

14 May 2018

Dear Shareholder

Blue Sky Alternatives Access Fund Limited (ASX:BAF) (the 'Alternatives Fund') – Net Tangible Assets ('NTA') per share for April 2018

The Alternatives Fund reports a pre-tax NTA decrease to \$1.1081 per share in April, a change of -2.7%. The movement was primarily driven by adjustments to the carrying values of a number of closed ended funds following independent valuation reviews, and the payment of a periodic company tax instalment. This tax payment had no impact on post-tax NTA, which decreased by 1.4% to \$1.0958 per share.

Accelerated independent valuation reviews

As detailed in our last report, independent valuation reviews have now been accelerated, and the outcomes included in April NTA, for all funds for which the Alternatives Fund had a carrying value of \$1.20 or more for each \$1.00 invested. In addition, a draft independent valuation review has been completed for Student Accommodation Fund 7. These reviews resulted in the reduction of the carrying value of the Private Equity Wild Breads funds and five Student Accommodation Funds. Whilst the carrying values of these funds have been revised down (in accordance with the Alternative Fund's investment valuation policy), their management teams continue to execute on their respective growth strategies.

Four other funds independently reviewed either maintained their carrying value or had an uplift. Details are included in this month's NTA report.

Across May and June, we will continue to accelerate the standing schedule of independent valuation reviews so that 100% of carrying values across the portfolio have been reviewed by 30 June (other than the Water Fund which is independently marked to market monthly, and investments which are contracted for sale, as announced).

Accordingly, independent valuation reviews are currently underway for a further range of funds within the portfolio for inclusion in May NTA.

NTA components

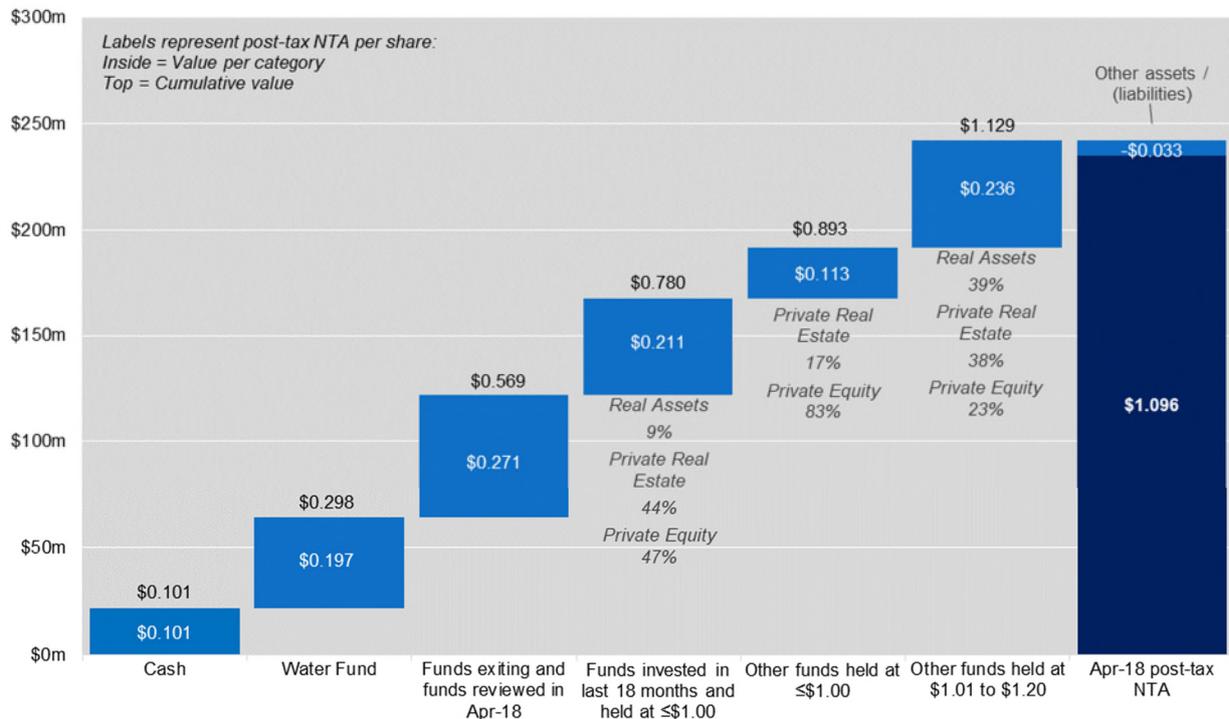
We note that the Alternatives Fund share price closed last Friday 11 May at \$0.79 per share, a discount of approximately 28% to today's announced April 2018 post-tax NTA. As can be seen from the following post-tax NTA Bridge Chart, approximately \$0.78 per share of April 2018 post-tax NTA relates to:

- cash;
- investments in the Water Fund (which is marked to market independently monthly);
- investments for which independent reviews of carrying values have been completed for April 2018 NTA or which are in advanced stages of exit / contracted for sale; and
- new funds in which the Alternatives Fund has invested in the last 18 months which continue to be carried at their initial investment cost.

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April 2018 post tax NTA Bridge



Funds exiting include the Agriculture Fund (Gundaline), the Early Learning Fund and two residential development funds in advanced stages of settlement, as announced.

Share buy-back

Two weeks ago, the Alternatives Fund announced an on-market share buy-back program in response to its share price trading at a material discount to NTA. Under the share buy-back program the Alternatives Fund may acquire up to approximately 17 million shares from 16 May 2018 for up to 12 months.

The buy-back will be funded from the Alternatives Fund's existing cash as well as future cash flows. The number of shares acquired under the buy-back will depend upon the prevailing market share price and other factors determined at the discretion of the Alternatives Fund Board.

Transition to majority independent Board

On 30 April 2018, the Alternatives Fund Board changed its composition to two independent non-executive directors and two executive directors. This was an immediate first step in the announced orderly transition to a majority of independent non-executive directors, to be achieved through the addition of a third independent director. A process to identify the third independent director has commenced, and at the time of appointment we will also transition the role of Chair across to one of the independent directors. It is intended that this appointment be made prior to the Alternatives Fund 2018 AGM in mid-October.

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We look forward to bringing you our next investor update in relation to May 2018.

Yours faithfully



Andrew Champion
Executive Chairman

Important note

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Monthly Update

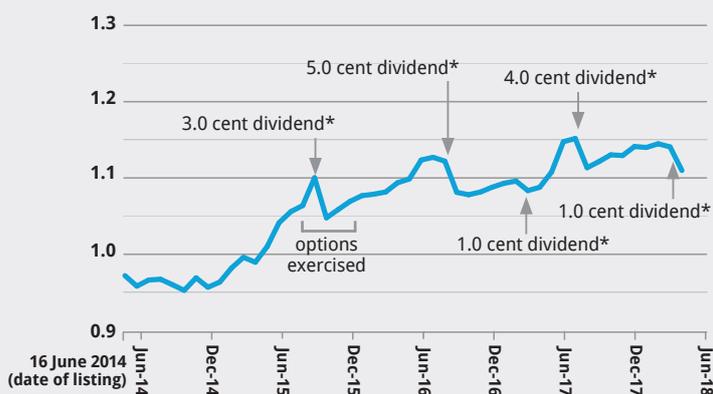
April 2018

Net Tangible Assets - as at 30 April 2018¹

Net Tangible Assets (NTA) per share (pre-tax)	\$1.1081
Net Tangible Assets (NTA) per share (post-tax)	\$1.0958

1. NTA figures in this report are unaudited.

Pre-Tax Net Tangible Assets - Since Inception



* Fully franked.

Portfolio Valuation²

	Current value (\$'m)	% of Portfolio
Private Equity		
Growth Capital	\$51.12	21.9%
Venture Capital	\$13.13	5.6%
Subtotal	\$64.25	27.5%
Real Assets		
Water Fund	\$41.75	17.9%
Strategic Australian Agriculture Fund	\$9.86	4.2%
Other Real Assets	\$14.99	6.4%
Subtotal	\$66.60	28.5%
Private Real Estate		
Residential Development	\$4.87	2.1%
Retirement Living	\$26.04	11.2%
Student Accommodation	\$33.41	14.4%
Other Real Estate	\$16.35	7.0%
Subtotal	\$80.67	34.7%
Cash³	\$21.74	9.3%
Grand Total	\$233.26	100.0%

2. Figures in this report are unaudited. The current value for each investment in the table above is consistent with the Alternatives Fund's investment valuation policy, which may be found at blueskyfunds.com.au/alternativesfund. Note that the total value of the investment portfolio will not directly reconcile to the NTA due to the impact of interest revenue, management fees, accrued performance fees, etc.

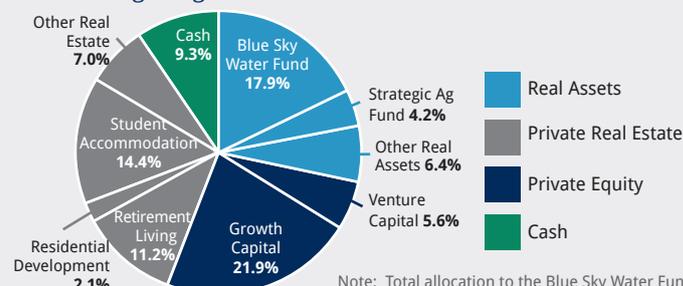
3. Includes capital to fund the remaining \$5.25 million of the \$15.0 million commitment to the Strategic Australian Agriculture Fund, which is to be called progressively over a three year investment period commencing in July 2017.

Fund Performance⁴

Period	Pre-Tax	Post-Tax
1 month	(2.67%)	(1.41%)
3 months	(1.38%)	(0.25%)
6 months	(0.55%)	1.01%
12 months	8.58%	8.42%
Since inception (per annum)	8.37%	8.02%
Since inception (total)	36.55%	34.85%

4. Includes NTA growth, dividends and franking credits.

Sector Weightings



Note: Total allocation to the Blue Sky Water Fund (including through the Strategic Ag Fund) is 19.7% of the Portfolio.

About the Alternatives Fund

Blue Sky Alternatives Access Fund Limited ('Alternatives Fund') is a listed investment company that invests in a diverse range of alternative assets including: private equity, real assets and private real estate.

The Alternatives Fund is the only listed investment company on the Australian Securities Exchange ('ASX') that allows investors to make a strategic allocation to a diverse portfolio of directly managed alternative assets.

The Alternatives Fund is listed on the ASX under the code BAF.

Objectives of the Alternatives Fund

The primary objectives of the Alternatives Fund are to:

- Deliver long term absolute returns to shareholders, driven by an increase in the Alternatives Fund's NTA over time and dividend income (franked to either 100% or the maximum extent possible);
- Provide investors with access to a diverse range of alternative assets; and
- Provide investors with the ability to invest in alternative assets through an ASX listed structure that is more readily accessible and liquid than is typical for many alternative assets.

Manager of the Alternatives Fund

BSAAF Management Pty Limited ('Manager') is the manager of the Alternatives Fund. All investments made by the Manager on behalf of the Alternatives Fund are directly managed by wholly owned subsidiaries of Blue Sky Alternative Investments Limited (ASX:BLA) ('Blue Sky').

Blue Sky has reported over \$4.0 billion in fee-earning assets under management and a twelve year track record of generating overall returns to investors in its funds of 15.0% p.a. (net of fees since inception).⁵

5. Fee-earning assets under management as at 31 March as per the 7 May BLA update. Overall returns to investors in Blue Sky managed funds are equity weighted to 31 December 2017. For more details, please refer to BLA's ASX announcements. Please also note that past performance is not a reliable indicator of future performance.

April 2018

Blue Sky Alternatives Access Fund Limited reports a decrease in pre-tax NTA of 3.0 cents per share, or -2.7%, to \$1.1081 in April.

The payment of a periodic company tax instalment represented 0.7 cents of the 3.0 cent decline in pre-tax NTA, but had a neutral impact on post-tax NTA.

The remainder of the decrease was driven by the revised carrying values for a number of funds in the portfolio following independent valuation reviews, partially offset by a positive month for the Blue Sky Water Fund as well as rebates.

The Alternatives Fund received four distributions during the month as well as exit proceeds from one residential development project and a return of capital from one Student Accommodation project.

No new investments were made during April.

Investment Performance

Blue Sky Water Fund

The carrying value of the Alternatives Fund's investment in the Blue Sky Water Fund increased by 1.3%⁶ in April as a result of externally marked to market gains on the fund's underlying portfolio of Water Entitlements. Irrigators and investors remain active in the regions in which we invest, against a backdrop of an uncertain climate outlook and ongoing strength in most commodity prices.

6. The monthly return reported by the Alternatives Fund is on a post-tax basis and will differ to that separately reported by the Blue Sky Water Fund which is on a pre-tax basis.

Distributions

During April the Alternatives Fund received distributions from the following funds which were previously accrued in NTA:

- Blue Sky Darra Industrial Income Fund – a 2.5% quarterly distribution;
- Blue Sky QFS Fund – a 0.9% periodic distribution;
- Blue Sky Student Accommodation Fund – a 3.0% quarterly distribution; and
- Blue Sky Student Accommodation Fund II – a 2.5% quarterly distribution.

Realised Investments

Gundaline

On 13 April, the Alternatives Fund announced an exchange of contracts for the sale of Gundaline Station, a large cotton growing development in which the Blue Sky Agriculture Fund owns a minority stake via its investment in Gundaline Pty Limited. The Alternatives Fund invested into the Blue Sky Agriculture Fund in June 2014.

It is estimated that the sale proceeds will represent a slight premium to carrying value, an IRR of approximately 16% and a return on capital invested of 1.8x (including fee rebates and franking credits, but before fees and tax on BAF's portfolio as a whole). These are estimates only as the asset sale is subject to FIRB approval and the balance of company assets will be determined by a winding up process and fund level tax adjustments.

The carrying value will be revisited once final proceeds are more certain.

Blue Sky Private Equity Early Learning Fund

As announced by the Alternatives Fund on 1 May 2018, the board of Foundation Early Learning ('FEL') has now signed a binding agreement for the sale of the business to an international child care operator. FEL is a leading Australian provider of early childhood education and care, and owns and operates more than 30 childcare centres. The Alternatives Fund invested in the Blue Sky Early Learning Fund in June 2014, which owns a stake in FEL.

Settlement is subject to a number of conditions precedent, one of which is an 'earn out' payment that will be determined according to Foundation's financial results for the year ended 30 June 2018.

As the sale is now contracted, the Alternatives Fund updated its carrying value to the base case aggregate expected exit proceeds, and recorded a 21% decrease on this asset. The discount to carrying value is reflective of the negotiated outcome with the purchaser and the recent substantial de-rating of comparable listed peers. It is estimated that the sale proceeds will return an IRR of 4-7% and a return on equity invested of 1.2 - 1.3x (before fees and tax on BAF's portfolio as a whole).

Blue Sky Student Accommodation Fund 8

The Alternatives Fund received a return of its \$5.0 million invested capital from the Student Accommodation Fund 8 during April. This Fund was established to develop a purpose-built student accommodation facility in Sydney. Due to extended delays in reaching a final agreement with the stakeholders, the project will not proceed as currently structured. Accordingly, Blue Sky has returned the Fund's subscription capital together with a refund of fees plus interest.

Duke Street Kangaroo Point Trust

A further \$0.14m distribution was received from the Duke Street Kangaroo Point Trust during April. This brings total proceeds to date to 1.04x the Alternatives Fund's invested capital, with further profit distributions expected over the coming months.

Tax Update

The Alternatives Fund paid a \$1.5 million periodic corporate tax instalment in respect of 3Q FY18 during April. This payment reduced pre-tax NTA, but had a neutral effect on post-tax NTA.

Results of independent valuation reviews

The carrying value of investments in the Alternatives Fund's portfolio are determined in accordance with the Alternatives Fund's Investment Valuation Policy. Under this policy, the carrying value of investments in closed ended funds (typically Private Equity, Private Real Estate and Real Assets funds not including the Blue Sky Water Fund) are reviewed at least annually by independent third party experts. This policy has been applied consistently since inception.

As announced in the March 2018 NTA report, the schedule of independent valuation reviews of the portfolio is being accelerated so that the carrying values of 100% of the Alternatives Fund's portfolio is independently reviewed over the final quarter of FY18.

Accordingly, for the April NTA report, independent valuation reviews were accelerated for those funds which the Alternatives Fund carried at \$1.20 or more for each \$1.00 invested. Adjustments for the Retirement Living Corinda Fund and the Blue Sky Student Accommodation Fund 7 have been made based on draft independent valuation reviews which will be finalised for May. As previously announced, the Blue Sky Agriculture Fund was excluded from this process as it is contracted for sale. Similarly, the Blue Sky Early Learning Fund was subsequently announced as being contracted for sale, with the carrying value adjusted to estimated exit proceeds.

Sunfresh Fund

Since the previous independent valuation review (December 2017), Sunfresh Salads has continued to outperform its investment case. No adjustment has been made to carrying value following the independent review.

Wild Breads Fund and Wild Breads RCPS Fund

An independent review of the carrying value of Blue Sky's investments in Wild Breads was conducted during April, having previously been independently reviewed in June 2017.

Wild Breads underperformed on delivering on its sales pipeline in FY18 YTD and therefore its new production facility remains underutilised. Accordingly, an aggregate 26% decrease in holding value across both funds was recorded in April.

Wild Breads new CEO, Stephen O'Brien, has now been in place for more than six months and is making a significant positive impact on customer relationships and sales pipeline. Under Stephen's leadership the company has renewed its focus on delivering a meaningful pipeline of new customer contracts for FY19.

Fund	Asset class	Valuation change (%)
Blue Sky Private Equity Sunfresh Fund	Growth Capital	Nil
Blue Sky Private Equity Wild Breads Fund	Growth Capital	(26%)
Blue Sky Private Equity Wild Breads RCPS Fund		

Retirement Living Corinda Fund

Since its last independent review in June 2017, Blue Sky has continued to progress its retirement living project at Corinda in Brisbane's inner-southwest.

With several key project milestones having been achieved since the last valuation, and practical completion of stage 1 of this project scheduled for late May, a 16% uplift in carrying value was recorded during the month, reflecting a draft independent review that will be finalised for May.

Fund	Asset class	Valuation change (%)
Blue Sky Retirement Living Corinda Fund	Retirement Living	+16%

Student Accommodation portfolio (operated by Atira Student Living)

The Alternatives Fund has co-invested into seven of Blue Sky's student accommodation projects alongside Goldman Sachs, Blue Sky's joint venture funding partner, and/or other Blue Sky investors. The fundamental market for purpose built student accommodation in Australia remains strong with ongoing growth in international student enrolment numbers. In addition the supply of purpose built student accommodation in Australia remains underpenetrated when benchmarked to international markets.

As announced last quarter, Atira Student Living ('Atira') has appointed Michael Heffernan as CEO and Shannon O'Connor as COO, who joined from Campus Living Villages, together with a number of their fellow key executives including the CFO. Atira arguably now has the most experienced management team in Australia.

As announced, independent valuation reviews have been completed for Student Accommodation Funds 1-6. In addition, a draft independent valuation review has been completed for Student Accommodation Fund 7 and will be finalised in May NTA.

Operating assets

The Alternatives Fund has co-invested in four Atira facilities that are now developed and recently operational.

Subsequent to 31 March, the tertiary education census date, it became apparent that the ramp up in occupancy at these facilities was more gradual than expected. This occupancy pressure appears to be due to an increased supply of PBSA beds through 2017 and 2018. Further beds are expected to be delivered in these markets through the remainder of 2018 and 2019, with less supply increases expected beyond that as barriers to entry have increased.

While Blue Sky has adjusted the carrying values of three operating assets accordingly, sectoral demand continues to increase and conviction remains strong that initial occupancy targets will be reached in time.

Blue Sky is proactively employing a number of measures to support the facilities including:

- strengthening the management team of operator Atira Student Living by recruiting a number of executives who previously worked at Campus Living Villages;
- remodelling some room types in earlier projects towards a heavier weighting of rooms which have proven to be more popular since opening; and
- introducing more flexible lease packages and dynamic pricing.

Following these adjustments to carrying value, all of these Funds retain a value which is greater than their investment cost of \$1.00 per unit.

Assets under construction

Blue Sky's first two Melbourne projects, LaTrobe Street (Fund 3) and Peel Street (Fund 5), continue to progress well through the later stages of construction. Having previously been reviewed in Nov-17 and May-17 respectively, the carrying value of these projects has been adjusted by -2% and +6% for April 2018.

Assets in planning

Commencement of works on Melbourne's Metro Tunnel project has led to delays on the project at A'Beckett Street, Melbourne (Fund 7). The revised construction timetable and alternative options for this project are currently under review. The carrying value for this project has been adjusted by -17%, reflecting a draft independent valuation review that will be finalised for May.

Fund	Asset class	Valuation change (%)
Blue Sky Student Accommodation Fund 1	Student Accommodation	(35%)
Blue Sky Student Accommodation Fund 2	Student Accommodation	(11%)
Blue Sky Student Accommodation Fund 3	Student Accommodation	(2%)
Blue Sky Student Accommodation Fund 4	Student Accommodation	(16%)
Blue Sky Student Accommodation Fund 5	Student Accommodation	+6%
Blue Sky Student Accommodation Fund 6	Student Accommodation	+4%
Blue Sky Student Accommodation Fund 7	Student Accommodation	(17%)

Upcoming independent valuation reviews

The carrying value of a further 21 assets within the portfolio, are currently being independently reviewed and will be updated in May NTA. These reviews include:

- **1 Student Accommodation Fund:**
 - Student Accommodation Fund 7
- **2 Real Assets funds:**
 - Premium Beef Fund, Solar Fund
- **6 Growth Capital funds**
 - Hotel Fund, Aquila Fund, SMG Fund I, SMG Fund II, Better Medical Fund, Tourism Fund
- **4 Venture Capital funds**
 - aCommerce Funds I, II and III, Vinomofo Fund
- **8 Retirement Living funds**
 - All Retirement Living Funds

This will bring the total number of funds reviewed to 31 of 51.⁷

7. Excludes the: 1) Blue Sky Water Fund which is marked to market monthly; 2) Blue Sky Agriculture Fund whose investment asset (Gundaline Station) is under contract to exit; 3) Duke Street Kangaroo Point Trust – residential development which is complete and currently in the final stages of exiting; and 4) Logan Road Greenslopes Trust – residential development which is complete and currently in the final stages of exiting.

Important Notice: BSAAF Management Pty Ltd ACN 168 923 279 ('Manager') has prepared the information in this announcement. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in the Alternatives Fund nor does it constitute financial product or investment advice nor take into account your investment objectives, taxation situation, financial situation or needs. An investor must not act on the basis of any matter contained in this announcement in making an investment decision but must make its own assessment of the Alternatives Fund and conduct its own investigations and analysis. Past performance is not a reliable indicator of future performance. Further, forward looking statements, including projections, guidance on future earnings, opinions and estimates in this announcement ('Forward Looking Statements') are based on assumptions and contingencies which are subject to change, as are statements about market and industry trends, which are based on interpretations of current market conditions. These statements are also subject to known and unknown risks and uncertainties many of which are outside the control of the Manager or the Alternatives Fund. Forward Looking Statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Further Information

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