

WHY ALTERNATIVES MATTER

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

August 2016

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



BlueSky
Alternative Thinking

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WHAT ARE ALTERNATIVES?

<p>An alternative asset is...</p>	<ul style="list-style-type: none"> • An investment that is not one of the three traditional asset types • I.e. any investment other than listed equities, fixed income and cash
<p>Examples of alternatives</p>	<ul style="list-style-type: none"> • Hedge funds • Real estate • Commodities • Private equity • Venture capital • Agriculture • Managed futures • Infrastructure
<p>Distinguishing features</p>	<ul style="list-style-type: none"> • Alternatives asset classes also have different risk, return and liquidity characteristics compared to other asset classes

WHY ALTERNATIVES?

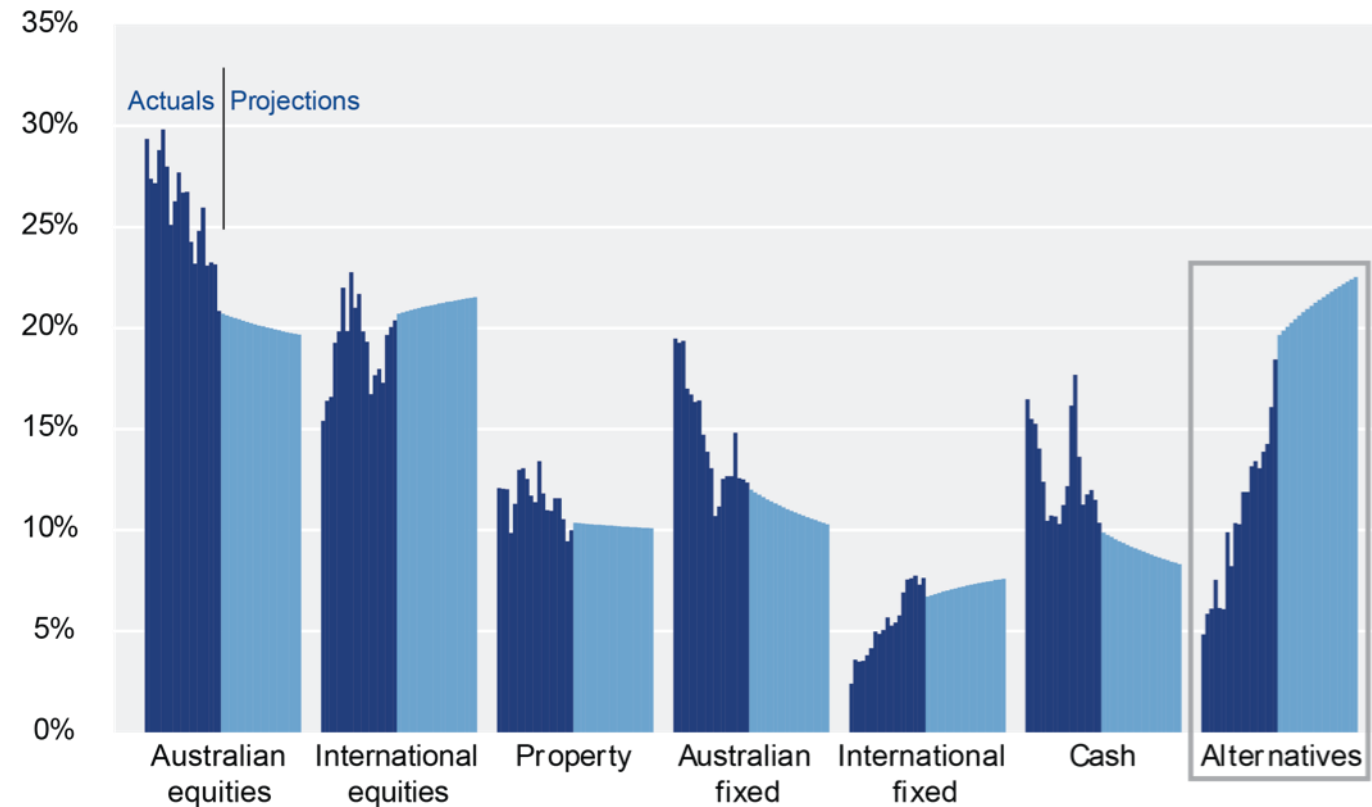
- Potential for **strong returns**
 - Ability to selectively invest in private markets where pricing may be less efficient than public markets
- Alternatives are used to **enhance risk/return characteristics** of investment portfolios
 - Increase diversification
 - Reduce overall volatility in an investment portfolio (given low correlations to more traditional investments)
 - Potential for delivery of attractive returns through periods of under performance in listed equities and bonds
- Alternative asset managers' **incentives are typically based on absolute returns** (not relative returns)

“ *While share markets are down, many of the funds unlisted assets were providing double digit returns. We have been preparing for this for a couple of years by diversifying our investments so as to protect members from the worst of these falls.* ”

Mark Delaney, Chief Investment Officer, Australian Super (February 2015)

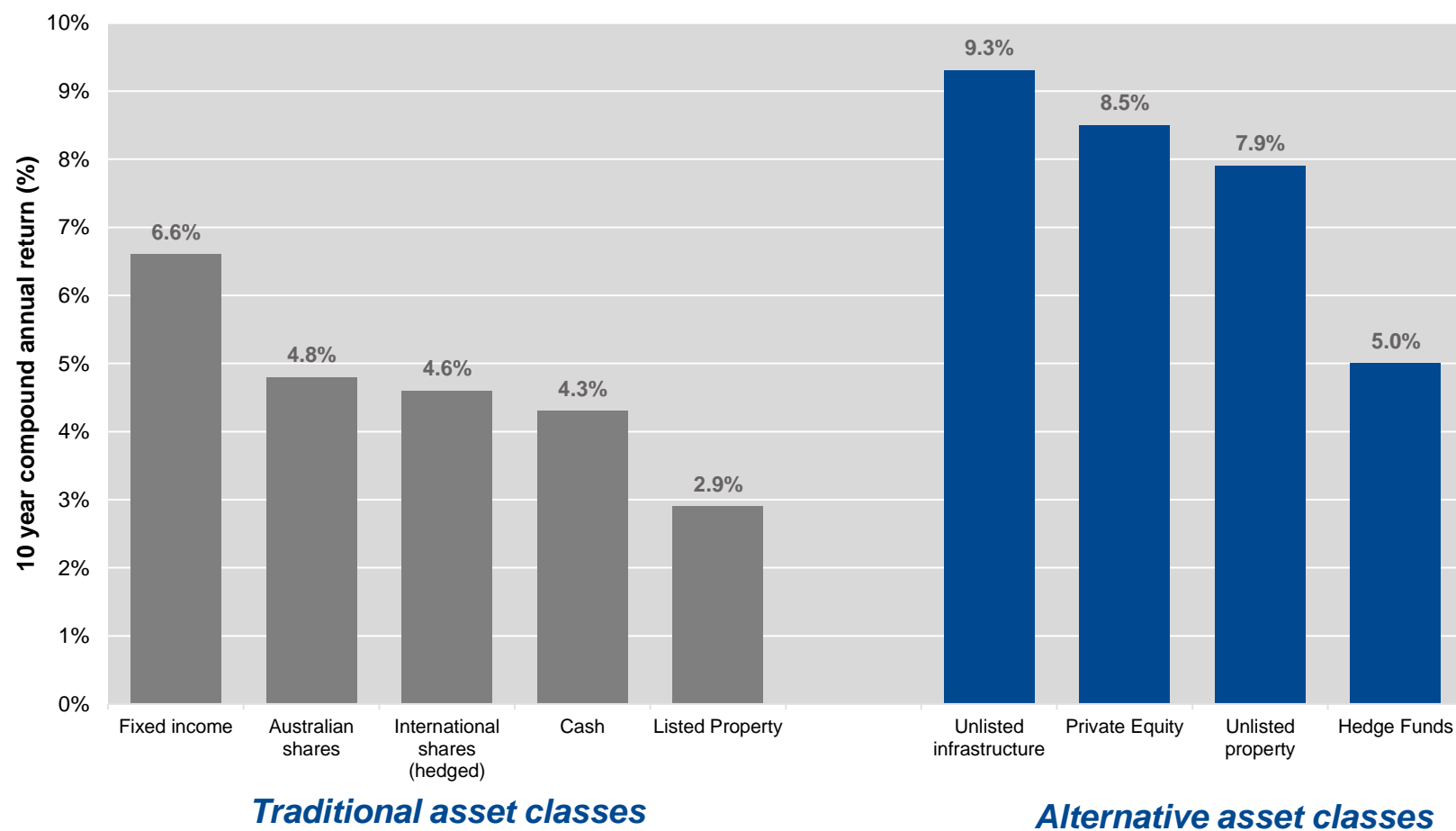
IN AUSTRALIA, ALTERNATIVES HAVE BECOME MAINSTREAM

Asset class segment shares 1997-2035



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

AUSTRALIAN SUPER FUND ASSET CLASS PERFORMANCE: 10 YEAR ANNUAL RETURN



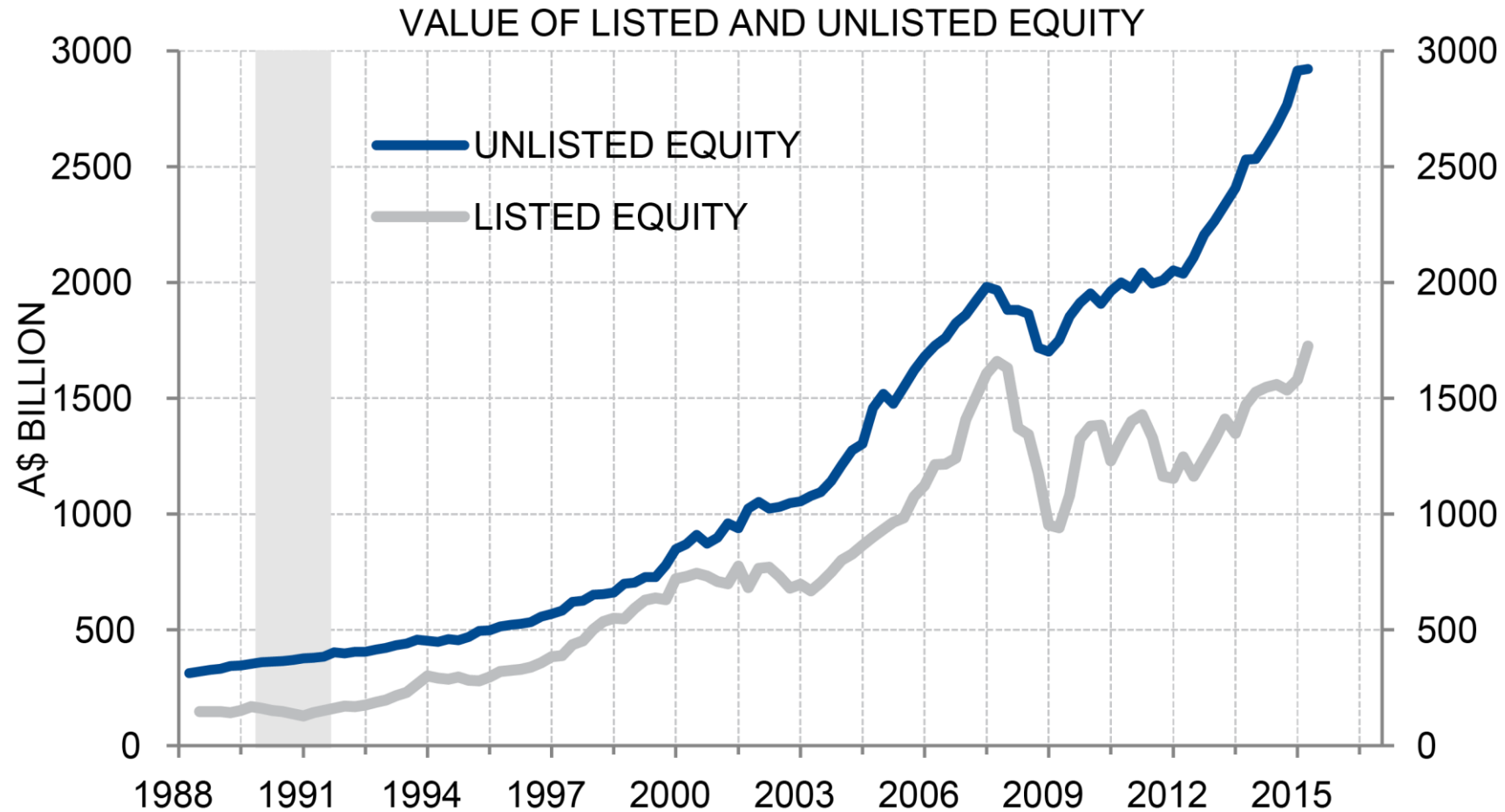
Source: Chant West Media Release June 2016

S&P 500 v. ASX200: SECTOR BREAKDOWN

SECTOR	S&P 500		ASX 200		
	MARKET WEIGHT	FORECAST PE	MARKET WEIGHT	FORECAST PE	PREMIUM / DISCOUNT
Financials	15.7%	13.2	45.7%	12.5	-5.3%
Information Technology	19.9%	15.6	1.0%	17.2	10.5%
Health Care	14.8%	15.1	7.3%	23.3	54.6%
Consumer Discretionary	12.4%	17.0	4.7%	17.2	1.4%
Industrials	10.1%	15.7	8.2%	19.8	26.1%
Consumer Staples	10.5%	20.6	7.0%	16.7	-18.9%
Energy	7.4%	46.0	4.1%	18.6	-59.5%
Communications	2.9%	14.5	5.7%	15.4	6.7%
Utilities	3.6%	18.3	2.5%	22.4	22.6%
Materials	2.8%	16.2	13.7%	19.8	22.4%
Overall market	100.0%	16.5	100.0%	15.3	-7.4%
PE (US weights)		16.5		17.3	4.7%

Sources: Minack Advisors, IBES/Datastream, MSCI as at August 2016

VALUE OF LISTED AND UNLISTED EQUITY



Sources: Minack Advisors, ABS, Melbourne Institute

AUSTRALIAN EXAMPLE: THE FUTURE FUND HAS ALLOCATED ~37% TO ALTERNATIVES

Asset Class	A\$million	% of fund
Australian equities	7,629	6.5
Global equities		
Developed markets	17,899	15.2
Emerging markets	8,594	7.3
Private Equity	11,474	9.8
Property	8,316	7.1
Infrastructure and timberland	8,330	7.1
Debt securities	13,314	11.3
Other alternative assets	14,938	12.7
Cash	26,885	22.9
Total	117,378	100.00

futurefund
Australia's Sovereign Wealth Fund

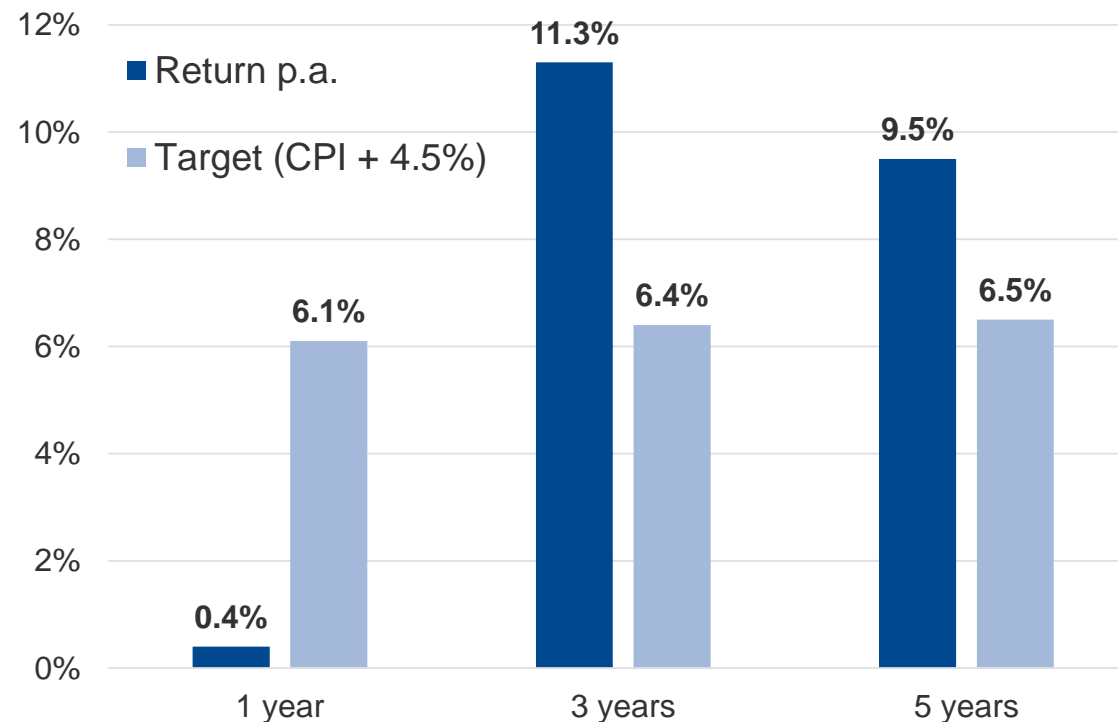
Total alternative
asset allocation:

36.7%

Source: Future Fund Asset Allocation as at 31 March 2016.
Note: Data may not sum due to rounding.

ALTERNATIVES REMAIN A KEY DRIVER FUTURE FUND'S OUTPERFORMANCE

Future Fund Performance



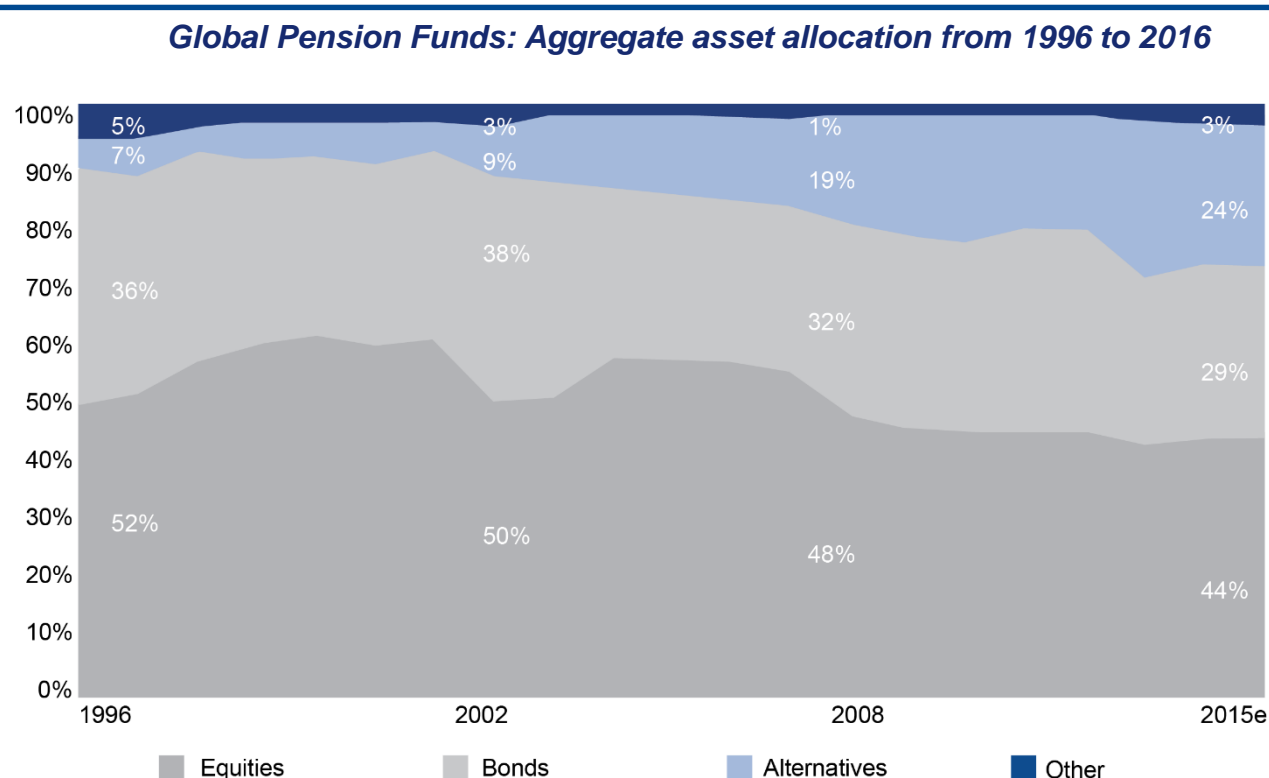
“ Our emphasis on diversification has delivered strongly over [2014]. The private equity, property and infrastructure programs in particular performed extremely well, significantly outperforming listed markets. ”

*David Neal
Managing Director, Future Fund*

Australian Government Future Fund: Portfolio update at 31 December 2014 (released February 2015)

INSTITUTIONAL INVESTORS ALLOCATE >20% TO ALTERNATIVES

Willis Towers Watson: Global Pension Assets Study 2016



Example allocations



**Australian Government
Future Fund**

37% allocation to alternatives¹



**HARVARD
MANAGEMENT
COMPANY, INC.**

42% allocation to alternatives



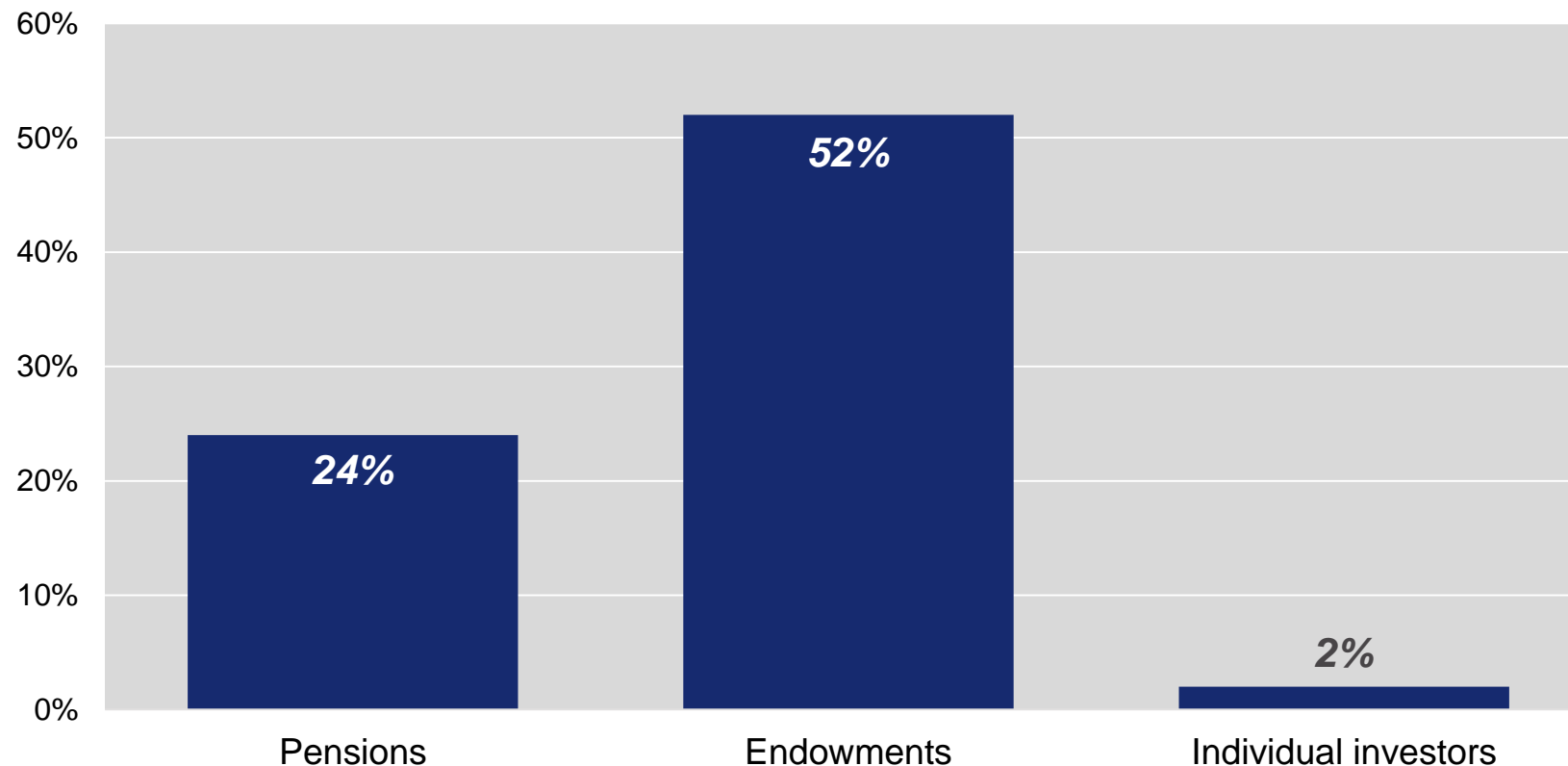
CalPERS

32% allocation to alternatives

1. Includes alternative assets, private equity, infrastructure and timberland and property.

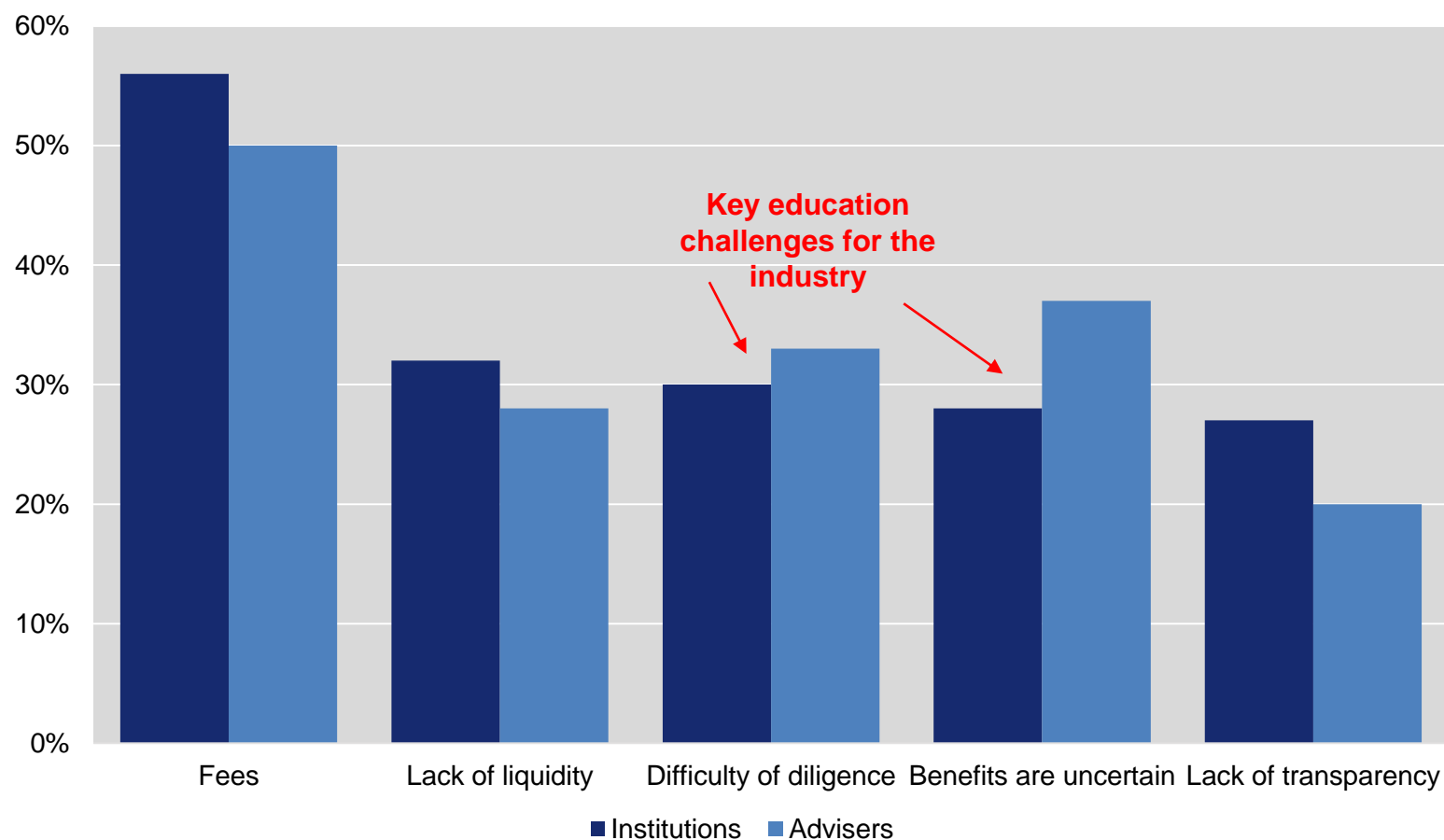
Source: *Global Pension Assets Study 2016*, Willis Towers Watson (February 2016).

AVERAGE ALLOCATION TO ALTERNATIVES: INSTITUTIONS VS. INDIVIDUALS



Sources: Willis Towers Watson Global Pension Assets Study 2016; National Association of College and University Business Officers (NACUBO) 2015 Commonfund Study of Endowments; Cerulli Research

TOP REASONS TO HESITATE INVESTING IN ALTERNATIVES: INSTITUTIONS VS. ADVISERS



Source: Morningstar 2014-2015 Alternative Investment Survey of U.S. Institutions and Financial Advisors

BSAAF INVESTMENT HIGHLIGHTS

Blue Sky Alternatives Access Fund Limited (ASX:BAF) is a listed investment company that invests in a diverse range of alternative assets including:



Private equity and venture capital



Real assets



Private real estate



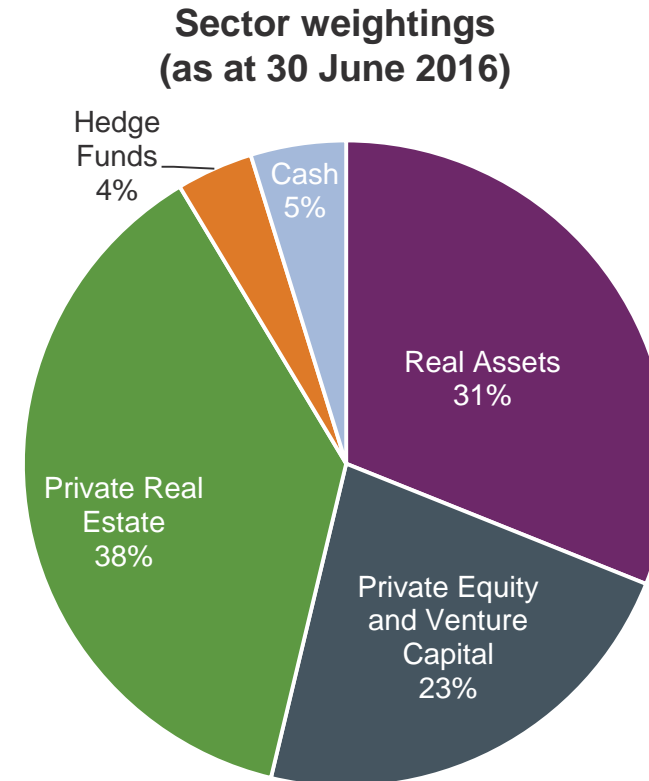
Hedge funds

BSAAF provides investors:

- ✓ A highly diverse portfolio
- ✓ Liquidity as an ASX listed security
- ✓ Access to the strong investment track record of Blue Sky
- ✓ Low correlation of returns to listed equities and fixed interest
- ✓ Investment strategy to provide dividends and capital growth
- ✓ Low cost structure

BLUE SKY ALTERNATIVES ACCESS FUND PERFORMANCE (ASX:BAF)

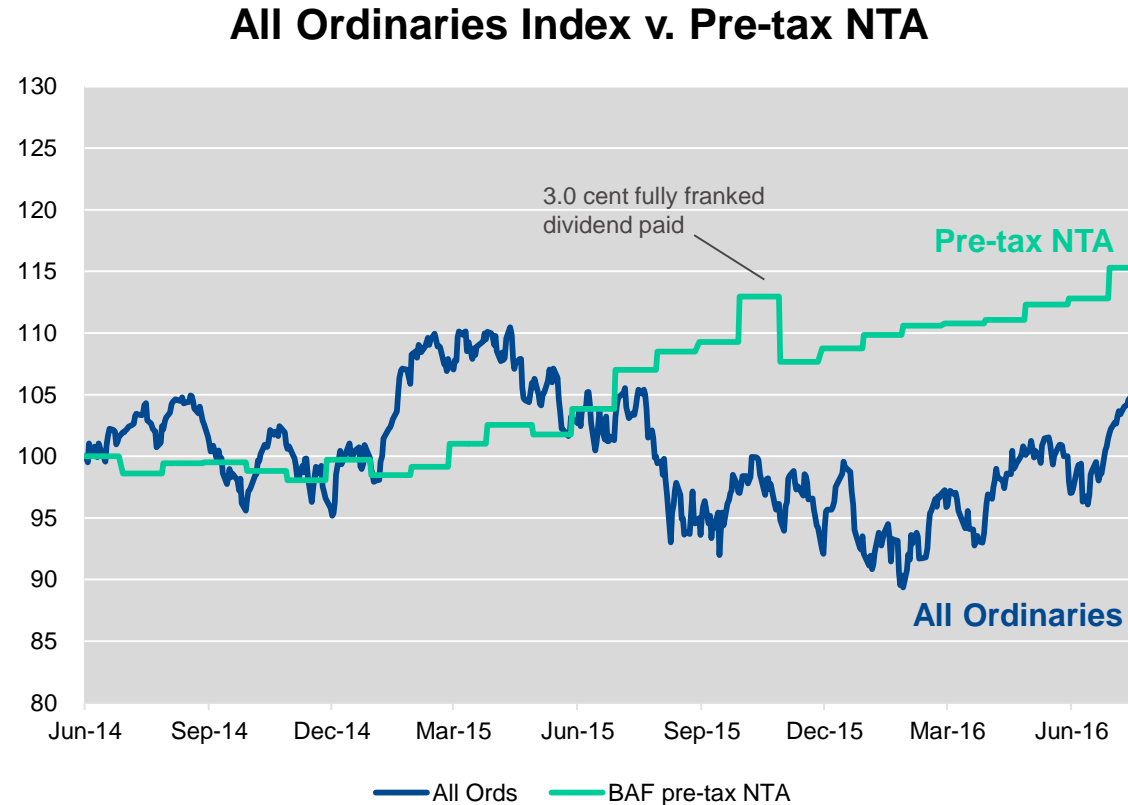
Fund performance (NTA growth plus dividends and franking credits) ¹		
Period	Pre-Tax	Post-Tax
1 month	2.14%	1.76%
3 months	3.66%	3.75%
6 months	4.79%	4.62%
12 months	11.87%	10.12%



1. To 30 June 2016. Includes NTA growth, dividends and franking credits. Past performance is not a reliable indicator of future performance.

THE ALTERNATIVES ACCESS FUND IS DELIVERING ON OUR PROMISE TO INVESTORS

- ✓ 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



1. Announced data as at 3 August 2016. Past performance is not a reliable indicator of future performance.

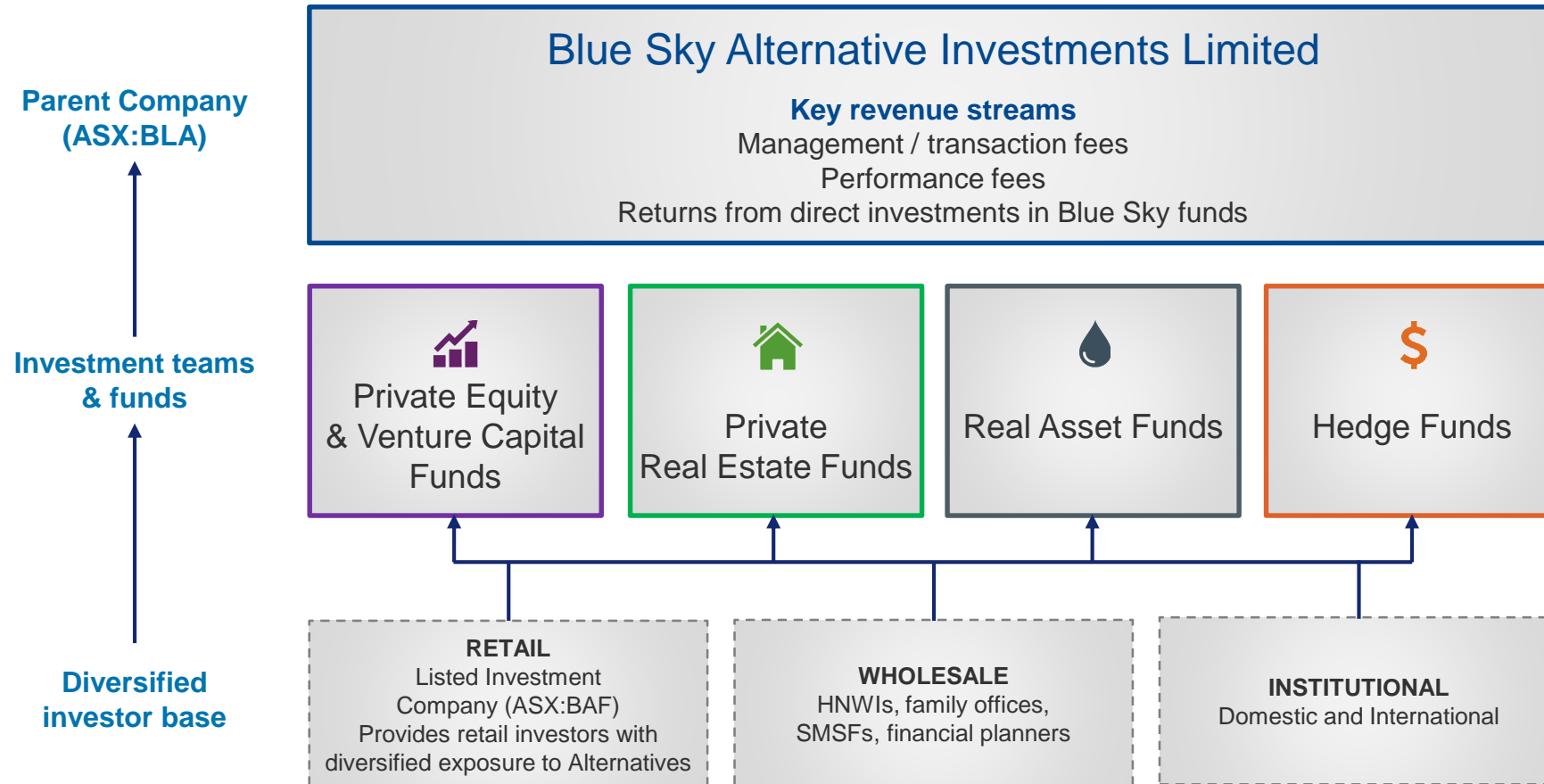
ABOUT BLUE SKY

- Blue Sky is an ASX listed funds management business founded in 2006, focused on the four major alternative asset classes:
 - Private equity and venture capital
 - Private real estate
 - Real assets (water entitlements, water infrastructure and agribusiness)
 - Hedge funds
- Approx. \$544 market cap¹
- Over \$2bn in assets under management
- Offices in Brisbane, Sydney, Melbourne, Adelaide and New York
- ~85 staff
- Generated returns of 16.9% p.a. net of fees since inception to investors in its funds to 31 December 2015²

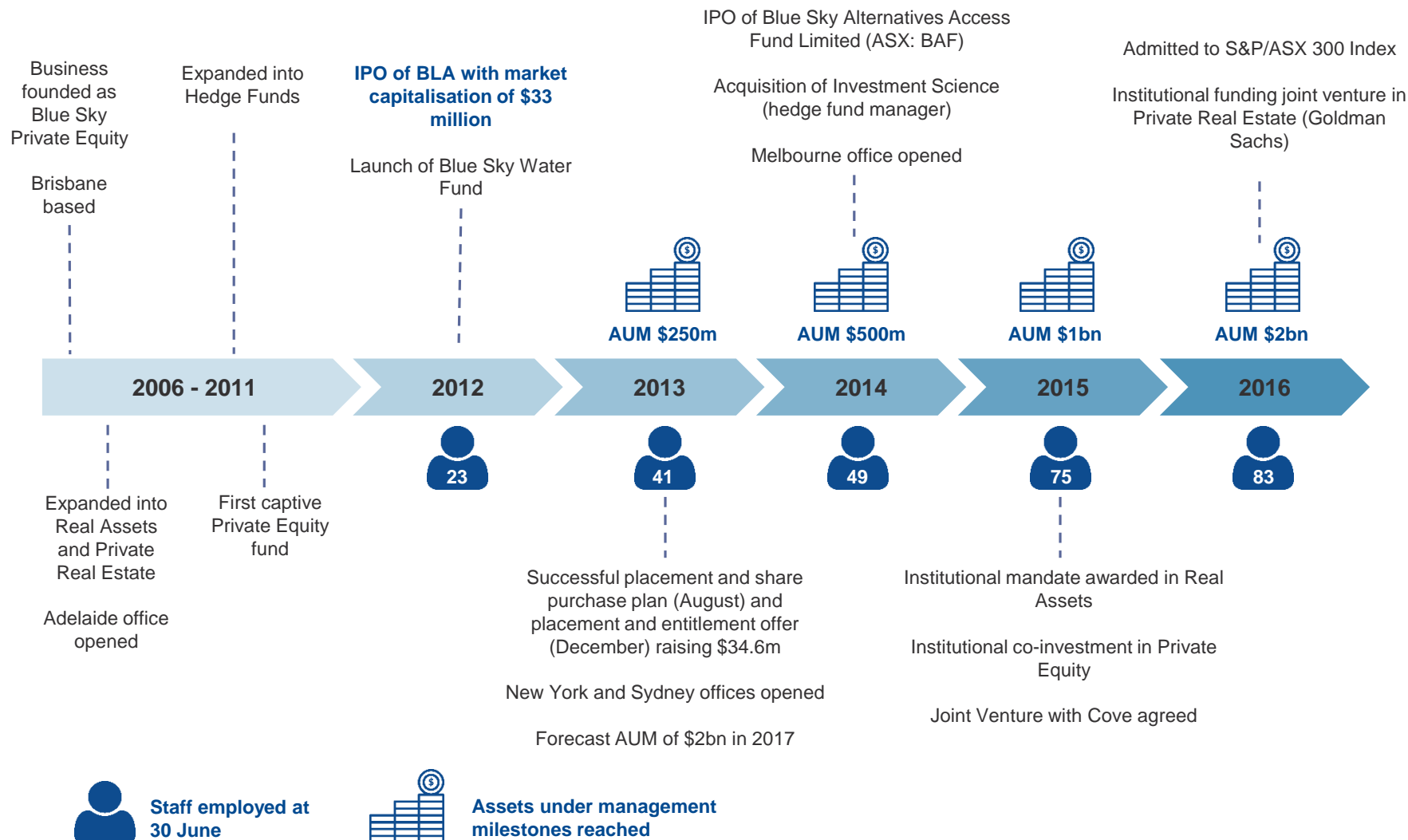
1. As at 3 August 2016

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

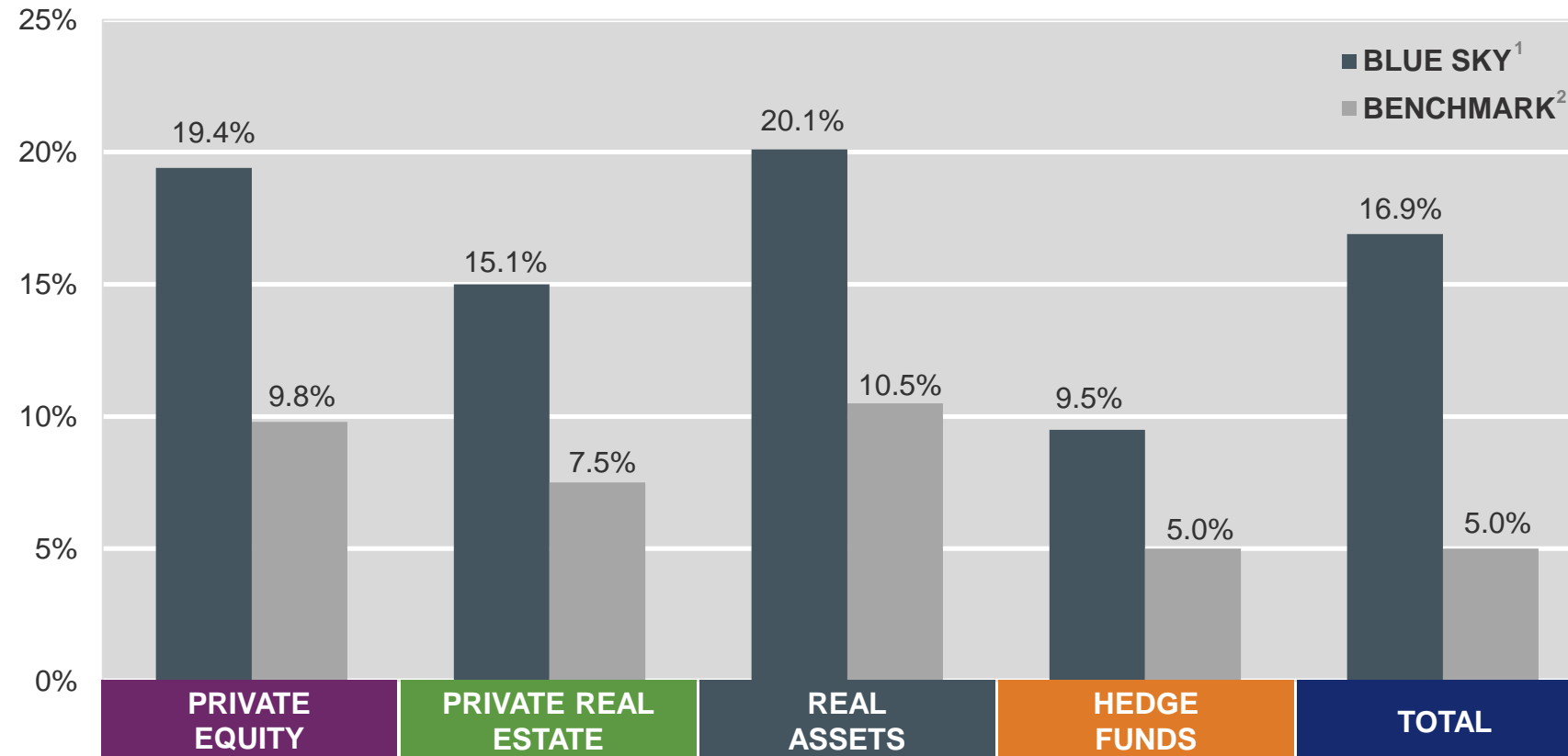
OUR BUSINESS MODEL



OUR HISTORY



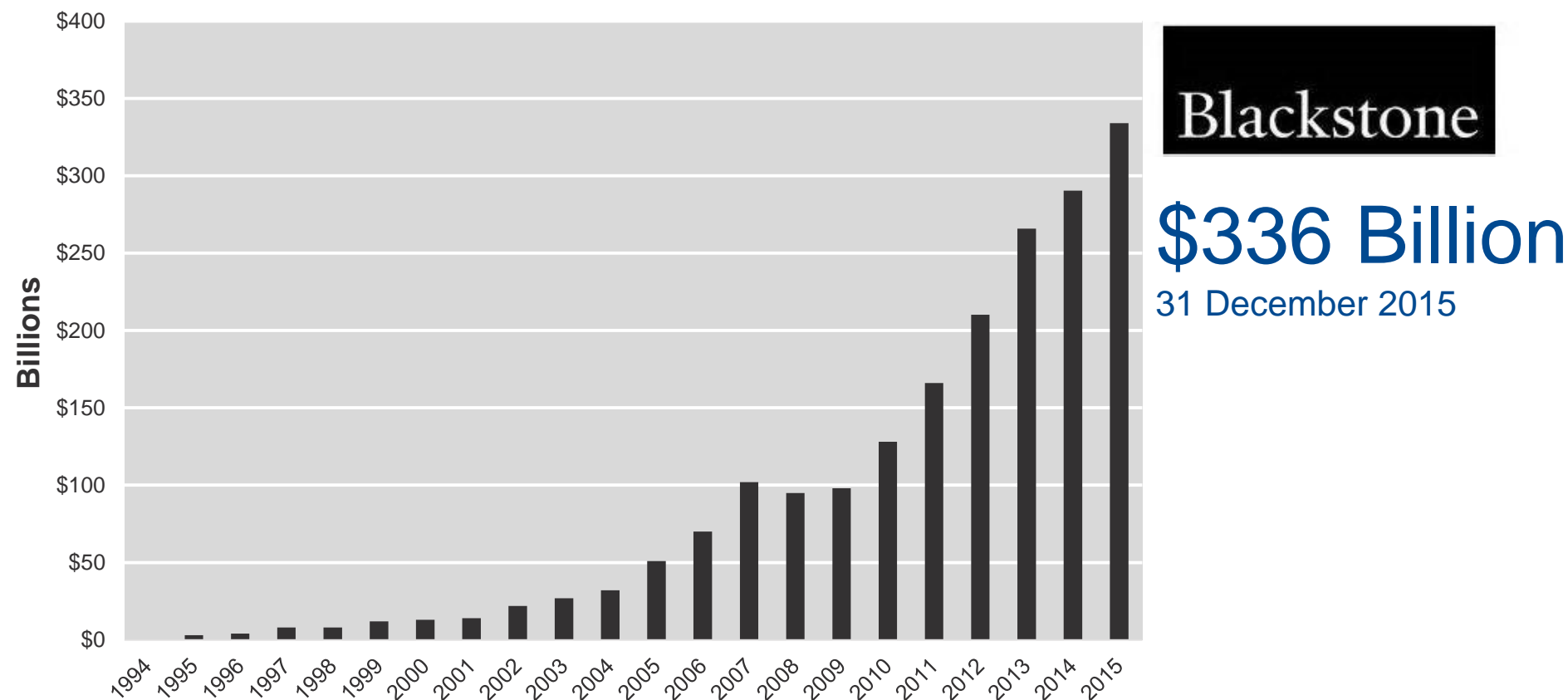
INVESTOR RETURNS: 16.9% NET OF FEES SINCE INCEPTION (AS AT 31 DEC 2015)



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 investments. 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.

GROWING ALTERNATIVE ASSETS – HARDER TO WIN, HARDER TO LOSE

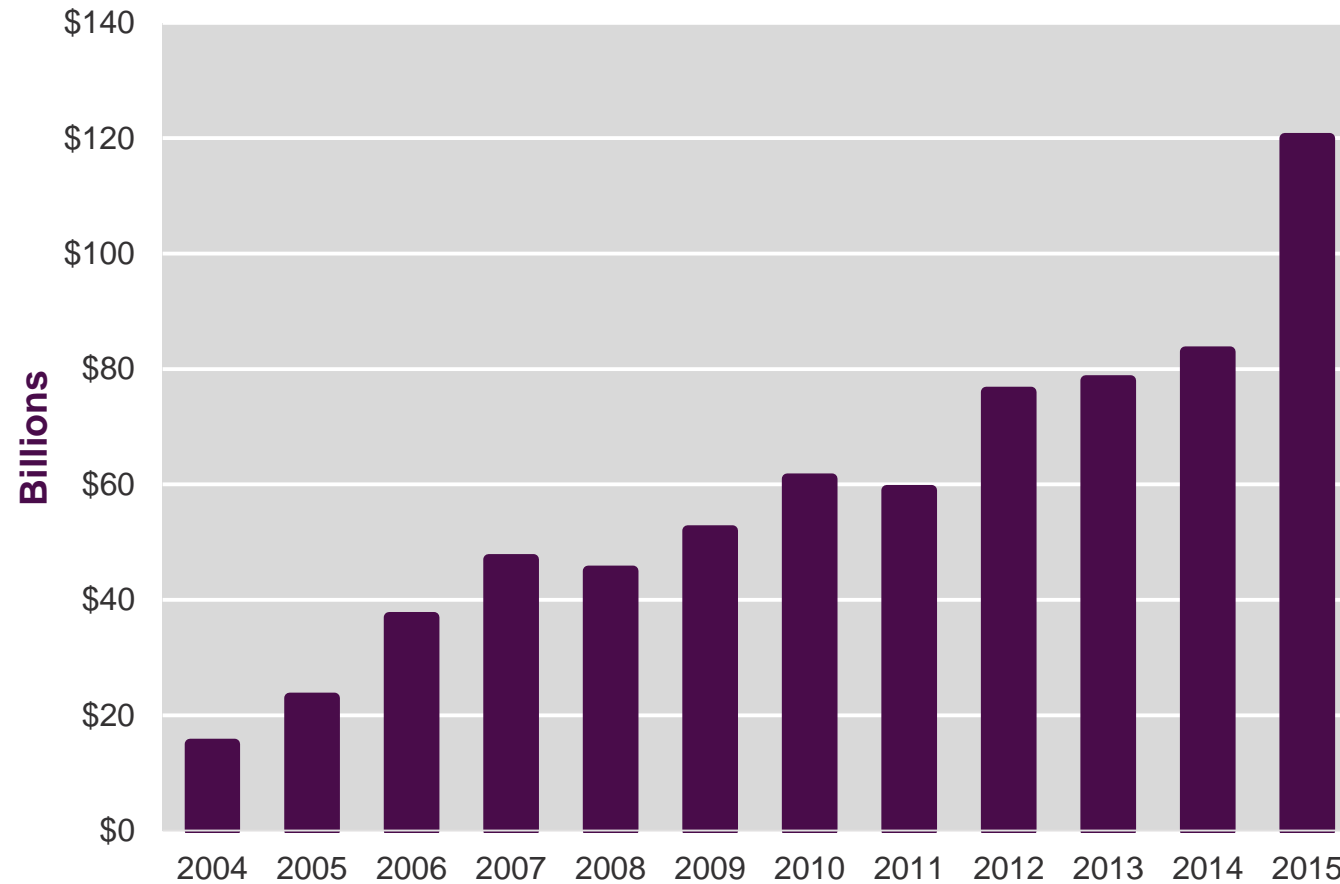
Blackstone AUM growth



Source: Blackstone website, April 2016

KKR ASSETS UNDER MANAGEMENT

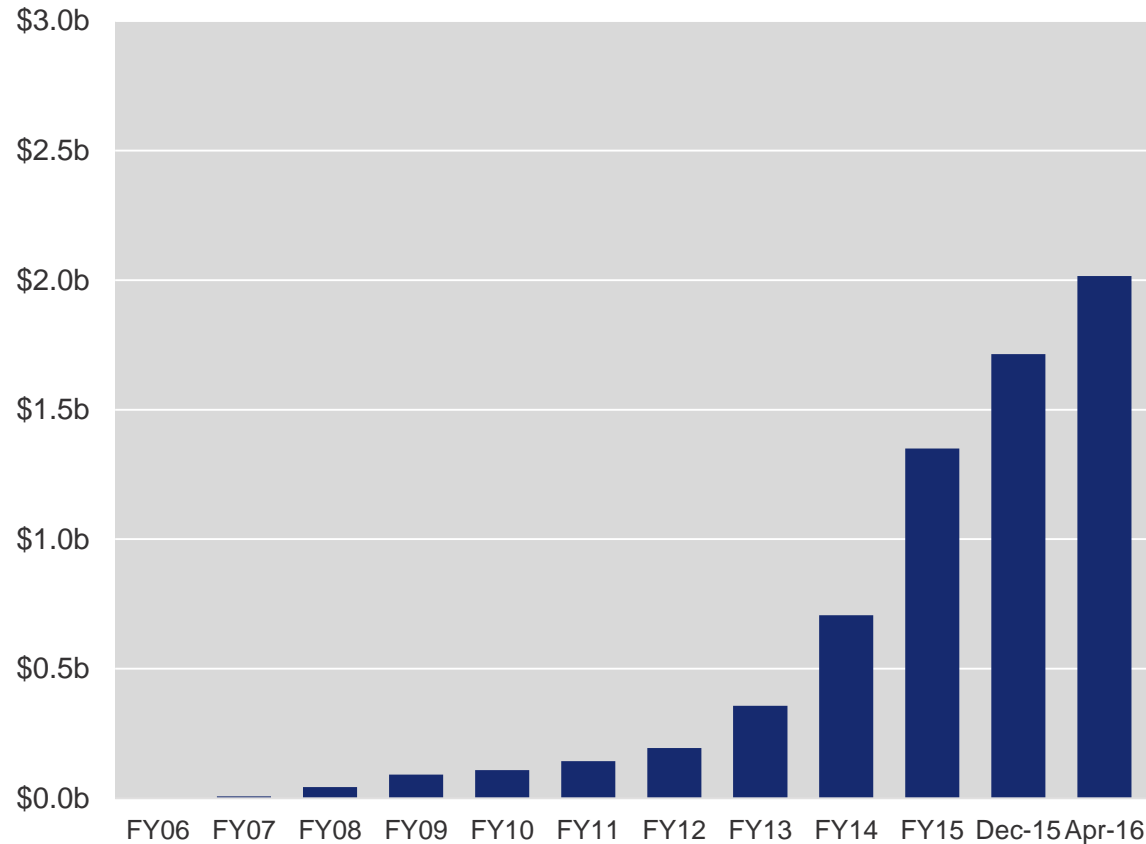
KKR AUM growth



KKR
\$120 Billion
31 December 2015

ASSETS UNDER MANAGEMENT

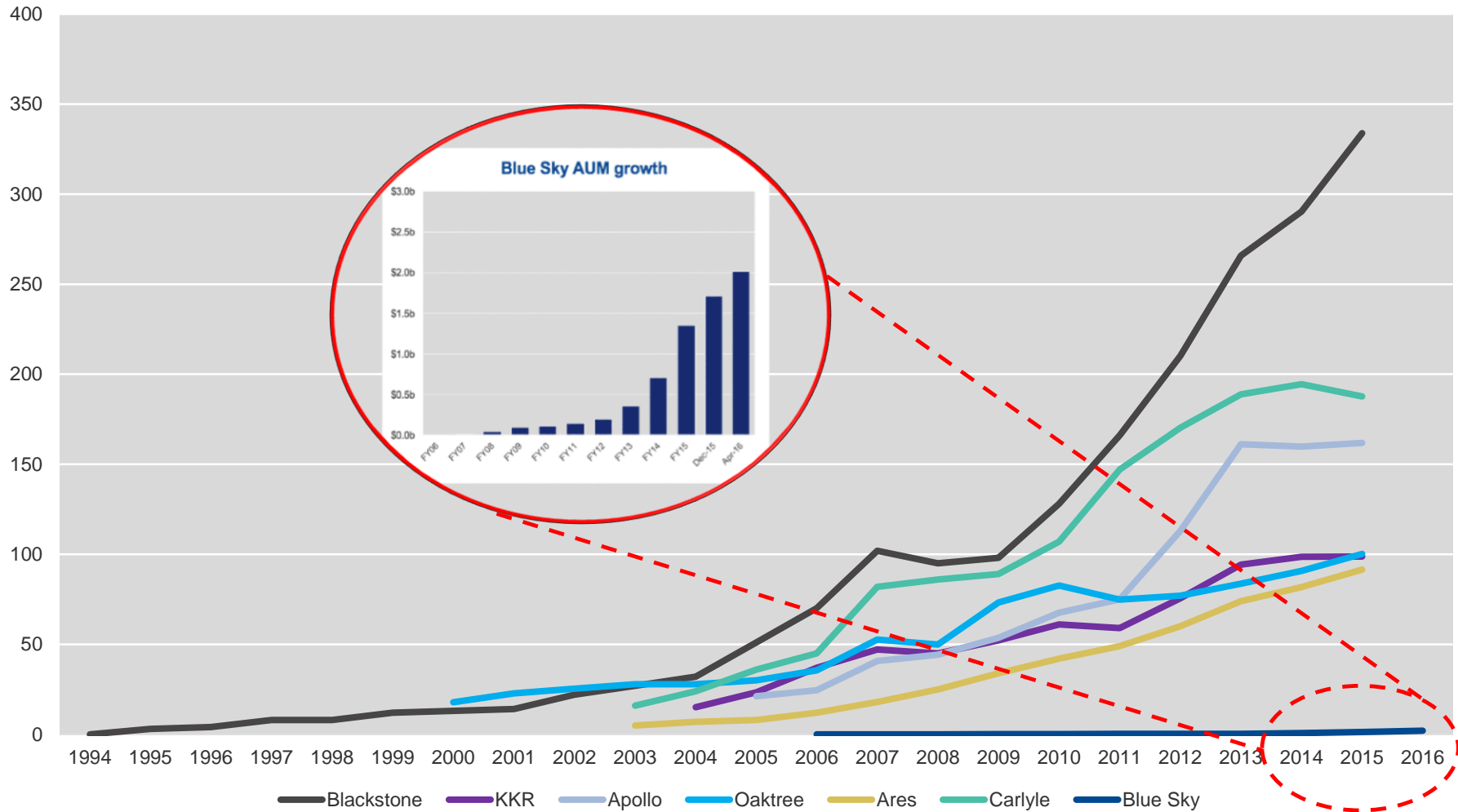
Blue Sky AUM growth



- Fee earning AUM grew from ~\$1.35b at 30 June 2015 to >\$2.0b at 30 April 2016
- \$2.0b in fee earning AUM was delivered ahead of original 2017 target

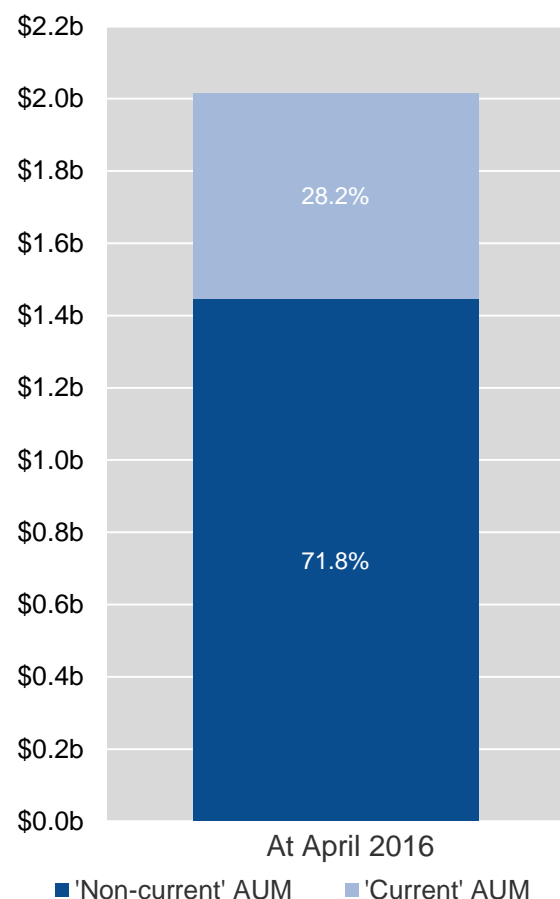
ASSETS UNDER MANAGEMENT GROWTH

AUM GROWTH



UNLIKE TRADITIONAL FUND MANAGERS, MOST OF OUR AUM IS 'STICKY'

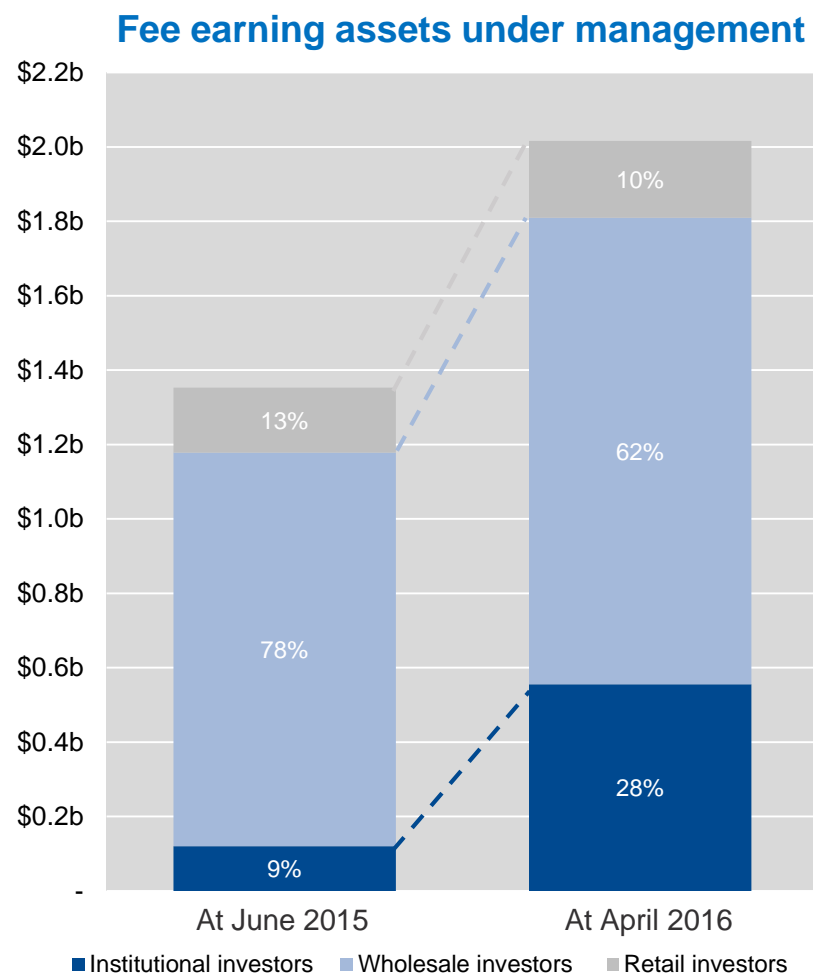
Fee earning assets under management



- Current AUM includes:
 - Liquid funds: hedge funds; water fund (excl. institutional mandate)
 - Closed-ended funds with anticipated realisations in FY17 (e.g. some private equity and private real estate funds)
- 28.2% of fee earning AUM (as at April 2016)

- All remaining AUM are in closed-ended funds that are 'non-current'. These include:
 - Private Equity and Venture Capital funds with anticipated realisations beyond FY17
 - Private Real Estate funds with anticipated realisations beyond FY17
 - Real Assets – water infrastructure; agribusiness; institutional investment into water entitlements
 - BAF – 10 year management agreement
- Provides baseline level of AUM that generates fees over a multi-year period
- 71.8% of fee earning AUM (as at April 2016)

ALL THREE OF OUR CAPITAL SOURCES GREW TO APRIL 2016



Retail (10% of total)

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



Wholesale (62% of total)

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



Institutional (28% of total)

- Has increased as a proportion of AUM as engagement with domestic and international institutions has deepened

INVESTMENT THEMES EXPRESSED



Blue Sky Venture Capital



Blue Sky Water Fund



Blue Sky Student Accommodation

HPS

Blue Sky Private Equity

BLUE SKY BY NUMBERS

As at 30 June 2016:

- **812%** Total Shareholder Return since IPO
- **4th highest** of current ASX 300 constituents which were trading when BLA listed
- BLA has **outperformed** all other IPOs from 2011

TSR of ASX 300 constituents from 24-Jan-12

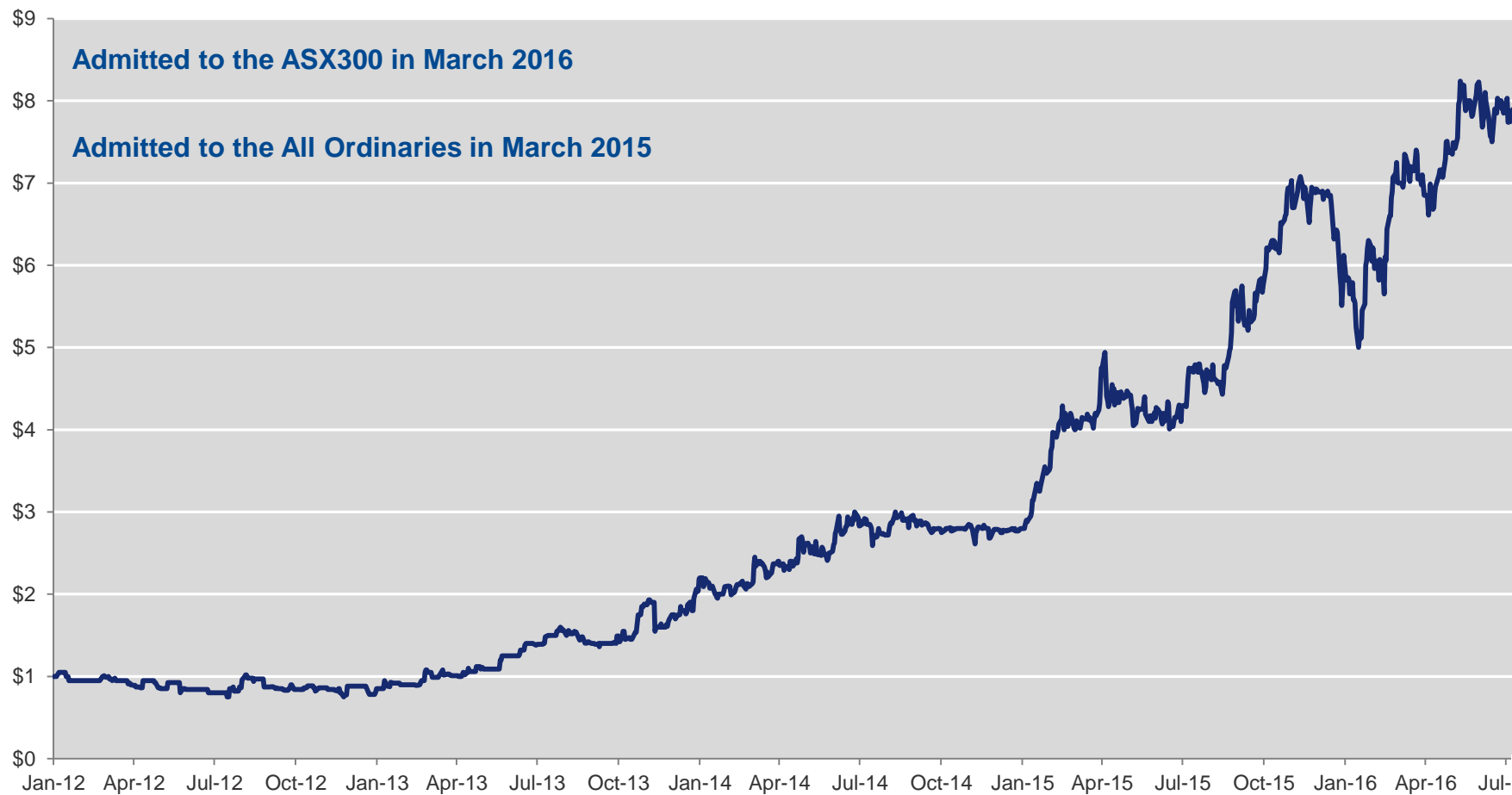
Rank	Ticker	Company	TSR
1	SYR	Syrah Resources Limited	2,670%
2	MFG	Magellan Financial Group Limited	1,547%
3	DMP	Dominos Pizza Enterprises Limited	845%
4	BLA	Blue Sky Alternative Investments Limited	812%
5	TPM	TPG Telecom Limited	782%
6	AJX	Alexium International Group Limited	775%
7	CTD	Corporate Travel Management Limited	709%
8	MYX	Mayne Pharma Group Limited	659%
9	GEM	G8 Education Limited	608%
10	AMA	AMA Group Limited	573%

TSR of CY11 IPOs from 24-Jan-12

Rank	Ticker	Company	TSR
1	BLA	Blue Sky Alternative Investments Limited	812%
2	BWF	Dicker Data Limited	588%
3	DDR	BlackWall Property Funds Limited	566%
4	CKF	Bega Cheese Limited	250%
5	BGA	Collins Foods Limited	250%
6	SOR	Strategic Elements Limited	145%
7	TME	Trade ME Group Limited	126%
8	OTH	Onthehouse Holdings Limited	96%
9	AWV	Tanga Resources Limited	44%
10	OGX	Royal Wolf Holdings Limited	28%

SHARE PRICE PERFORMANCE

Blue Sky Alternative Investments Limited (ASX:BLA)



Source: S&P Capital IQ – daily close price from 24 January 2012 to 4 August 2016.

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