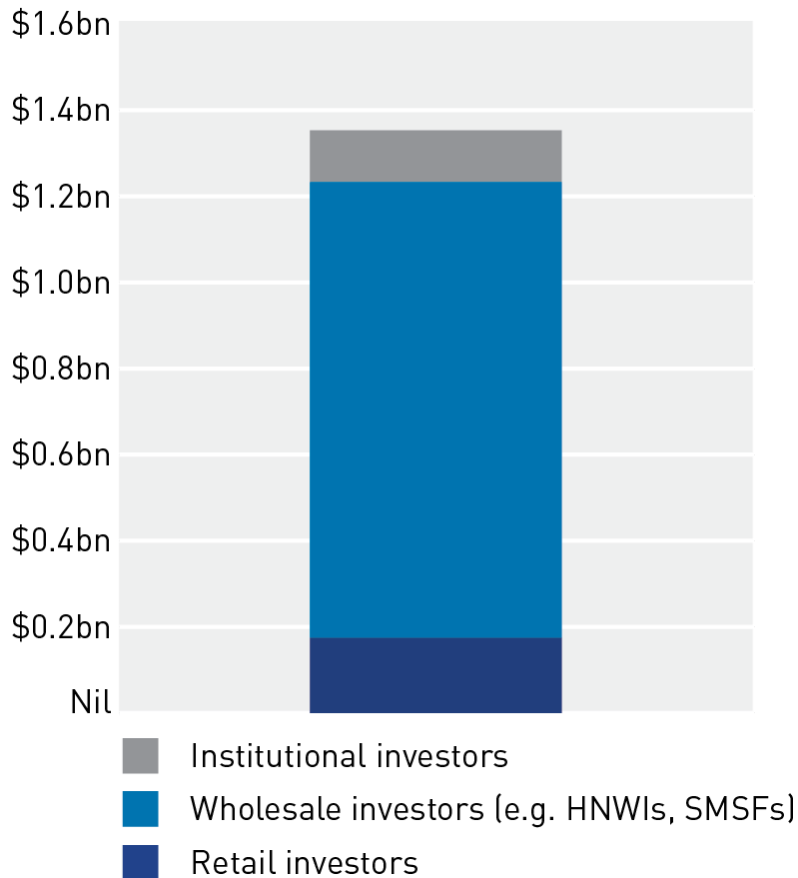
Fee Earning Assets Under Management



- 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)

OUR STRATEGY IS TO SOURCE CAPITAL ACROSS ALL TYPES OF INVESTORS

Blue Sky's Fee Earning AUM
(as at 30 June 2015)



Retail:

- The Alternatives Access Fund (ASX: BAF) solves the issue of access to alternatives (and provides permanent capital for investment)
- Access provided through an ASX listed vehicle with a lower fee structure

Wholesale:

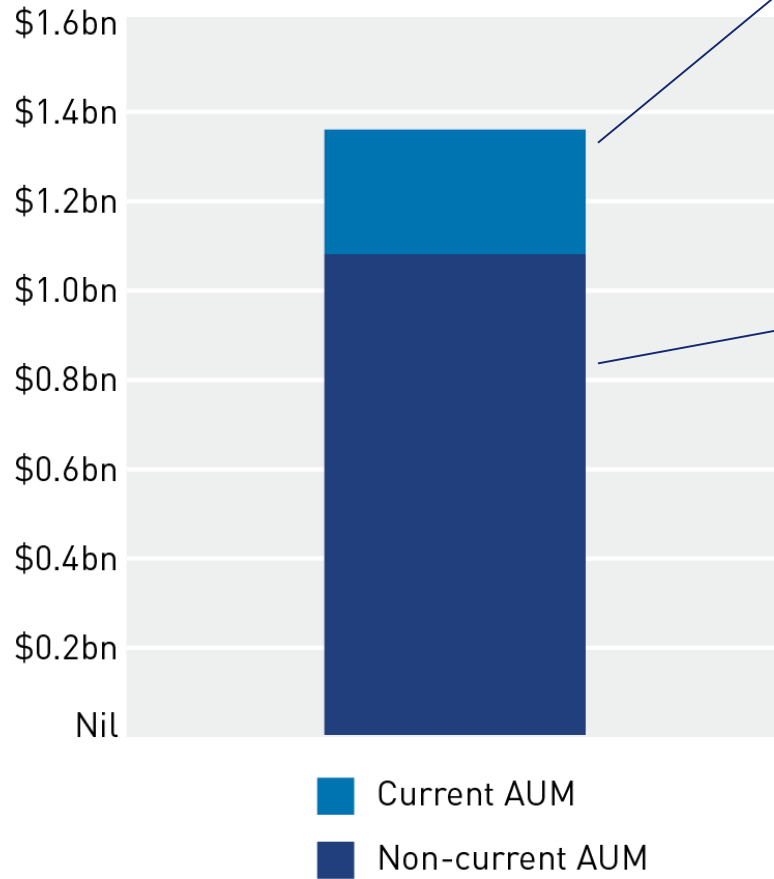
- Historically has been our dominant source of AUM
- Represents 40%+ of assets in the Australian funds management industry, so will remain an ongoing focus

Institutional:

- Institutional capital deployed across all four asset classes
- Anticipate this will grow as a proportion of fee earning AUM
 - Note: proportion in graph reflects only fee earning AUM as at 30 June 2015

IN ALTERNATIVES, MOST OF THE AUM IS 'STICKY'

Blue Sky's Fee Earning AUM
(as at 30 June 2015)

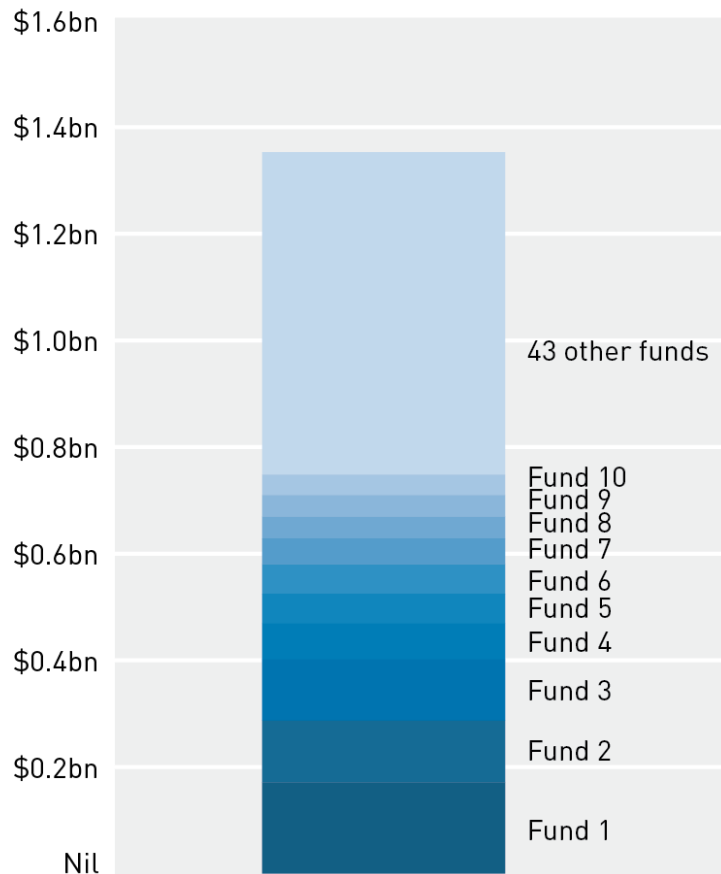


- 'Current' AUM includes:
 - Liquid funds: hedge funds; water fund (excl. institutional mandate)
 - Closed ended funds with anticipated realisations in FY16 (e.g. some private equity and private real estate funds)
- **20.6% of fee earning AUM (as at 30 June 2015)**

- All remaining AUM are in closed end funds that are 'non-current'. These include:
 - Private Equity and Venture Capital funds with anticipated realisations in FY17 and beyond
 - Private Real Estate funds with anticipated realisations in FY17 and beyond
 - Real Assets – water infrastructure; agribusiness; institutional investment into water entitlements
 - Alternatives Access Fund – 10 year management agreement
- Provides baseline level of AUM that generates fees over a multi-year period
- **79.4% of fee earning AUM (as at 30 June 2015)**

OUR AUM IS DISTRIBUTED ACROSS 53 FUNDS

Blue Sky's Fee Earning AUM
(as at 30 June 2015)

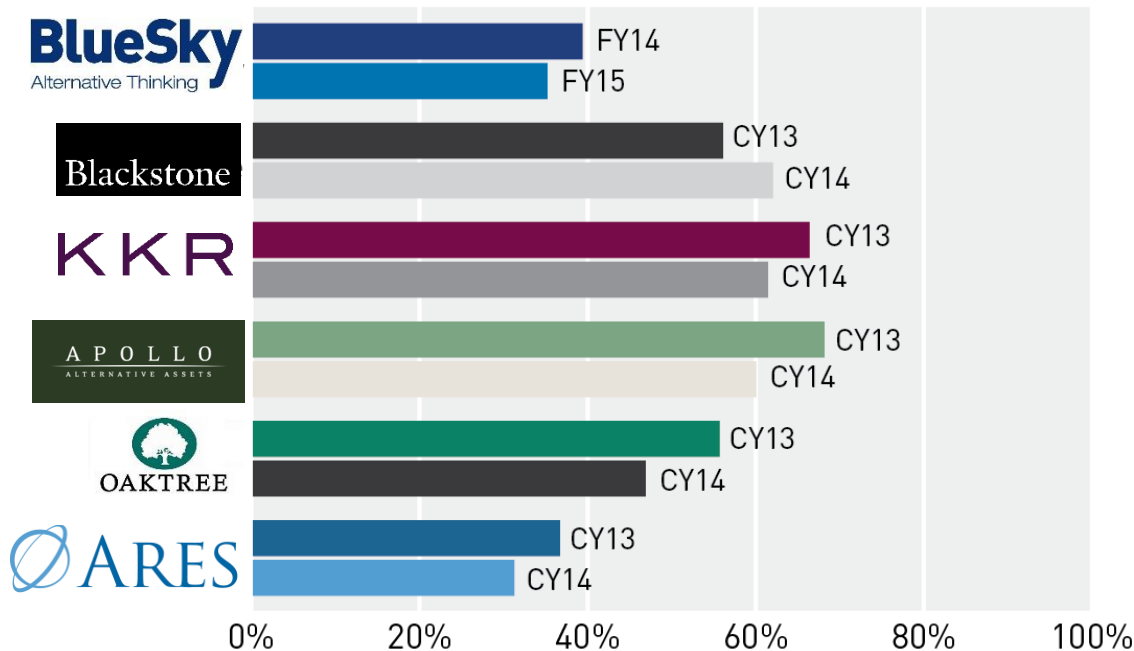


- Currently managing 53 funds / mandates¹
- Single largest fund / mandate comprises 12.6% of AUM and top 10 funds / mandates represent 55.3% of AUM
- Diversity gives inherent source of risk mitigation
- Provides regular cash realisations for:
 - Investors in private funds
 - Alternatives Access Fund
 - BLA (performance fees; balance sheet investments)
- Targeting increased average fund / mandate size as business scales (reducing relative cost of middle/back office)

1. To avoid double counting, BAF investments are included in underlying funds

SCOPE EXISTS TO INCREASE MARGINS AS BUSINESS SCALES

EBITDA margins: Blue Sky relative to US alternative asset managers



- Blue Sky's EBITDA margins in the last two financial years have been 35%-40%
- Larger diversified alternative asset managers in the US typically operate with EBITDA margins of 40%+
- Blue Sky's lower margins reflect our smaller scale, as well as recent investments:
 - Alternatives Access Fund (ASX: BAF)
 - New offices (New York; Melbourne)
 - Hedge fund business (not currently at scale)
 - Technology
 - People (esp. middle/back office)

Source: US Managers' 10-K filings

FY15 FINANCIAL PERFORMANCE

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**

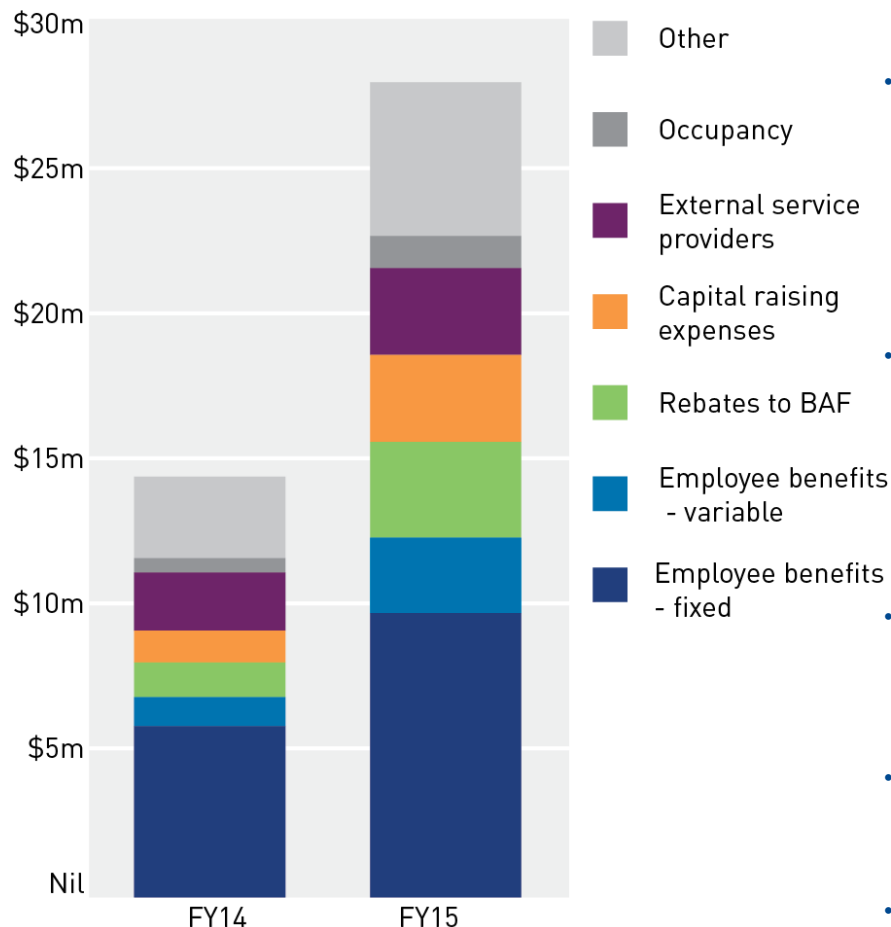
Commentary on statutory results:

- 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 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).

GROWTH IN EXPENSES LARGELY FROM EMPLOYEES AND ALTERNATIVES FUND

Operating expenses



- Blue Sky recognises that it is critical to be both a good investment manager and a good fund manager. Investment has been made to improve capability of middle / back office functions across the business
- **Employee expenses (44.1% of operating costs):**
 - Team grown to 75 FTE at 30 June 2015. Growth reflects investment made in middle/back office functions, distribution team, the acquisition of Investment Science and the expansion of the New York office
 - 'Employee expenses – variable' reflects staff portion of performance fees (as performance fee revenue increases, this will increase)
 - Limited growth in FTE numbers planned for FY16
- **Rebates to Alternatives Fund (ASX: BAF) (11.7% of operating costs):**
 - Includes management fees (\$1.4m), performance fees (\$1.4m) and costs of deployment (\$0.5m) (primarily associated with deployment of \$20m rights issue)
 - Will likely grow in FY16 given further deployment of capital raised from the exercise of BAF options, as well as increased management and performance fees given the greater size of the fund
- **Capital raising expenses (10.7% of operating costs):**
 - Variable costs associated with new capital inflows; anticipated to decline (as a % of growth in AUM) as existing investors invest across a broader number of funds and as additional institutional mandates are won
- **External service providers (10.7% of operating costs):**
 - Majority relates to deal related expenses (e.g. due diligence) that are covered by up front fees charged to funds
- **Occupancy (3.9% of operating costs)**
 - Anticipate occupancy to grow to ~\$2m in FY16 (reflecting upgraded Brisbane premises and new Melbourne office) with limited growth thereafter

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 a 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 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).

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 from 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

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).

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 2015 is approved.”

PROXIES RECEIVED (1 OF 3)

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 2015 is approved.”

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

RESOLUTION 2

Re-election of Alex McNab as Director

Resolution 2 seeks approval:

“THAT Alex McNab, who retires by rotation under rule 48 of the Company’s Constitution, and being eligible, be re-elected as a director of the Company.”

PROXIES RECEIVED (2 OF 3)

RESOLUTION 2

Re-election of Alex McNab as Director

Resolution 2 seeks approval:

“THAT Alex McNab, who retires by rotation under rule 48 of the Company’s Constitution, and 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

Approval of Employee Share Option Plan

Resolution 3 seeks approval:

“THAT for the purposes of ASX Listing Rule 7.2 (exception 9(b)) and for all other purposes, shareholders ratify and approve the employee share option plan described in the Explanatory Memorandum.”

PROXIES RECEIVED (3 OF 3)

RESOLUTION 3

Approval of Employee Share Option Plan

Resolution 3 seeks approval:

“THAT for the purposes of ASX Listing Rule 7.2 (exception 9(b)) and for all other purposes, shareholders ratify and approve the employee share option plan described in the Explanatory Memorandum.”

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



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