MARKET UPDATE

Blue Sky announces business review outcomes

12 June 2018

Summary

- Comprehensive review of Blue Sky business and balance sheet substantially completed.
- Completion of phase two (of three) of the independent review of asset valuations with the remainder expected to be completed by 30 June 2018.
- Continuing focus on three core businesses: Private Equity; Private Real Estate and Real Assets.
- Closure of domestic hedge fund business as previously announced and progressive exit from property management rights and regional real estate development.
- Decision to terminate three retirement living projects following recent changes to planning regulations and one student accommodation project. One other student accommodation project deferred and one under strategic review.
- Fee-Earning Assets Under Management ('FEAUM') of $3.4 billion as at 31 May 2018, on a consistent basis with prior disclosure, adjusted for decisions made to terminate retirement living and student accommodation projects referred to above. New capital deployed on behalf of institutional mandates in real assets and three new private equity funds launched.
- Initial $3.8 million of cost reduction initiatives implemented and path confirmed to align Blue Sky's fixed cost base with recurring management fees.
- Estimated, unaudited, $59.4 million negative impact on FY18 NPAT:

    - ($6.8 million) phase one valuation adjustments (announced 15 May 2018) and $0.7M phase two valuation adjustments (given the assets involved, no material impact is expected from final tranche of valuations);
    - ($16.4 million) revaluation of the Blue Sky management platforms in Australian student accommodation and retirement living;
    - ($21.5 million) in balance sheet write-downs including impairments of loans, balance sheet investments and recording of other specific provisions associated with legacy investments in Australian residential developments and private equity funds;
    - ($11.4 million) in net costs associated with terminating, deferral and/or review of Australian retirement living and student accommodation projects; and
    - ($4.0 million) due to the restructure and associated costs expected to be incurred in FY18.

- Forecast net cash position of $32.3 million at 30 June 2018.
- Pro-forma Net Tangible Assets ('NTA') of $160.0 million at 30 June 2018 incorporating a $13.8 million expected impact from the adoption of AASB 15. This represents a pro-forma NTA per share of $2.06.
- The Blue Sky Alternatives Access Fund May pre-tax NTA of $1.13 per share confirmed today, an increase of 2.0% since 30 April 2018.
- Key appointment of Independent Chair of AFSL holder and trustee company Blue Sky Private Equity Limited and confirmation of external searches for a permanent Managing Director, Non Executive Directors and a Chief Risk Officer.

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

Commentary

Blue Sky Alternative Investments Limited (ASX: BLA) ('Blue Sky' or 'the Company') today announces the outcome of a comprehensive review of its business and balance sheet, as well as an update of its forecast cash position and pro-forma net tangible assets ('NTA') at 30 June 2018 and Fee Earning Assets Under Management ('FEAUM') at 31 May 2018.

Commenting on the outcome, Blue Sky's interim Managing Director, Mr Kim Morison said while the profit impact of the changes being announced is disappointing, the Company was delivering on its announcement of 7 May 2018 to review its business and management structure and reduce fixed costs to align with recurring management fees.

"Going forward Blue Sky will concentrate on its three core businesses of Private Equity, Private Real Estate and Real Assets and focus on delivering strong investment returns for existing mandates and funds (most of which are closed ended) to continue to grow its investment management business over the longer term," Mr Morison said.

"The review has resulted in a restructure to allow the Company to focus on managing alternative asset classes that are scalable, profitable, institutional grade and demonstrate competitive advantage.

"Blue Sky will close its domestic hedge fund business, and will progressively exit its property management rights businesses and regional real estate development projects.

"The restructure, coupled with the independent review of carrying values of investments, will affect Blue Sky's FY18 financial performance and we expect the review and other items announced today will have an unaudited $59.4 million negative impact on NPAT.

"We have also revised our FEAUM to $3.4 billion as at 31 May 2018.[1]

"In reshaping our business and making some tough decisions we believe that we are establishing the best platform to deliver growth for our shareholders and investors over the medium and long term," Mr Morison said.

Blue Sky's commitment to its core operations is demonstrated by a $78.7 million increase in FEAUM since 31 March 2018 in real assets comprising gains on investments and deployment of new capital on behalf of several institutional mandates, including Blue Sky co-investment.

The Company elected to delay the launch of new investment funds previously planned for the period from April to June 2018, which significantly impacted cash flow for the period. However Blue Sky has recently launched three new private equity funds.

Blue Sky expects to continue to build out its joint venture operating platforms in US real estate development, US student accommodation and Australian and New Zealand student accommodation, supported by various institutional partners.

Due to recent announcements on planning regulations which impact developments on sporting and recreational grounds and other matters impacting Blue Sky's investment case, Blue Sky will not be proceeding with three retirement projects that were in the planning and approval phase with capital being returned to investors in these three funds.

"We have moved quickly to reassess our retirement living assets in the wake of recent developments," Mr Morison said.

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[1] After $686.5 million adjustment for termination, deferral or review of certain retirement or Australian student accommodation projects

In June 2018, Blue Sky completed the first stage of the Corinda retirement living project. The Company expects to complete its remaining three retirement living projects that are located on freehold land, and one regional project which, while located in a sport and recreation zone, has received positive local Council support to date.

In student accommodation, Blue Sky remains committed to the development and operation of student accommodation facilities. The portfolio will, by the beginning of 2019, have over 3,500 operational beds. However, there have been some significant changes to the portfolio, including the termination of the Sydney project and deferral of a Melbourne project. One other project is currently under strategic review, however Blue Sky remains focused on its objective of creating a market-leading purpose-built student accommodation platform in Australia and New Zealand.

Blue Sky's FEAUM has been materially impacted by the decisions in retirement living and student accommodation, with a reduction in $686.5 million of gross realisable value of property developments.

The reduction or deferral of operating revenues for the Blue Sky retirement living and student accommodation operating platforms have reduced the carrying values of these assets resulting in an unaudited non-cash negative impact to FY18 NPAT of approximately $16.4 million.

Regarding the completed first and second tranches of the valuation review, and monthly revalued water portfolios these tranches accounted for 96% of total accrued performance fees at 31 December 2017 and approximately 25% of net tangible assets (performance fees, trade and other receivables, investments in associates and joint ventures and financial assets held at fair value through profit and loss) at 31 December 2017.

Mr Morison said assets representing the remaining 38.2% of FEAUM[2] will be reviewed before 30 June 2018. This final tranche of valuations is expected to have no material adverse impact on the Company's net tangible assets or its NPAT.

The normal schedule of independent valuation reviews will continue to be accelerated through June so that carrying values across the portfolio will have been independently reviewed during the last quarter of FY18. This includes all assets with the exception of the Water Fund and Hedge Funds which are independently marked to market monthly. Investments which are contracted for sale or recently acquired for institutional mandates will not be revalued.

"Despite the impact of terminating some current projects, our FEAUM remains strong at $3.4 billion and the fund-by-fund review of 80 plus funds and 90 plus underlying assets has shown that most are within the range of their investment case," said Mr Morison.

As part of the overall business review, Blue Sky also re-examined eight challenging legacy assets to assess the recoverability of working capital loans previously provided. These loans amount to approximately 10% of the Company's total assets and have been made to support funds going through challenging periods with the rationale that supporting those investments provides the best opportunity to achieve optimal fund returns for unitholders at eventual exit, which is also in the best interests of shareholders.

Following the review and proposed restructure, Blue Sky will actively accelerate the closure of fund investments including Townsville real estate development and management rights projects and the EC2010 Private Equity Fund. Given ongoing challenges with these assets, the Company has determined

[2] As at 31 March 2018

it is prudent to provision for the non-recoverability of those working capital loans and has made a number of other specific provisions.

The unaudited non-cash negative impact to FY18 NPAT of these write downs including impairments of loans, balance sheet items and other specific provisions is approximately $21.5 million.

FEAUM at 31 May 2018

Most of Blue Sky's funds are closed-end vehicles and are not subject to redemptions. As noted above, Blue Sky elected to terminate three retirement living funds and one student accommodation fund and return capital resulting in a reduction in FEAUM to $3.4 billion as at 31 May 2018.

Blue Sky's open-ended funds include the Blue Sky Water Fund and the remaining hedge funds.

The Blue Sky Water Fund has achieved an unlevered annualised return of 17.3% net of fees (gross of tax) since inception in August 2012, including a financial year to date return of 23.1% net of fees (gross of tax). The Fund has been temporarily closed to new subscriptions since December 2017 as a result of significant commitments secured from institutional investors which are being progressively drawn. Recent redemptions by non-institutional investors have been funded from the Fund's cash reserves. The Fund will pay a final FY18 distribution in June representing net proceeds of water sales throughout the 2017/18 year. The Fund's return is presently well above its annualised 8% hurdle return since its 30 June 2016 high water mark. Blue Sky is expected to earn a performance fee as at 30 June 2018, which if earned, will be receivable in July 2018.

The remaining hedge funds, excluding domestic hedge fund activities which are being closed, account for approximately $64 million in FEAUM.

Forecast Cash Position and Pro-Forma NTA at 30 June 2018

Blue Sky expects a net cash balance of approximately $32.3 million at 30 June 2018.

Significant cash costs have been incurred by the Company since March 2018 associated with restructuring, corporate and legal advice, as well as the refunding of fees associated with the termination of certain retirement and Australian student accommodation development projects.

The pro-forma NTA at 30 June 2018 is unaudited and does not reflect the impact of the final phase of independent asset valuation reviews which includes assets managed by the Blue Sky US Joint Ventures Partners, Cove and Student Quarters, which are equity accounted investments.

As noted in previous announcements, Blue Sky will be required to adopt the revised accounting standard AASB15 from the FY19 financial year. Once adopted, it is expected this standard will require a revised treatment of performance fees previously accrued by Blue Sky, effectively requiring recognition on a cash received basis. Blue Sky has made a preliminary assessment of the likely impact on NTA and an expected $13.8m adjustment is detailed as part of this announcement.

Blue Sky does not expect to pay a dividend in relation to the year ended 30 June 2018.

BAF Monthly Update

Blue Sky also notes that Blue Sky Alternatives Access Fund Limited (ASX: BAF) has today reported a pre-tax NTA increase to $1.13 per share in May, an increase of 2% since 30 April 2018. The BAF report details specific valuation changes to underlying Blue Sky investment funds in which BAF has invested, some of which correspond with impacts on Blue Sky's NPAT as investment manager.

Appointment of Independent Chair of Blue Sky Private Equity Limited

Blue Sky has appointed Mr Andrew McNeil of Yarmouth Group as Independent Non Executive Chairman of Blue Sky's trustee entity and AFSL holder, Blue Sky Private Equity Limited.

Mr McNeil's appointment forms part of the overall process for Blue Sky to enhance its corporate governance and risk management systems and to have additional resources available to implement suggested changes that may arise as a result of the previously announced external review to examine Blue Sky's risk management framework and valuation processes. This review is expected to be finalised in July 2018 ahead of the Annual Report.

Mr McNeil has over 28 years of financial services experience including over 20 years of investment management experience in Australia and the United States. He is a Fellow of the Governance Institute of Australia, a Fellow of the Institute of Chartered Secretaries and Administrators, and a Senior Fellow of the Financial Services Institute of Australasia.

Independent Non Executive Director and Executive Search Processes

Blue Sky has engaged the services of a specialist external firm to run search processes for the role of permanent Managing Director and to identify suitable Non Executive Director candidates to add to the capabilities of the Blue Sky Board of Directors. These processes continue and are expected to be finalised by October 2018. Following this process, the Board expects that Blue Sky will have an Independent Non Executive Chair and a majority of Independent Non Executive Directors.

The process for identifying an appropriately qualified candidate to fill the newly created role of Blue Sky's Chief Risk Officer is also ongoing and an appointment is similarly expected to be confirmed by October 2018.

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@consiglio.com.au

BlueSky
Alternative Thinking

Blue Sky Alternative Investments

Market Update Appendices

12 June 2018

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

Disclaimer

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Figures presented throughout this presentation are in Australian dollars (unless otherwise noted) and may not add or calculate precisely due to rounding.

Non-IFRS information:

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 latest interim results and historical financial information (collectively, the 'underlying results'). These underlying results are presented with all equity held by Blue Sky in funds and fund related entities 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 results where a range of Blue Sky's equity holdings in the funds and fund related entities that it manages are either consolidated or equity accounted as required by *AASB 10 'Consolidated Financial Statements'*.

Appendices

1. Estimated restructure costs

2. Forecast cash position at 30 June 2018

3. Pro-forma Net Tangible Assets at 30 June 2018

4. Net Profit After Tax – Summary of announced impacts

5. Updated fee-earning AUM at 31 May 2018

6. Additional disclosure on historical fees paid

Estimated restructure costs

- **Restructure costs[1] of approximately $11.8m expected over FY18 and FY19**

Type of costs	Costs incurred to 31 May 2018[4] (Actual)	Costs expected in June 2018 (Forecast)	Costs expected in FY19 (Forecast)	Total expected restructure costs[5]
External service providers[2]	$1.2m	$1.5m	$2.6m	$5.3m
Employee costs[3]	$1.5m	$1.5m	$3.5m	$6.5m
Total	**$2.7m**	**$3.0m**	**$6.1m**	**$11.8m**

Notes:
1. Broadly defined to include abnormal, non-recurring costs in relation to external service providers and employee costs associated with the response to the opinion piece published by a foreign short seller on 28 March 2018 and subsequent loss of market confidence in Blue Sky
2. Includes legal advisers, valuation experts, public relations consultants and other external consultants
3. Includes employee redundancy and employee retention measures implemented
4. May not reconcile to historical and forecast cash flows as a result of the difference between invoice date and payment date and excludes restructure costs that are not in relation to external service providers and employees
5. Contains forecast information that is based on estimates at 12 June 2018. Actual restructure costs incurred may differ from the above
6. Excluded from the above are expenses associated with share based payments (including employee share options) which are generally non-cash in nature

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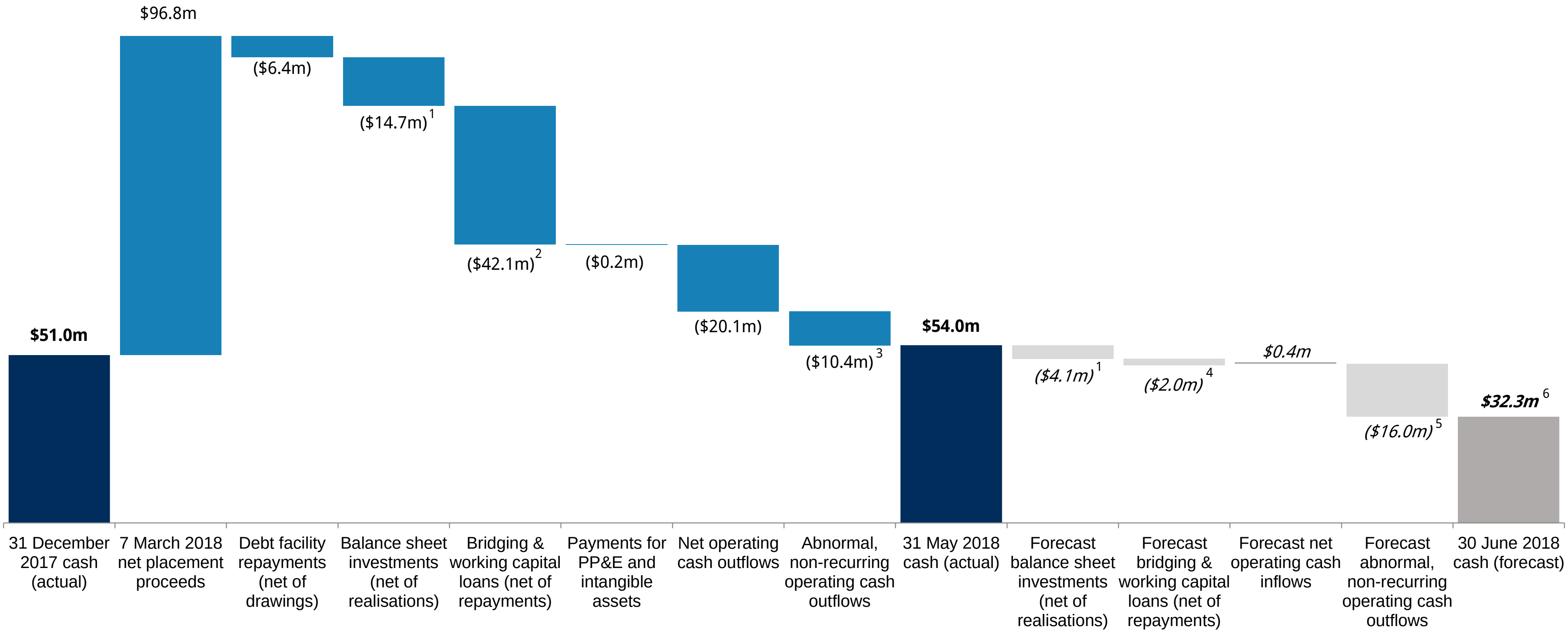
Forecast cash position at 30 June 2018

- **Forecast cash balance of approximately $32.3m at 30 June 2018, impacted by $26.4m of abnormal, non-recurring operating cash flows since 31 December 2017**



Notes:
1. The majority reflects alignment capital deployed alongside institutional investors and US joint ventures
2. Approximately $25.8m relates to bridging finance (including refundable deposits), with the balance relating to working capital loans
3. Includes fees repaid in relation to a terminated student accommodation project and restructure costs where appropriate
4. Approximately $1.6m relates to bridging finance (including refundable deposits), with the balance relating to working capital loans
5. Includes fees repaid in relation to terminated retirement living projects and restructure costs where appropriate
6. The Company maintains a minimum level of liquidity (cash and available borrowing facilities where appropriate) sufficient to meet obligations over the next 12 months, regulatory requirements such as Australian Financial Services Licence obligations and financial covenants attached to contractual obligations
7. No dividend expected in relation to the FY18 financial year

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Pro-forma NTA at 30 June 2018

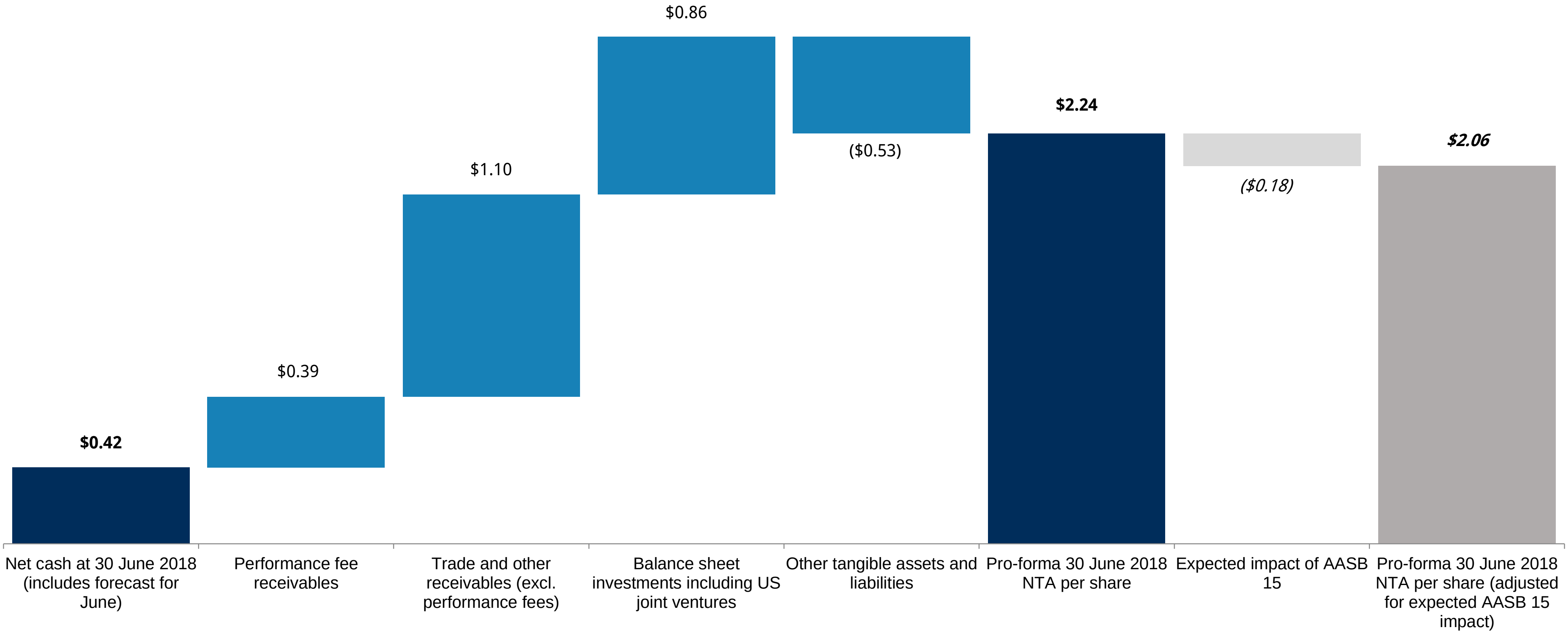
$'m	Adjusted pro-forma balance sheet at 31 December 2017[1]	Forecast cash position at 30 June 2018[2]	Asset valuation review - phase 1 impact (as announced)[3]	Asset valuation review - phase 2 impact[3]	Other balance sheet reviews – impact[4]	Pro-forma balance sheet as at 30 June 2018	AASB 15 - impact[5]	Pro-forma 30 June 2018 balance sheet - adjusted for AASB 15
Cash	147.7	32.3	-	-	-	32.3	-	32.3
Trade and other receivables	37.3	69.6	(0.5)	-	(16.7)	52.4	-	52.4
Other assets	5.2	5.2	-	-	-	5.2	-	5.2
Total current assets	**190.2**	**107.1**	**(0.5)**	**-**	**(16.7)**	**89.9**	**-**	**89.9**
Trade and other receivables	66.7	83.3	(13.1)	3.0	(10.0)	63.2	(27.1)	36.1
Investments in associates and joint ventures	12.8	15.1	-	-	-	15.1	-	15.1
Financial assets at fair value through P&L	68.3	75.0	(0.4)	(24.2)	1.2	51.6	-	51.6
Property, plant and equipment	3.2	3.4	-	-	-	3.4	-	3.4
Intangible assets	5.8	5.8	-	-	(1.1)	4.7	-	4.7
Total non-current assets	**156.8**	**182.6**	**(13.5)**	**(21.2)**	**(9.9)**	**138.0**	**(27.1)**	**110.9**
Total assets	**347.0**	**289.7**	**(14.0)**	**(21.2)**	**(26.6)**	**227.9**	**(27.1)**	**200.8**
Trade and other payables	(25.8)	(15.2)	0.1	-	(4.1)	(19.2)	-	(19.2)
Borrowings	(6.5)	(0.1)	-	-	-	(0.1)	-	(0.1)
Other current liabilities	(14.6)	(6.9)	0.1	-	-	(6.8)	-	(6.8)
Total current liabilities	**(46.9)**	**(22.2)**	**0.2**	**-**	**(4.1)**	**(26.1)**	**-**	**(26.1)**
Other non-current liabilities	(42.8)	(42.8)	7.0	5.5	6.9	(23.4)	13.3	(10.1)
Total non-current liabilities	**(42.8)**	**(42.8)**	**7.0**	**5.5**	**6.9**	**(23.4)**	**13.3**	**(10.1)**
Total liabilities	**(89.7)**	**(65.0)**	**7.2**	**5.5**	**2.8**	**(49.5)**	**13.3**	**(36.2)**
Net assets	**257.3**	**224.7**	**(6.8)**	**(15.7)**	**(23.8)**	**178.5**	**(13.8)**	**164.7**
Net tangible assets	**251.5**	**218.9**	**(6.8)**	**(15.7)**	**(22.7)**	**173.8**	**(13.8)**	**160.0**

Notes:

1. Reflects pro-forma balance sheet at 31 December 2017 per 5 March 2018 investor presentation adjusted for Share Purchase Plan ('SPP') proceeds being refunded and associated impact of SPP related costs
2. Reflects actual cash flows from 1 January 2018 to 31 May 2018 and forecast cash flows from 1 June 2018 to 30 June 2018 including estimates of associated balance sheet impacts from cash flows. Includes abnormal, non-recurring cash flows related to 3 retirement living projects and 1 student accommodation project being terminated and restructure costs where appropriate
3. Reflects independent asset valuation reviews undertaken to 31 May 2018 representing 29 of 93 assets managed and 35% of FEAUM as at 31 March 2018
4. Reflects outcomes from internal review undertaken in relation to certain assets and the associated impacts on carrying value of balance sheet investments, impairment allowances against loans and other specific provisions
5. Reflects estimate of impact of AASB 15 on accrued performance fees – actual impact assessment not yet complete, including impact on US joint ventures (Cove and Student Quarters)
6. Excluded from the above is the impact of Phase 3 (final phase) asset valuation reviews which include assets managed by Cove & Student Quarters
7. Phase 3 asset valuation reviews include 8 assets from which Blue Sky had accrued performance fees at 31 December 2017
8. The information above is un-audited

Pro-forma NTA per share at 30 June 2018

- **NTA per share of $2.06 reflects cash, recently reviewed receivables & balance sheet investments, and estimated impact of AASB 15 on accrued performance fees**



Notes:

1. Refer to page 6 and page 8 for further information relevant to pro-forma NTA per share at 30 June 2018

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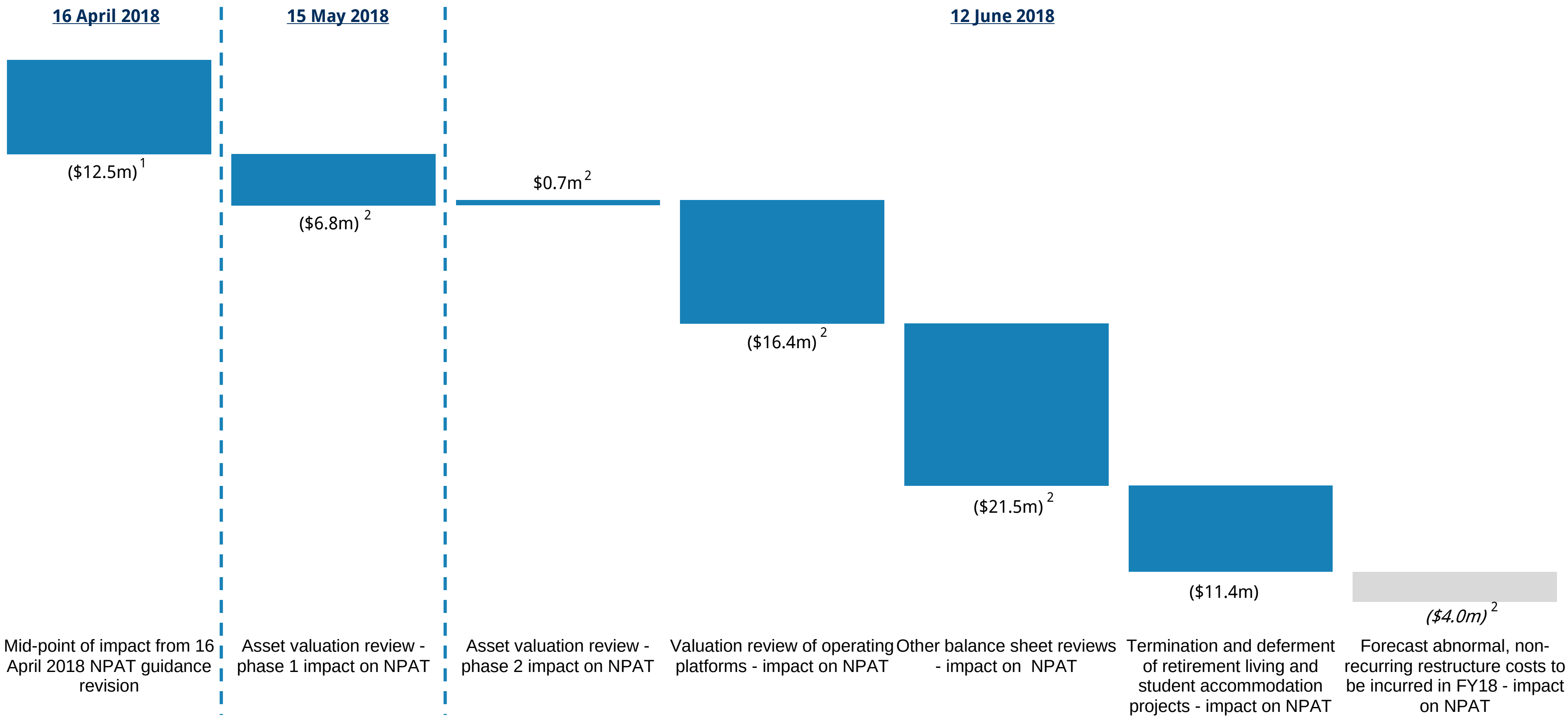
Net Profit After Tax – Summary of announced impacts

- **Approximately $59.4m of negative NPAT impacts announced**



Notes:
1. On 16 April 2018, Blue Sky updated NPAT guidance. The net effect of this update was $12.5m at the mid-point
2. See page 8 for further detail

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Updated fee-earning AUM at 31 May 2018

As at 31 May 2018

Business unit	31-May-18	%	Primary method	Equity						Debt in FEAUM		Fee-earning equity + debt	Other		FEAUM
				BAF equity	BLA equity	Investor equity	Total equity	Not yet fee-earning	Fee-earning equity	Drawn	Undrawn		Value	Note	
Growth Capital	$346.2m	*10.1%*	Equity	$51.6m	-	$297.4m	$349.0m	-	$349.0m	-	-	$349.0m	($2.8m)	1	$346.2m
Venture Capital	$228.4m	*6.7%*	Equity	$13.0m	$12.9m	$202.5m	$228.4m	-	$228.4m	-	-	$228.4m	-		$228.4m
Total Private Equity	**$574.6m**	***16.7%***		**$64.5m**	**$12.9m**	**$500.0m**	**$577.4m**	**-**	**$577.4m**	**-**	**-**	**$577.4m**	**($2.8m)**		**$574.6m**
Institutional Mandates	$706.3m	*20.6%*	Various	$15.0m	$8.4m	$675.9m	$699.3m	($71.3m)	$628.0m	-	-	$628.0m	$78.3m	2	$706.3m
Water Fund	$194.0m	*5.7%*	GAV	$34.1m	-	$100.8m	$134.9m	-	$134.9m	-	-	$134.9m	$59.1m	3	$194.0m
Other Agriculture - Wholesale	$53.5m	*1.6%*	Equity	$12.6m	$1.7m	$39.3m	$53.5m	-	$53.5m	-	-	$53.5m	-		$53.5m
Total Real Assets	**$953.8m**	***27.8%***		**$61.7m**	**$10.0m**	**$816.0m**	**$887.7m**	**($71.3m)**	**$816.4m**	**-**	**-**	**$816.4m**	**$137.4m**		**$953.8m**
Student Accommodation	$631.1m	*18.4%*	GAV	$24.0m	$8.0m	$275.1m	$307.1m	($38.4m)	$268.7m	$176.6m	$107.6m	$552.9m	$78.2m	4	$631.1m
Retirement Living	$331.2m	*9.7%*	GRV	$14.5m	$1.3m	$120.1m	$135.8m	-	$135.8m	$20.0m	$120.9m	$276.8m	$54.4m	5	$331.2m
Residential Development	$315.8m	*9.2%*	GRV	$9.0m	$1.0m	$73.3m	$83.2m	-	$83.2m	$4.0m	$161.0m	$248.2m	$67.6m	6	$315.8m
Other Real Estate	$36.8m	*1.1%*	Equity + debt	$4.5m	$0.1m	$15.4m	$20.0m	-	$20.0m	$16.9m	-	$36.8m	-		$36.8m
Total Private Real Estate	**$1,314.9m**	***38.3%***		**$52.0m**	**$10.4m**	**$483.8m**	**$546.2m**	**($38.4m)**	**$507.8m**	**$217.5m**	**$389.4m**	**$1,114.8m**	**$200.2m**		**$1,314.9m**
Cove	$382.1m	*11.1%*	Equity + debt	$12.0m	-	$295.2m	$307.1m	($43.1m)	$264.0m	$118.1m	-	$382.1m	-		$382.1m
Student Quarters	$72.6m	*2.1%*	GAV	-	-	$29.5m	$29.5m	-	$29.5m	$46.8m	-	$76.3m	($3.7m)	7	$72.6m
Total US Joint Ventures	**$454.7m**	***13.3%***		**$12.0m**	**-**	**$324.7m**	**$336.6m**	**($43.1m)**	**$293.5m**	**$164.9m**	**-**	**$458.4m**	**($3.7m)**		**$454.7m**
Hedge Funds	**$107.0m**	***3.1%***	NAV	-	-	$107.0m	**$107.0m**	-	**$107.0m**	-	-	$107.0m	-		**$107.0m**
BAF (Uncommitted)	**$25.6m**	***0.7%***	Equity	$25.6m	-	-	**$25.6m**	-	**$25.6m**	-	-	$25.6m	-		**$25.6m**
FEAUM	**$3,430.6m**	***100.0%***		**$215.8m**	**$33.3m**	**$2,231.5m**	**$2,480.5m**	**($152.8m)**	**$2,327.8m**	**$382.4m**	**$389.4m**	**$3,099.6m**	**$330.9m**		**$3,430.6m**

Notes:
1. One Growth Capital Fund charges fees based on equity market value. This value represents the difference between equity market value and total equity raised at balance date
2. Represents the difference between the Gross Asset Value ('GAV') and equity deployed into institutional water portfolios
3. Represents the difference between Water Fund GAV and equity deployed
4. The difference between gross realisable value ('GRV') as if complete and equity + debt represents net development margin after fees
5. The difference between GRV and equity + debt represents net development margin after fees
6. The difference between GRV and equity + debt represents net development margin after fees
7. The total debt + equity currently deployed into Student Quarters' funds is more than GAV due to the impact of transaction costs, operating reserves and fees
8. Figures above are consistent with historic definitions as disclosed on 7 May 2018

Updated fee-earning AUM at 31 May 2018

Business unit	31-Mar-18	% change	31-May-18	Driver of change
Growth Capital	$358.2m	(3.3%)	$346.2m	Removal of one Growth Capital fund which is no longer fee-earning. Launch of one new Growth Capital fund
Venture Capital	$199.9m	14.3%	$228.4m	Launch of two new Venture Capital funds
Total Private Equity	**$558.1m**		**$574.6m**	
Institutional Mandates	$627.6m	12.5%	$706.3m	Further deployment into Real Asset investments
Water Fund	$204.0m	(4.9%)	$194.0m	Relates to net redemptions paid to investors from the Fund during the month of May from existing cash reserves in the Fund, adjusted for capital growth of the Fund's assets during the period, and does not include the receipt of any calls on pre-committed institutional capital into the Fund (which will occur from June onwards)
Other Agriculture – Wholesale	$53.5m	-	$53.5m	No change
Total Real Assets	**$885.1m**		**$953.8m**	
Student Accommodation	$963.5m	(34.5%)	$631.1m	Termination and deferment of student accommodation projects
Retirement Living	$685.2m	(51.7%)	$331.2m	Termination of three retirement living projects
Residential Development	$315.8m	-	$315.8m	No immediate impact from today's announcement
Other Real Estate	$36.8m	-	$36.8m	No immediate impact from today's announcement
Total Private Real Estate	**$2,001.4m**		**$1,314.9m**	
Cove	$366.9m	4.1%	$382.1m	Additional capital expenditure incurred on Cove projects and impact of foreign exchange movements
Student Quarters	$71.6m	1.3%	$72.6m	Foreign exchange movements
Total US Joint Ventures	**$438.5m**		**$454.7m**	
Hedge Funds	$115.9m	(7.6%)	**$107.0m**	Market value. Excludes impact of decision to close Alliance Fund announced 5 June 2018
BAF (Uncommitted)	$12.1m	110.6%	**$25.6m**	Cash at balance date, adjusted for capital returns from three Retirement Living funds (referred to above)
FEAUM	**$4,011.1m**	(14.5%)	**$3,430.6m**	

Notes:

1. Figures above are consistent with historic definitions as disclosed on 7 May 2018

Additional disclosure on fee-earning AUM at 31 May 2018

Business unit	31-May-18	%	Primary method	Typical management fees – recurring[1,2]	Typical performance fees[1,2]
Growth Capital	$346.2m	*10.1%*	Equity	Approx. 2.0% p.a. of equity raised paid annually	20% of returns above 8% hurdle rate paid on wind-up
Venture Capital	$228.4m	*6.7%*	Equity	Approx. 2.0% p.a. of equity raised paid annually	20% of returns above 8% hurdle rate paid on wind-up
Total Private Equity	**$574.6m**	***16.7%***			
Institutional Mandates	$706.3m	*20.6%*	Various	Note 1	Note 1
Water Fund	$194.0m	*5.7%*	GAV	1.9% p.a. of GAV paid monthly	17.5% of returns above 8% hurdle rate paid annually with a high watermark
Other Agriculture - Wholesale	$53.5m	*1.6%*	Equity	Approx. 2.0% p.a. of par value of equity paid annually	20% of returns above 8% hurdle rate paid on wind-up
Total Real Assets	**$953.8m**	***27.8%***			
Student Accommodation	$631.1m	*18.4%*	GAV	Asset management fee of 0.5% p.a. of GAV paid quarterly	20% of returns above 8% hurdle rate paid on wind-up
Retirement Living	$331.2m	*9.7%*	GRV	Approx. 4.0% of total development costs paid throughout development period	20% of returns above 8% hurdle rate paid on wind-up
Residential Development	$315.8m	*9.2%*	GRV	1.0 – 2.0% of GRV paid at stages throughout the development period	20% of returns above 8% hurdle rate paid on wind-up
Other Real Estate	$36.8m	*1.1%*	Equity + debt	Industrial: asset management fee of 0.5% - 0.7% of GAV paid quarterly; Management Rights: $30k paid annually	20% of returns above 8% hurdle rate paid on wind-up
Total Private Real Estate	**$1,314.9m**	***38.3%***			
Cove	$382.1m	*11.1%*	Equity + debt	Note 1	Note 1
Student Quarters	$72.6m	*2.1%*	GAV	Note 1	Note 1
Total US JVs	**$454.7m**	***13.3%***			
Hedge Funds	**$107.0m**	***3.1%***	NAV	0.9% - 1.1% of NAV paid monthly	20.5% of returns above daily-weighted RBA cash rate paid quarterly with a high watermark
BAF (Uncommitted)[3]	**$25.6m**	***0.7%***	Equity	1.2% p.a. of NAV paid monthly	17.5% of returns above 8% hurdle rate paid annually with a high watermark
FEAUM	**$3,430.6m**	***100.0%***			

Notes:
1. Fee arrangements for institutional mandates, joint ventures and institutional funds are not included as they are bespoke, subject to commercially negotiated terms and are confidential
2. Typical management fees and typical performance fees as disclosed on 7 May 2018. Values are indicative only and the fee terms of individual funds may differ from those presented above
3. Blue Sky rebates certain fees to BAF in accordance with its management agreement. Refer to the BAF IPO Prospectus (June 2014) and subsequent disclosures for full details of how the fees are calculated and paid

Appendices

1. Estimated restructure costs
2. Forecast cash position at 30 June 2018
3. Pro-forma Net Tangible Assets at 30 June 2018
4. Net Profit After Tax – Summary of announced impacts
5. Updated fee-earning AUM at 31 May 2018
6. **Additional disclosure on historical fees paid**

Additional disclosure on historical fees paid

- **Approximately $20.7m of performance fees paid in cash over the 18 months to 31 December 2017**

	1H FY16	2H FY16	1H FY17	2H FY17	1H FY18	2H FY18[2]
Management fees	$8.0m	$12.9m	$13.6m	$15.6m	$19.4m	
Transaction fees[1]	$9.6m	$9.7m	$10.0m	$10.2m	$15.8m	
Subtotal	$17.6m	$22.6m	$23.6m	$25.8m	$35.2m	
Performance fees	$3.4m	$3.3m	$6.2m	$9.3m	$5.2m	
Other receipts	$2.5m	$3.0m	$6.3m	$1.9m	$2.7m	
Total operating receipts	$23.6m	$29.0m	$36.1m	$37.0m	$43.1m	
Total operating costs (including income tax paid)	($20.5m)	($20.6m)	($26.8m)	($26.8m)	($32.8m)	
Net operating cash flow	**$3.1m**	**$8.4m**	**$9.3m**	**$10.2m**	**$10.3m**	**($46.1m)[3]**

Notes:
1. Transaction fees represent fees charged by Blue Sky to compensate it for the work done in relation to establishing funds and acquiring associated assets
2. While a forecast 30 June 2018 cash position has been provided on page 6, no breakdown to this level of detail has been provided for forecast operating cash flow
3. Includes ($20.1m) of actual net operating cash flows and ($10.4m) of actual abnormal non-recurring operating cash flows from 1 January 2018 to 31 May 2018. Also includes $0.4m of forecast net operating cash flows and ($16.0m) of forecast abnormal, non-recurring operating cash flows from 1 June 2018 to 30 June 2018. See page 6 for further detail

Glossary

1H FY	Half financial year ended 31 December
2H FY	Half financial year ended 30 June
AASB	Australian Accounting Standards Board
AASB 15	The Australian Accounting Standard in relation to Revenue from contracts with customers – applicable to Blue Sky from FY19
Alternatives Access Fund	Blue Sky Alternatives Access Fund Limited
AUM	Assets Under Management
BAF	Blue Sky Alternatives Access Fund Limited
BLA or Blue Sky or Company	Blue Sky Alternative Investments Limited
FEAUM	Fee-earning Assets Under Management
FY	Financial Year
GAV	Gross Asset Value

GRV	Gross Realisable Value as if complete
N/A	Not applicable
NAV	Net Asset Value
NTA	Net Tangible Assets
p.a.	Per annum
PP&E	Property, plant and equipment
RBA	Reserve Bank of Australia
SPP	Share Purchase Plan
US	United States
US JVs	United States Joint Ventures

BlueSky

Alternative Thinking

Blue Sky Alternative Investments Limited
111 Eagle St, Level 46
Brisbane, QLD
4000

T: +61 7 3270 7500
E: investorservices@blueskyfunds.com.au

blueskyfunds.com