



Blue Sky Alternative Investments

1H FY16 RESULTS PRESENTATION

February 2016

Private Equity | Private Real Estate | Hedge Funds | Real Assets

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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).



- Underlying revenue for 1H FY16 up 44% to \$23.8 million (1H FY15: \$16.5 million)
- Underlying net profit after tax for 1H FY16 up 69% to \$4.4 million (1H FY15: \$2.6 million)
- **Forward guidance for full year FY16 underlying NPAT of \$14.0m - \$16.0m (full year FY15 underlying NPAT: \$10.4m)**
- Fee earning assets under management ('AUM') at 31 December 2015 of \$1.70 billion
- **Forward guidance that \$2 billion in fee earning AUM target will be met by 30 June 2016, eighteen months ahead of original target**
- Investment performance: 16.9% p.a. net of fees since inception (up from 15.4% at 30 June 2015)¹
- On track to deliver or exceed all priorities outlined at last year's AGM

	Underlying Results			Statutory Results		
	1H FY15	1H FY16	% Change	1H FY15	1H FY16	% Change
Total income	\$16.5m	\$23.8m	44.2%	\$26.0m	\$34.2m	31.5%
Net profit after tax	\$2.6m	\$4.4m	69.2%	\$2.5m ²	\$4.3m ²	72.0%
Net tangible assets	\$49.1m	\$55.7m	13.4%	\$56.7m	\$56.6m	-0.2%

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

2. Excluding non-controlling interest.

Please refer to the Consolidated Interim Financial Report for the half-year ended 31 December 2015 for an explanation (and reconciliation) of the difference between the statutory and underlying results.

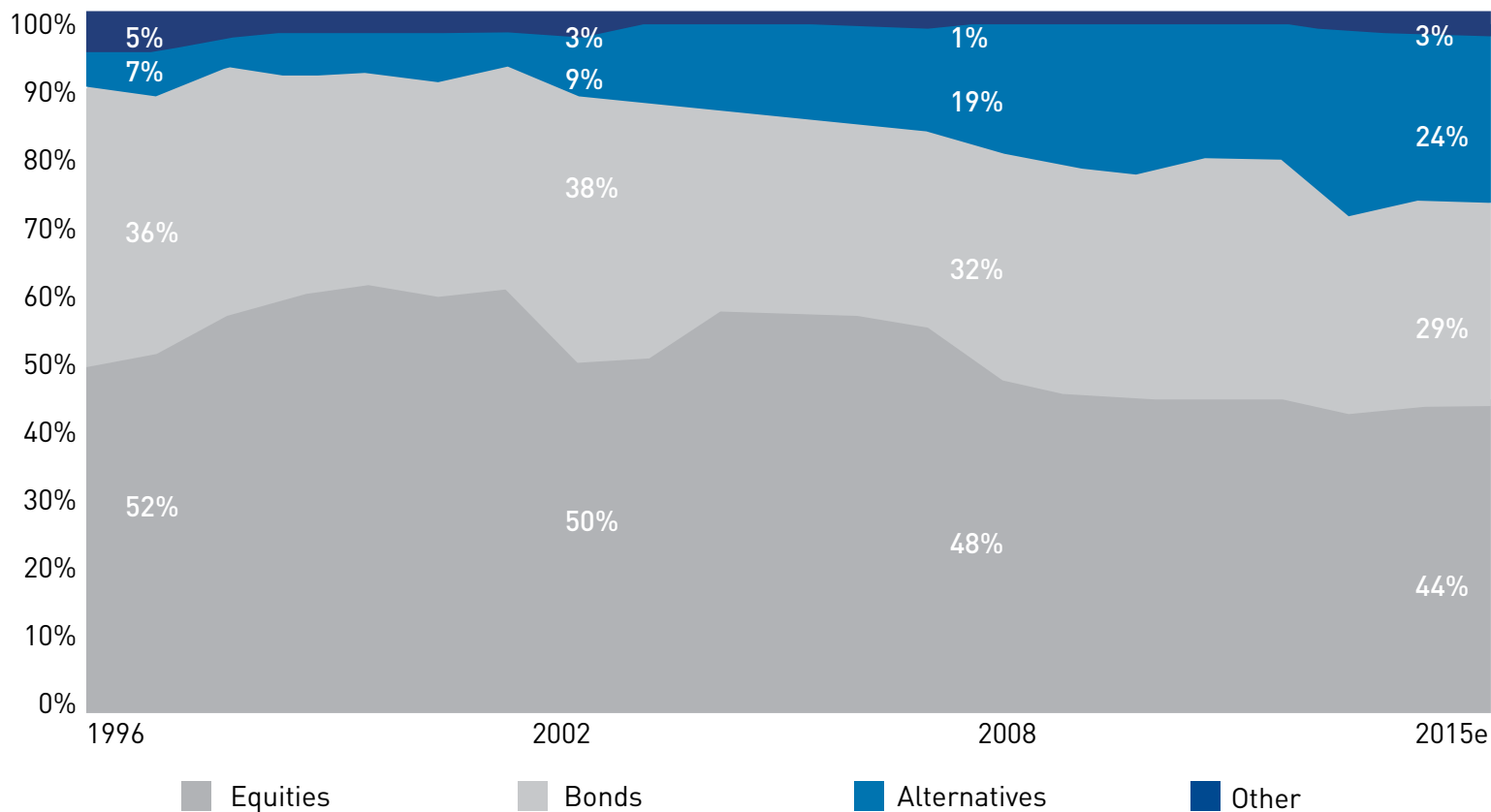
What we said we'd do	Current status
 <p>Investment track record of >15% p.a. net of fees since inception¹</p>	 <p>Returns of 16.9% p.a. net of fees since inception to 31 December 2015¹</p>
 <p>Grow AUM to achieve \$2b+ by end of CY2016</p>	 <p>Brought forward guidance to achieve \$2b+ by 30 June 2016</p>
 <p>Raise two additional funds that attract institutional capital</p>	 <p>On track</p>

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THE STRUCTURAL SHIFT TO ALTERNATIVES

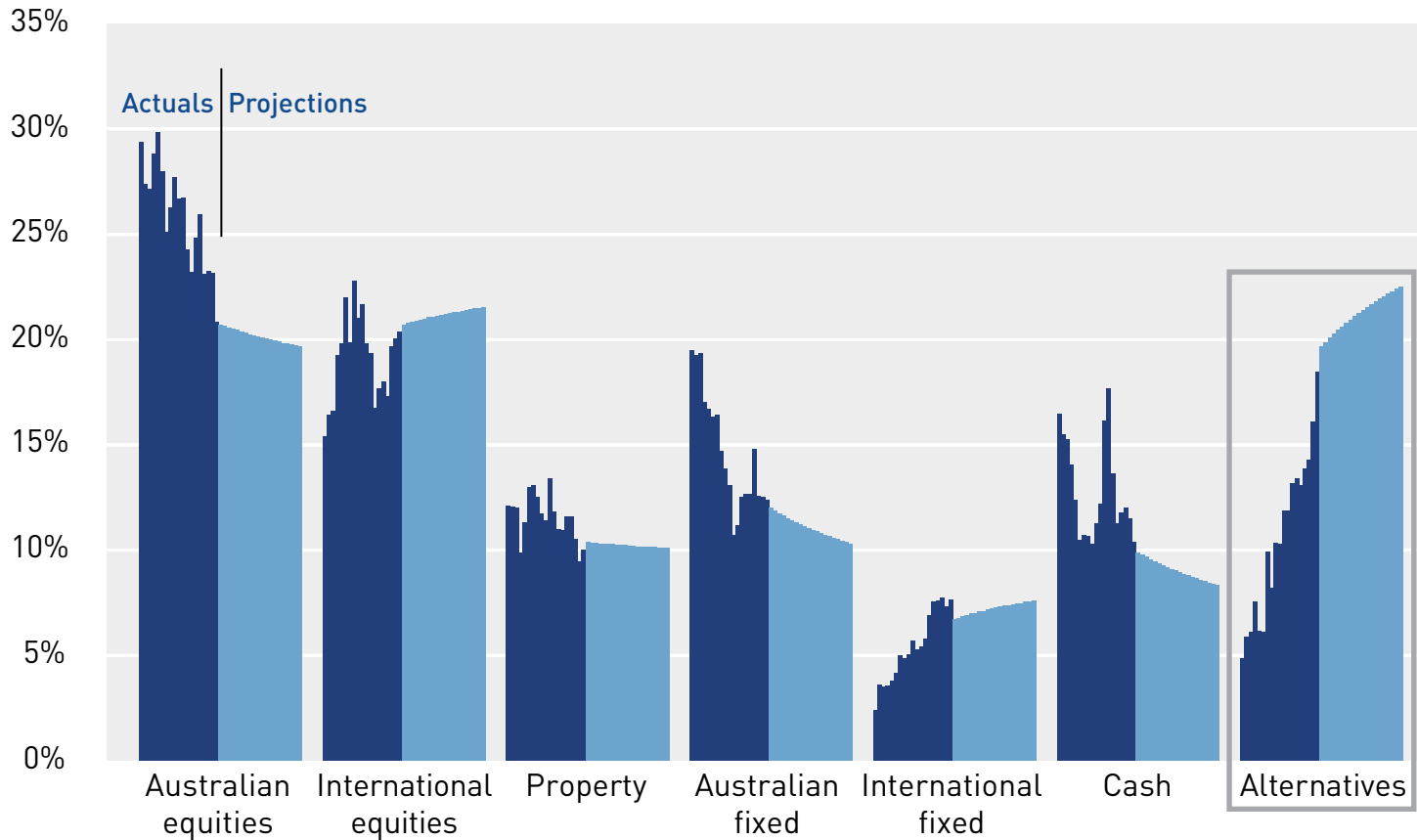
Global Pension Funds: Aggregate asset allocation from 1996 to 2015



Allocations to alternative assets have more than tripled from 7% in 1996 to 24% today

Source: *Global Pension Assets Study 2016*, Willis Towers Watson (February 2016).

Asset class segment shares 1997-2035



Alternatives are projected to become **Australia's largest asset class by 2021** (with international equities the next largest)

Source: *Rainmaker Roundup* – Edition 72 (December 2015).

Asset Class	A\$million	% of fund
Australian equities	7,713	6.5
Global equities:		
Developed markets	20,335	17.2
Emerging markets	8,690	7.3
Private Equity	12,316	10.4
Property	7,657	6.5
Infrastructure and timberland	8,462	7.1
Debt securities	13,915	11.8
Other alternative assets	14,881	12.6
Cash	24,445	20.6
Total	118,414	100.0

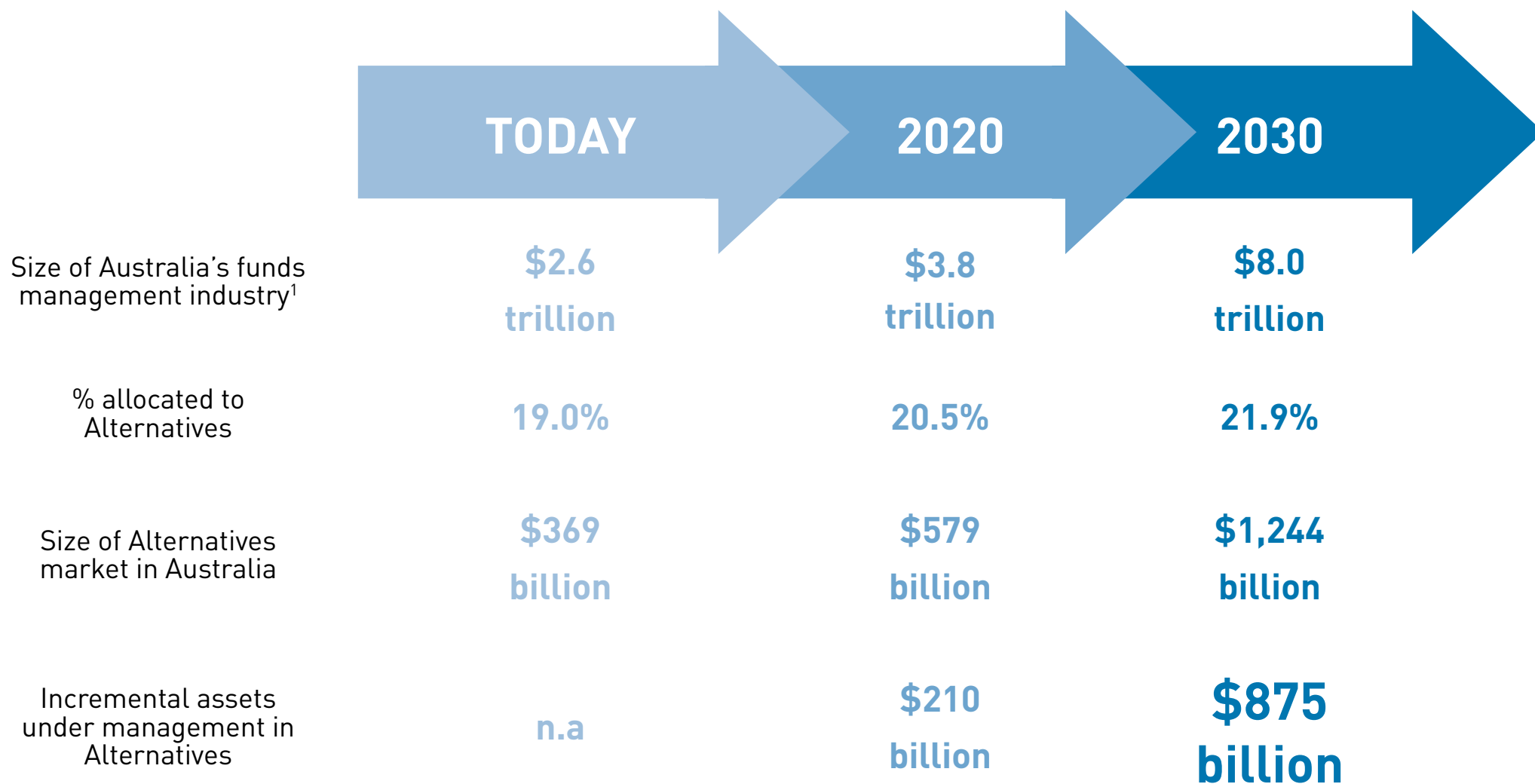
futurefund

Australia's Sovereign Wealth Fund

Total Alternative
asset allocation:
36.6%

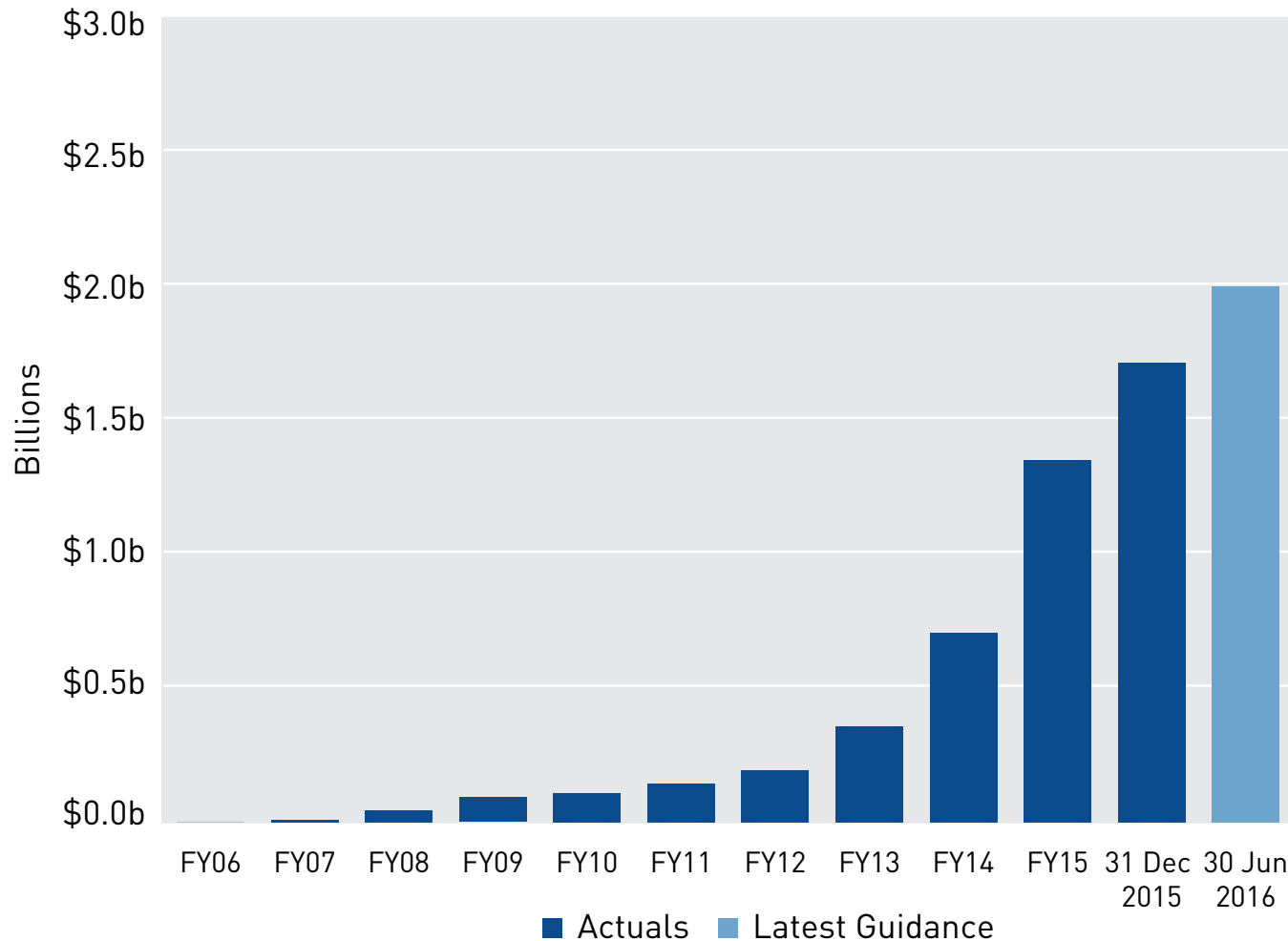
Source: Future Fund Asset Allocation as at 31 December 2015.

Note: Data may not sum due to rounding.



1. Includes overseas sourced FUM.
Source: *Rainmaker Roundup* – Edition 72 (December 2015).

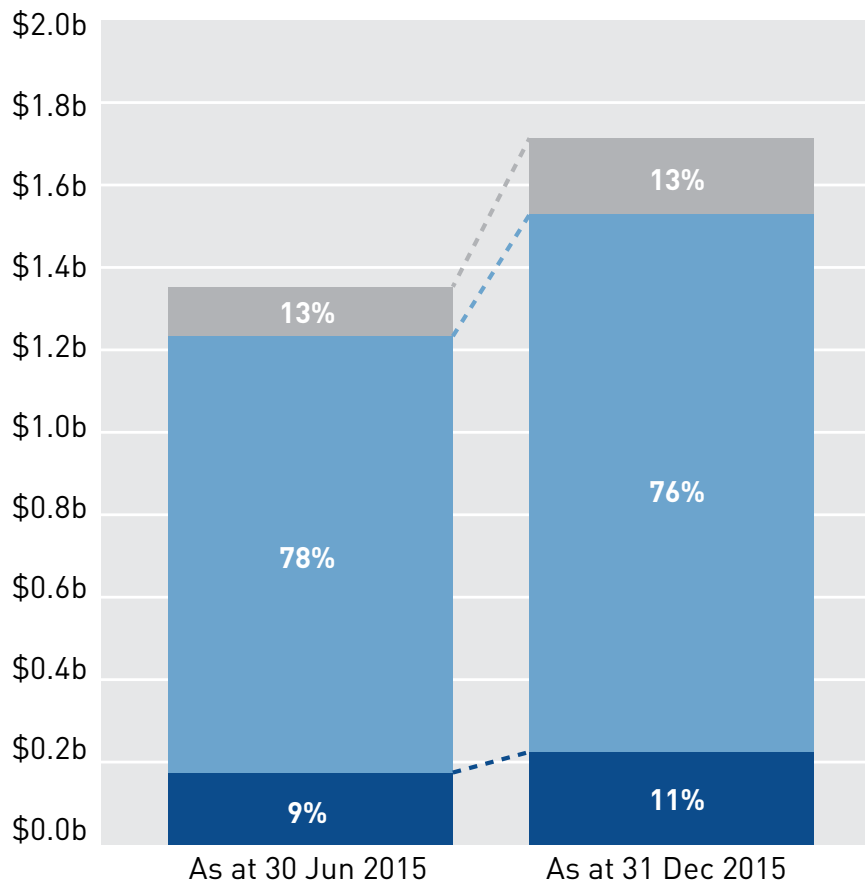
Fee earning assets under management



■ Fee earning AUM grew from ~\$1.35b at 30 June 2015 to ~\$1.70b at 31 Dec 2015

■ Anticipate having \$2b+ in fee earning AUM by 30 June 2016, eighteen months ahead of original target

Fee earning assets under management



Institutional investors
 Wholesale investors
 Retail investors



Retail (13% of total)

- \$47m raised from exercise of options in BAF, taking total net assets to >\$130m



Wholesale (76% of total)

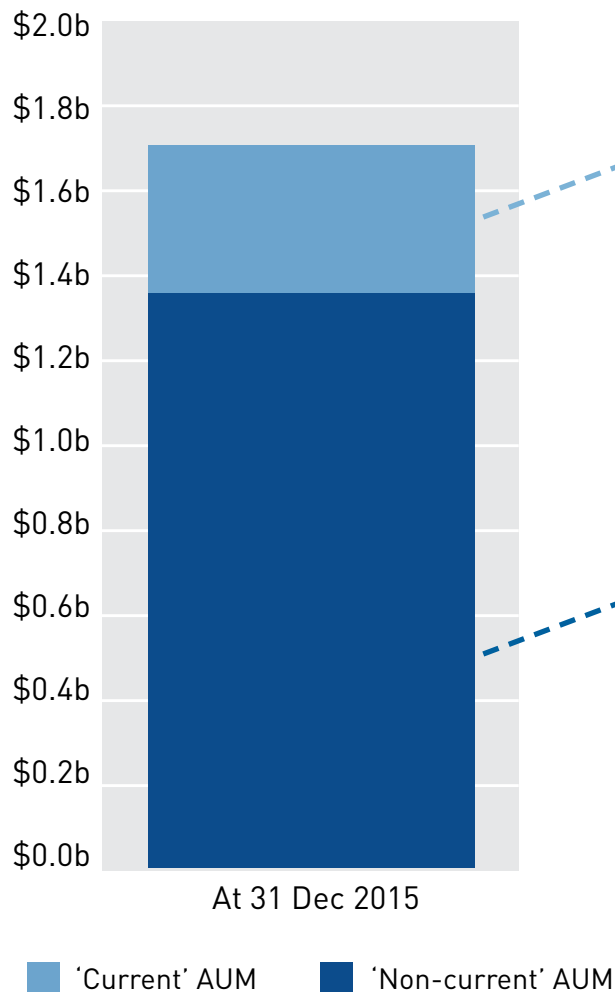
- Continues to be our dominant source of AUM, and represents 40%+ of assets in the Australian funds management industry
- Broadening engagement with family offices, HNWIs, SMSFs and financial planners as Alternatives become mainstream



Institutional (11% of total)

- Anticipate this will continue to increase as a proportion of AUM as engagement with domestic and international institutions deepens

Fee earning assets under management



■ 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 31 December 2015)

■ All remaining AUM are in closed ended funds that are 'non-current'. These include:

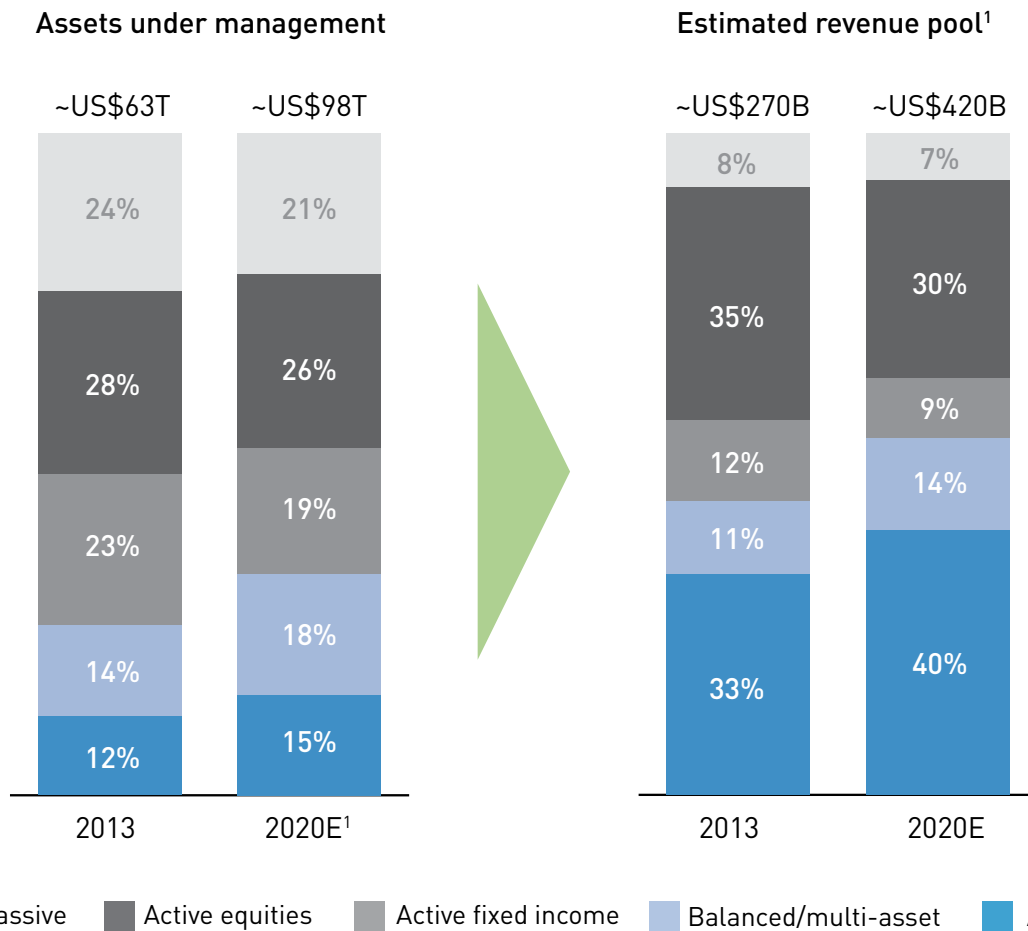
- Private Equity and Venture Capital funds with anticipated realisations beyond the next twelve months
- Private Real Estate funds with anticipated realisations beyond the next twelve months
- Real Assets – water infrastructure; agribusiness; institutional investment into water entitlements
- Alternatives 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 31 December 2015)



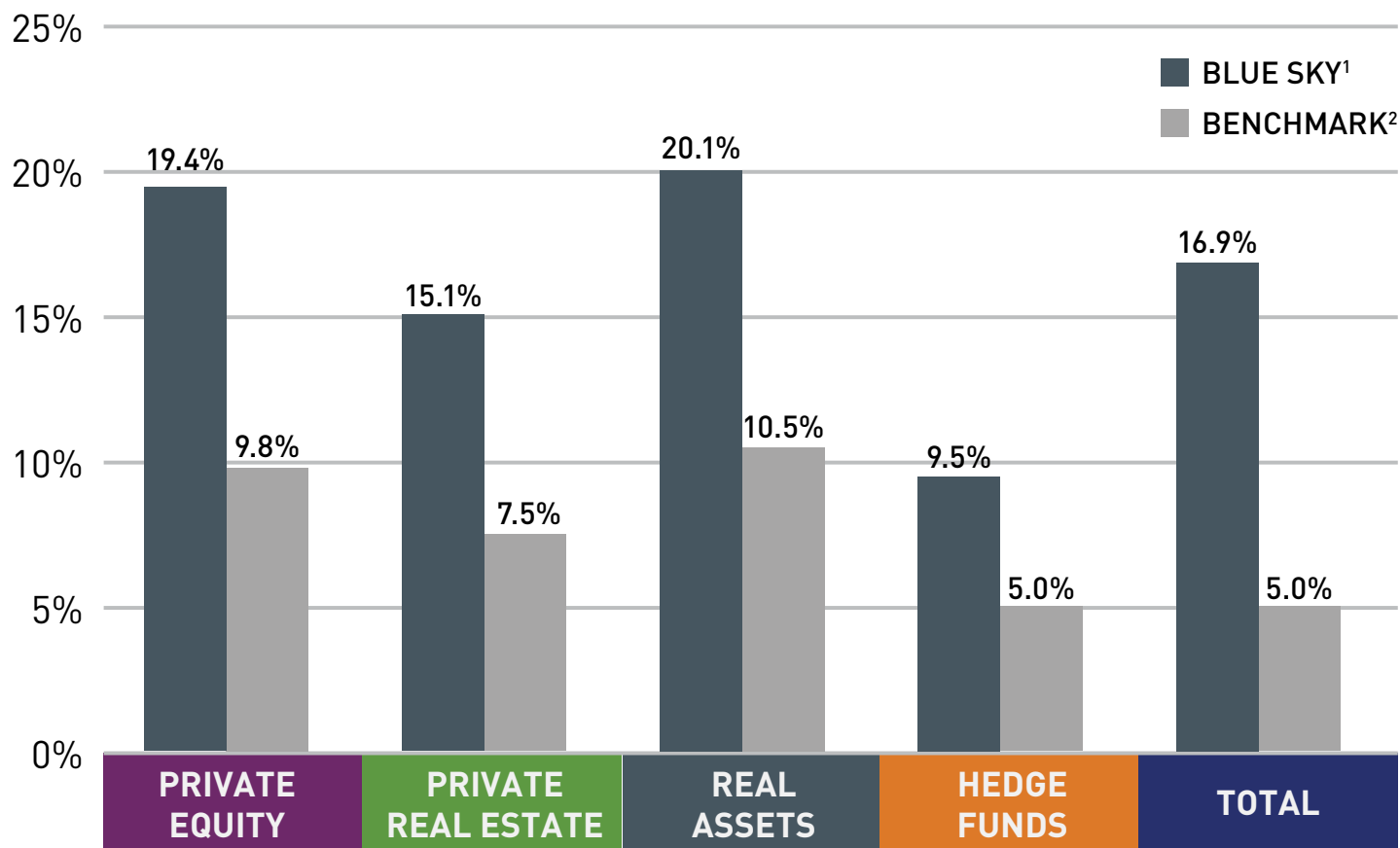
Global asset management market (externally managed assets)



- Typically more resource intensive, both to source and manage investment opportunities (e.g. private equities vs. public equities)
- Persistence of performance gives top quartile managers greater pricing power**
- Incentives for Alternatives managers are typically aligned to absolute returns, not relative returns

1. Excludes performance fees (i.e. carried interest).

Source: *The Trillion Dollar Convergence: Capturing the Next Wave of Growth in Alternative Investments*, McKinsey & Company



1. Total returns are equity weighted returns since inception through to 31 December 2015. Returns are net of fees and include a mix of realised and unrealised. Past performance is not a reliable indicator of future performance.

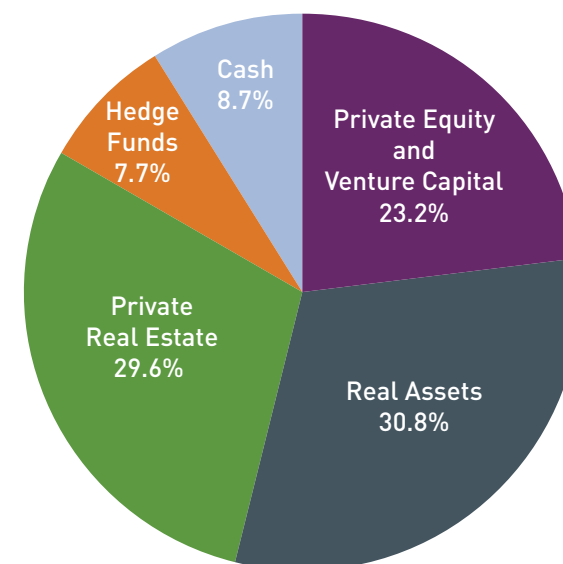
2. Benchmarks are measured over the same time period as the returns for each division and are sourced from Chant West's January 2016 media release. Private Equity – Average of Chant West Private Equity performance over 10 years. Private Real Estate – Average of Chant West Australian Unlisted Property performance over 7 and 10 years. Real Assets – Average of Chant West Unlisted Infrastructure performance over 3 and 5 years. Hedge Funds – Chant West Hedge Fund performance over 10 years. Overall – S&P ASX200 Accumulation Index since July 2006.

- Increase in Real Assets performance largely driven by returns from water entitlements
 - Water Fund up 47.4% for twelve months ended 31 December 2015 and 21.7% p.a. since inception
- Returns in Private Equity and Private Real Estate funds reflect continued strong performance across these asset classes
- Hedge Fund performance marginally lower since 30 June 2015
 - All funds returned positive returns for the year that were superior to their respective benchmarks
 - Dynamic Macro fund has this year returned 21.3% (from 1 Jan 2016 to 12 Feb 2016)
- Core investment theme remains investing in 'the essentials'
 - Anticipate expressing this theme through continued investments in private equity/venture capital, real assets (water, agriculture) and student accommodation
 - Long term investment horizons in Alternatives mean recent investments can take time to be reflected in performance
- Note: Returns are **compounding** since inception and net of fees

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

FUND PERFORMANCE (NTA growth plus dividends and franking credits) ¹		
Period	Pre-Tax	Post-Tax
1 month	0.66%	0.48%
3 months	2.61%	1.99%
6 months	6.00%	4.73%
12 months	15.98%	11.97%

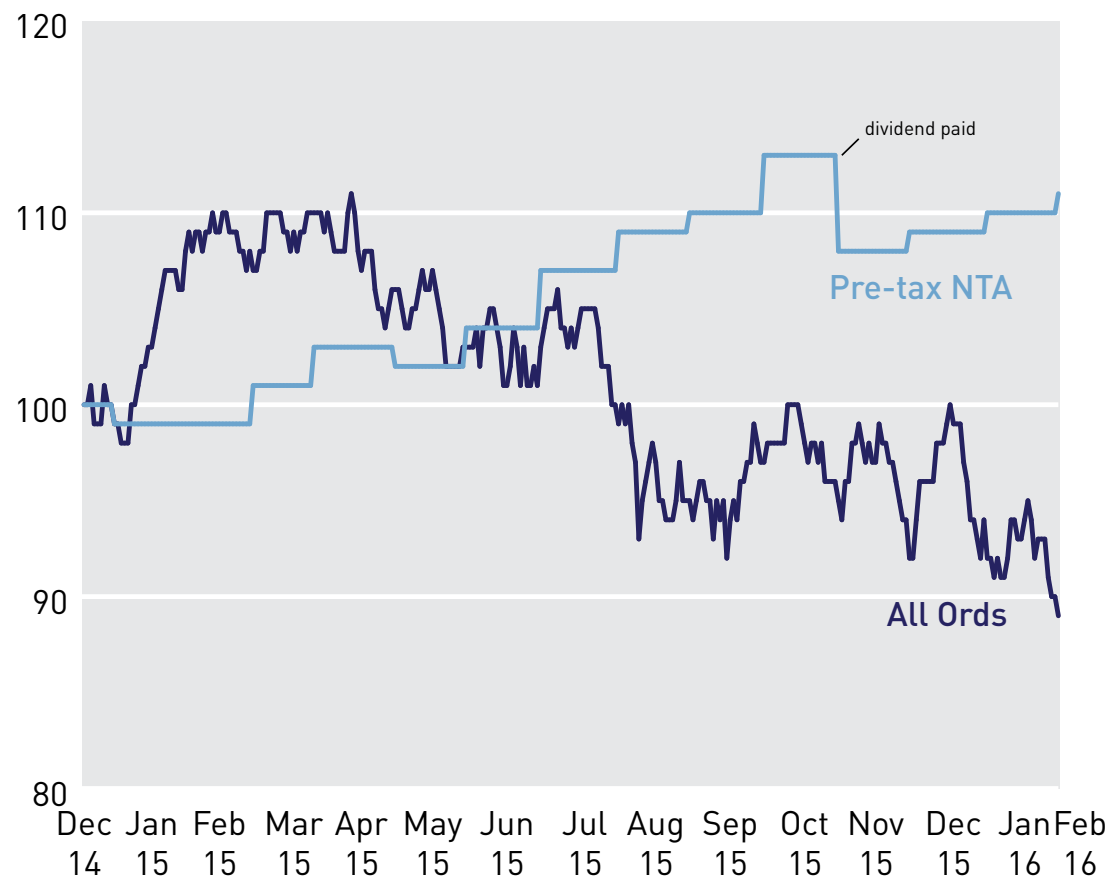
Sector weightings
(as at 31 January 2016)



1. To 31 January 2016. Includes NTA growth, dividends and franking credits. Past performance is not a reliable indicator of future performance.

- ✓ Diversified / balanced portfolio
- ✓ Exposure to assets that are not correlated to equities
- ✓ Liquid access
- ✓ Returns in line with BLA track record
- ✓ Meaningful yield component
- ✓ Low fees

Pre-tax NTA v. All Ords



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

- Blue Sky recently formed a joint venture with Cove Property Group ('Cove')
- Cove operates independently and is initially focused on investing in commercial real estate in New York
- Cove's senior executive team comprises Mr Kevin Hoo (as Managing Partner), Mr Amit Patel and Mr Tom Farrell
 - Mr Hoo is an Australian national who has been based in the US for over a decade
 - Formerly a Managing Director at Savanna Real Estate and Director at Tishman Speyer
 - Responsible for over US\$2b worth of commercial real estate acquisitions, disposals and financing
 - Previous asset experience includes buildings such as the Rockefeller Centre, MetLife Building, 100 Wall Street and Twitter's New York City headquarters
- Cove represents a platform through which investors in funds managed by Blue Sky will be able to invest in commercial real estate offshore
- Blue Sky has committed to invest US\$750k into Cove and holds a 38% economic interest in the joint venture. Blue Sky and Mr Hoo each hold 50% of the voting rights



1H FY16 RESULTS

In AUD \$m	Underlying Results		Statutory Results	
	1H FY15	1H FY16	1H FY15	1H FY16
Income				
Management fees	\$11.0m	\$12.8m	\$10.9m	\$12.8m
Performance fees	\$1.9m	\$8.2m	\$1.9m	\$8.2m
Investment income	\$1.1m	\$0.4m	\$0.4m	-\$0.1m
Share of gain/(loss) of associates	-	-	\$0.4m	\$0.5m
Other income	\$2.5m	\$2.4m	\$12.4m	\$12.8m
Total income	\$16.5m	\$23.8m	\$26.0m	\$34.2m
Operating costs				
Employee benefits expense	-\$5.7m	-\$8.2m	-\$7.7m	-\$9.0m
Occupancy	-\$0.4m	-\$1.0m	-\$0.6m	-\$1.3m
External service providers	-\$1.2m	-\$1.9m	-\$1.4m	-\$2.0m
External capital raising expenses	-\$1.5m	-\$0.8m	-\$1.5m	-\$0.8m
Fee rebates to BSAAF Limited (BAF)	-\$1.5m	-\$2.7m	-\$1.5m	-\$2.7m
Other operating costs	-\$2.0m	-\$2.5m	-\$8.4m	-\$9.9m
Total operating costs	-\$12.3m	-\$17.1m	-\$21.1m	-\$25.7m
EBITDA	\$4.2m	\$6.7m	\$4.9m	\$8.5m
EBIT	\$4.1m	\$6.5m	\$3.8m	\$7.4m
Net profit/(loss) after tax	\$2.6m	\$4.4m	\$2.2m	\$4.5m
Non-controlling interests (NCI)	-	-	-\$0.3m	\$0.2m

Commentary on underlying results:

- 16% increase in management fees, reflecting larger AUM and ongoing deal activity across Private Equity, Private Real Estate and Real Assets.
- 332% increase in performance fees, driven by ongoing strong investment performance across a larger AUM base. All four asset classes contributed performance fees in 1H FY16.
- Other income includes sales commissions (\$0.4m), responsible entity revenue (\$0.7m) and interest revenue (\$0.5m).
- 44% increase in employee expenses, reflecting ongoing investment in our team (now 82 people) and increased performance fees paid.
- **Fee rebates to BAF include rebates of costs of deployment, as well as the rebate of management fees and performance fees charged to its underlying fund investments.**

Commentary on statutory results:

- Other income includes revenue earned by funds managed by Blue Sky that are consolidated under AASB10. This includes apartment sales revenue (\$3.9m), supply of water revenue (\$4.3m) and management and letting rights revenue (\$2.1m).
- 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) (\$3.0m), costs associated with the supply of water (\$1.0m) and management and letting rights expenses (\$3.0m).

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).

In AUD \$m	Underlying Results	Statutory Results
	At 31 Dec 2015	At 31 Dec 2015
Cash	\$14.2m	\$14.9m
Other current assets	\$30.2m	\$35.6m
Total current assets	\$44.4m	\$50.5m
Investments accounted for using the equity method	\$0.4m	\$22.8m
Financial assets at fair value through profit and loss	\$33.7m	-
Property, plant and equipment	\$3.6m	\$30.4m
Intangible assets	\$5.7m	\$18.8m
Other non-current assets	\$11.3m	\$9.7m
Total non current assets	\$54.7m	\$81.7m
Total assets	\$99.1m	\$132.2m
Trade and other payables	\$10.1m	\$12.3m
Borrowings	\$8.4m	\$9.2m
Other current liabilities	\$10.1m	\$10.9m
Total current liabilities	\$28.6m	\$32.4m
Borrowings	-	\$9.3m
Other non current liabilities	\$9.1m	\$15.1m
Total non current liabilities	\$9.1m	\$24.4m
Total liabilities	\$37.7m	\$56.8m
Net assets	\$61.4m	\$75.4m
Net tangible assets	\$55.7m	\$56.6m

Commentary on underlying results:

- Underlying cash position decreased from \$21.1m at 30 June 2015 to \$14.2m at 31 December 2015 (\$6.2m dividend paid during 1H FY16).
- Other current assets include \$11.6m in bridging finance provided to funds and \$9.6m in accrued performance fees, anticipated to be received in cash in the next 12 months.
- Financial assets at fair value increased from \$32.8m at 30 June 2015 to \$33.7m at 31 December 2015, primarily driven by investment performance throughout the period.
- Other non current assets include accrued performance fees of \$6.6m, loans to funds of \$2.3m and \$2.1m of employee loans.
- Borrowings increased from \$7.1m at 30 June 2015 to \$8.4m at 31 December 2015 (\$6.2m remains undrawn).

Commentary on statutory results:

- Other current assets include receivables payable to funds that were consolidated under AASB10 as well as \$2.9m of inventory related to a residential real estate development.
- PP&E includes water infrastructure assets and land and buildings held by funds consolidated under AASB10.
- Intangible assets include the value of long term customer contracts that were acquired as part of the purchase of the Willunga Basin Water Company infrastructure asset in 2013 by a fund managed by Blue Sky.
- 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).

<i>In AUD \$m</i>	Underlying Results	Statutory Results
	1H FY16	1H FY16
Receipts from customers	\$23.4m	\$30.2m
Payments to suppliers and employees	-\$18.6m	-\$23.1m
Interest received	\$0.4m	\$0.4m
Interest and other finance costs paid	-\$0.2m	-\$0.4m
Income taxes paid	-\$1.9m	-\$2.0m
Net cash from operating activities	\$3.1m	\$5.1m
Payment for equity investments	-\$2.0m	-\$2.0m
Payment for property, plant and equipment	-\$0.4m	-\$1.4m
Payments for intangible assets	-\$0.1m	-\$0.1m
Proceeds from disposal of equity investments	\$2.5m	\$2.5m
Receivables from/(to) related parties	-\$5.0m	-\$4.6m
Net cash used in investing activities	-\$5.0m	-\$5.6m
Proceeds from borrowings	\$16.8m	\$17.0m
Repayment of borrowings	-\$15.6m	-\$17.8m
Dividends paid	-\$6.2m	-\$6.2m
Net cash used in financing activities	-\$5.0m	-\$7.0m
Starting cash balance	\$21.1m	\$22.4m
Ending cash balance	\$14.2m	\$14.9m

Commentary on underlying results:

- Gross operating cash flow increased 45% from \$16.1m in 1H FY15 to \$23.4m in 1H FY16.
- Total realisations of balance sheet investments of \$2.5m throughout the period, including \$0.3m in distributions from investments.
- \$6.2m dividend paid during 1H FY16 (1H FY15: \$3.9m).

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).

CONCLUSION

- Long term, structural increase in allocations to Alternatives have underpinned a solid 1H FY16 and has provided momentum into this calendar year, both in terms of growth in AUM and profitability.
- Investor returns have been strong across all four asset classes, with our long held conviction of investing in Real Assets (particularly water) a stand out during CY 2015.
- Engagement with institutional investors has increased as we approach a ten year investment track record.
- BAF platform well established and delivering what was promised.
- On track or ahead of key strategic priorities articulated at our 2015 AGM.



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