

28 February 2019**1H FY19 Results**

Blue Sky Alternative Investments Limited (ASX: BLA) (the 'Company') today announced its results for the first half of the 2019 financial year ended 31 December 2018.

- The Company reported an Underlying Net Loss After Tax of \$25.7 million, reflecting the ongoing restructuring costs of the business and associated abnormal and one-off costs
- Underlying Net Tangible Assets ('NTA') was \$101.3 million as at 31 December 2018 (\$1.30 per share), which included a negative adjustment of \$25.1 million resulting from the Company's adoption of AASB 15 from 1 July 2018
- The Company's cash position was \$54.8 million as at 31 December 2018, which included the drawdown of the net \$47.7 million convertible note facility with Oaktree Capital Management, L.P. ('Oaktree')

The Company's Fee Earning Assets Under Management ('FEAUM') was \$3.0 billion at 31 December 2018 down from \$3.4 billion at 30 June 2018, primarily resulting from the closure of the hedge fund business, exit of the retirement living portfolio and sale of residential development sites.

The Company exited its retirement living portfolio in October 2018 and closed its hedge fund business in December 2018. The Company is exiting its residential and management rights portfolios as market conditions allow, and this is expected to be complete within 12 months.

Oaktree has continued to assist the Company to attract new high calibre Directors and executives; provide reassurance to institutional clients following its own due diligence process; and contribute its knowledge and discipline with respect to the Company's oversight and active management of investment positions.

Five new Directors were appointed to the Company's Board in 1H FY19, including Executive Chairman Andrew Day. A new permanent Chief Financial Officer and Chief Risk Officer were also recently appointed, and the recruitment of a permanent CEO is well progressed. Having successfully facilitated the transition to the new Board, John Kain has stepped down as a Non-Executive Director. The Board now has a majority of independent directors. The Board would like to thank John for his contribution and tireless efforts, especially over the last 12 months.

The Company continues to reduce costs across the business as it progresses towards its end target of aligning expenses with recurring management income.

At 31 December 2018, the Company was within all relevant lending covenant tests under the Oaktree facility, including those calculated quarterly. The Directors anticipate that the covenants may not be met at 31 March 2019 as the restructuring of the Company continues through FY19. The Company is currently in discussions with Oaktree with a view to negotiating a variation and/or restructure of the covenants to Oaktree's satisfaction.

Blue Sky Executive Chairman, Andrew Day, commented: "The Company's financial performance in the first half, foreshadowed earlier this month, is clearly disappointing – primarily the result of significant costs associated with the restructuring of the business."

"While these changes have a negative financial impact, they enable us to return to sustainable profitability more quickly.

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

Post PO Box 15515, Brisbane QLD 4002
Phone +61 7 3270 7500
Email investorservices@blueskyfunds.com.au

HEAD OFFICE

Level 46
111 Eagle Street
Brisbane QLD 4000

ABN 79 136 866 236

blueskyfunds.com.au

“Our priorities for 2H FY19 are to complete the new management team with the appointment of a permanent CEO; continue strong progress on cost reduction; and deliver solid returns for our fund investors in Real Assets, Private Real Estate and Private Equity. We will also look to rebrand the business to reflect a stronger corporate discipline and a more targeted portfolio.

“The majority of the structural change required to reset the Company’s course has occurred, and we are focused on restoring market confidence in the long-term fundamentals of our business,” Mr Day said.

The Company’s reported underlying net loss before tax was \$25.7 million, outside the range of \$28 million to \$32 million announced on 12 February 2019, subject to review by the Company auditor. The primary driver of the differential is the reversal of previously accrued performance fee bonuses of \$4.1 million, payable to investment staff in future periods. This was originally included in the assessment of the AASB 15 impact but has now been reversed through the earnings for the half-year ended 31 December 2018.

The Company’s underlying NTA was \$101.3 million, outside the range of \$102 million to \$106 million announced 12 February 2019, subject to review by the Company auditor. The differential in NTA was driven by a \$3.5 million reclassification of the Oaktree conversion rights from reserves in equity to financial liabilities in accordance with the newly adopted accounting standard AASB 9.

Business Unit Performance

Real Assets

The Company’s Real Assets business achieved overall realised returns of 21.9% per annum (net of fees) in the five years to 31 December 2018^{1,2} and FEAUM of \$1,166.7 million at 31 December 2018.

The business achieved a final close on the Blue Sky Strategic Australian Agriculture Fund and an associated mandate of \$222 million. Deployment is progressing across a portfolio of water entitlements, private equity farmland developments and agricultural supply chain infrastructure.

Private Equity

The Company’s Private Equity business achieved overall realised returns of 19.9% per annum (net of fees) in the five years to 31 December 2018^{1,2} and FEAUM of \$502.0 million at 31 December 2018.

The Private Equity business completed three investment exits (totalling \$10.5 million capital invested) during 1H FY19 and commenced further exit processes for four investments (totalling \$30.0 million capital invested).

Private Real Estate

The Company’s Private Real Estate business achieved overall realised returns of 17.8% per annum (net of fees) in the five years to 31 December 2018^{1,2} and FEAUM of \$728.5 million at 31 December 2018.

During 1H FY19, the business successfully exited six retirement living funds through a sale to an offshore institutional investor. The purpose-built student accommodation portfolio grew to over 3,500 beds across six operational sites in Brisbane, Melbourne and Adelaide with two new Melbourne assets opening. A new development site settled in Kensington, Sydney in December 2018 with a development application lodged for this 276-bed asset.

US

The Company’s US business managed FEAUM of \$548.9 million at 31 December 2018.

¹ Returns are calculated net of fees and equity-weighted through to 31 December 2018.

² Past performance is not a reliable indicator of future performance.

Since the end of 1H FY19, the Company has reached an agreement to sell its 38% interest in Cove Property Group ('Cove') to the existing principals. Blue Sky will not participate in any further Cove projects however retains its rights to share in Cove's expected profits from its existing commercial real estate projects in New York, namely 441 Ninth Avenue and 101 Greenwich (formerly 2 Rector Street).

BAF

The Blue Sky Alternatives Access Fund (ASX: BAF) (the 'Alternatives Fund') achieved a performance of 8.1% per annum (net of fees) since inception to 31 December 2018².

BAF continues to maintain a diversified portfolio, holding positions in 44 private market funds managed by the Company.

Teleconference

Blue Sky will hold a teleconference at 11.00 am (AEST – Brisbane Local) today. Registration is accessible via: <https://blueskyfunds.com.au/fy19-half-year-results-teleconference/> or by using the following dial-in details.

Blue Sky Half Year Results Teleconference	
Within Australia	1800 908 299
Outside Australia	+61 2 9007 8048
Conference ID	809944

A recording of the teleconference will be available via the Company's shareholder centre at <https://blueskyfunds.com.au/shareholder-centre/>

For more information, please contact:

Leyya Taylor
Company Secretary
Blue Sky Alternative Investments Limited

Telephone: 07 3270 7500
Email: ltaylor@blueskyfunds.com.au

Website: blueskyfunds.com.au

For shareholder enquiries, please contact:

Neil Power
Investor Relations Officer
Blue Sky Alternative Investments Limited

Telephone: 0416 186 016
Email: npower@blueskyfunds.com.au

For media enquiries, please contact:

Emily Blyth
Telephone: 0401 601 044
Email: emily.blyth@teneo.com

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Post PO Box 15515, Brisbane QLD 4002
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