

## INVESTMENT PERFORMANCE OF FUNDS

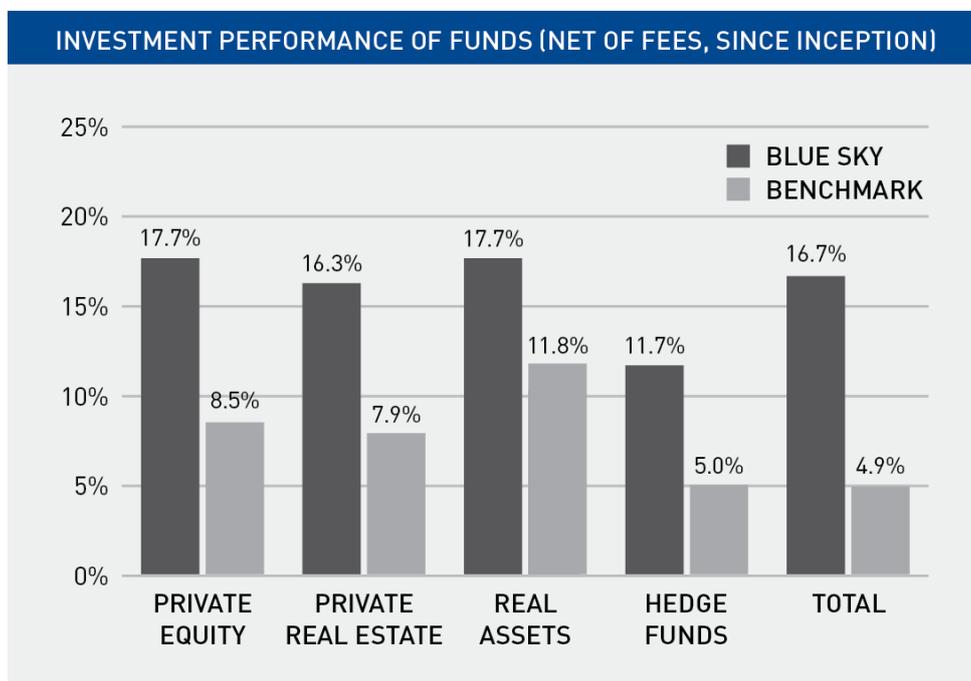
19 August 2016

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 internal rate of return (IRR) across its funds of **16.7% p.a. net of fees** on an equity-weighted basis to 30 June 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.



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## Notes to investment returns:

Fund	Basis of valuation	Benchmark
<b>Private Equity</b> (inception: Oct 2006)	<ul style="list-style-type: none"> <li>Realised investments valued on the basis of cash returns to investors.</li> <li>Valuations of unrealised investments are:               <ul style="list-style-type: none"> <li>reviewed at least annually by an independent third party valuer (generally after the end of each financial year) for those investments where Blue Sky is likely to earn a performance fee; and</li> <li>otherwise based on half yearly management review.</li> </ul> </li> <li>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 value.</li> </ul>	<ul style="list-style-type: none"> <li>Chant West – Private Equity performance over 10 years.<sup>1</sup></li> </ul>
<b>Private Real Estate</b> (inception: Jan 2007)	<ul style="list-style-type: none"> <li>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.</li> <li>Realised investments valued on the basis of cash returns to investors.</li> <li>Unrealised investments, which have been revalued, are based on management estimates using methodologies adopted by the latest third party feasibility study or valuation review for each investment.</li> </ul>	<ul style="list-style-type: none"> <li>Chant West – Australian Unlisted Property performance over 10 years.<sup>1</sup></li> </ul>
<b>Real Assets</b> (inception: Aug 2012)	<ul style="list-style-type: none"> <li>The Blue Sky Water Fund is valued monthly by an independent third party fund administrator, using observable market prices in the Australian water market.</li> <li>Investments other than the Blue Sky Water Fund are valued on the same basis as Private Equity.</li> </ul>	<ul style="list-style-type: none"> <li>Average of Chant West - Unlisted Infrastructure performance over 3 and 5 years.<sup>1</sup></li> </ul>
<b>Hedge Funds</b> (inception: Feb 2006)	<ul style="list-style-type: none"> <li>Valued daily by an independent third party fund administrator using observable market prices.</li> </ul>	<ul style="list-style-type: none"> <li>Chant West - Hedge Fund performance over 10 years.<sup>2</sup></li> </ul>
<b>Overall</b> (inception: Jul 2006)		<ul style="list-style-type: none"> <li>ASX200 accumulation index since July 2006.</li> </ul>

1. Published 19 July 2016

2. Benchmarks from Chant West's previous media release (20 January 2016) used as these asset classes were not available for inclusion in Chant West's 19 July 2016 media release..

For further enquiries, please contact:

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