

## PROSPECTUS LODGED IN RESPECT OF A LISTED INVESTMENT COMPANY

**6 May 2014**

Blue Sky Alternative Investments Limited (**Blue Sky**) is pleased to announce that Blue Sky Alternatives Access Fund Limited (**BSAAF**) has been established for the purpose of creating a diversified alternatives investment vehicle to provide access for investors to a range of Blue Sky managed alternative assets through a single listed entity.

BSAAF is seeking to raise a minimum of \$50 million and up to \$100 million under an initial public offering of shares in BSAAF at an issue price of \$1.00 per share, together with options on a one-for-one basis with an exercise price of \$1.00 exercisable before 16 December 2015 (**Offer**).

A prospectus (**Prospectus**) in respect of the Offer has been lodged today with the Australian Securities and Investments Commission (ASIC). A copy of the Prospectus is attached to this announcement and is available at [blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund). Investors should consider the Prospectus in its entirety before deciding whether to acquire securities under the Offer. Investors that wish to acquire securities under the Offer will need to complete the application form that will accompany a copy of the Prospectus once the ASIC exposure period has ended. Investors may not apply for securities under the Offer before that time.

BSAAF's investment portfolio will be managed by BSAAF Management Pty Ltd (**Manager**), a wholly owned subsidiary of Blue Sky. BSAAF will pay the Manager management fees and performance fees on a basis which is set out in the Prospectus.

Successful completion of the Offer would result in Blue Sky's total assets under management increasing by the amount of capital raised under the Offer.

It should be noted that, for a range of reasons outside of Blue Sky's control, the proposed initial public offering of shares in BSAAF may not proceed, in which case Blue Sky's assets under management would not increase as a result of the Offer and the Manager would not receive the management and performance fees referred to in this announcement.

### **For further information please contact:**

Jane Prior  
Company Secretary  
Blue Sky Alternative Investments Limited

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# BlueSky

Alternatives  
Access Fund

# PROSPECTUS

## Blue Sky Alternatives Access Fund Limited

An offer of ordinary shares to raise a minimum of \$50 million and up to \$100 million, together with an option to acquire one ordinary share for every one ordinary share allotted.

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares and Options being offered under this Prospectus, or any matter relating to an investment in the Company.

### MANAGER

BSAAF Management Pty Ltd  
(ACN 168 923 279)

### AUTHORISED INTERMEDIARY

Ord Minnett Limited  
(ACN 002 733 048)

**ORD MINNETT**

### JOINT LEAD MANAGERS

Ord Minnett Limited  
(ACN 002 733 048)

**ORD MINNETT**

Morgans Corporate Limited  
(ACN 010 539 607)

Morgans IN ALLIANCE WITH **CIMB**

### CO – LEAD MANAGER

Shaw Corporate Finance Pty Ltd  
(ACN 101 193 971)



Shaw Corporate Finance

# Important Notices

**This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares and Options being offered under this Prospectus, or any matter relating to an investment in the Company.**

**Blue Sky Alternatives Access Fund Limited (Company) is a public company incorporated in Australia.**

## Offer

The Offer contained in this Prospectus is an invitation to acquire Shares in the Company, together with an entitlement to one Option for every one Share allotted under the Offer, with each Option being issued for nil consideration and being exercisable at \$1.00 on or before 16 December 2015. The Company reserves the right to accept subscriptions for Shares and Options to raise up to an aggregate \$100 million after payment of Broker fees. No Shares or Options will be issued unless the Minimum Subscription amount of \$50 million after payment of Broker fees has been raised.

## General

This Prospectus is dated 6 May 2014. A copy of this Prospectus was lodged with ASIC on that date.

The Company will apply to ASX for admission of the Company to the Official List and for quotation of its Shares and Options on ASX within seven days after the date of this Prospectus. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. This Prospectus expires on 5 June 2015. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date.

This Prospectus provides information for investors to decide if they wish to invest in the Company. You should read this document in its entirety. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares or Options offered under this Prospectus. Examine the assumptions underlying the Financial Information and the risk factors that could affect the financial performance of the Company. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer is not financial product advice and does not take into account the investment objectives, financial situation or needs of particular investors. The Company is not licensed to provide financial product advice in respect of Securities or other financial products. No cooling-off regime (whether provided by law or otherwise) applies in respect of the acquisition of Shares or Options under this Prospectus.

## Information about Blue Sky and the Manager

This Prospectus contains certain information about Blue Sky, the Manager, their directors, senior executives and business. It also contains details of their investment approach, strategy and philosophy. To the extent that this Prospectus includes statements by Blue Sky or the Manager or includes statements based on any statement of, or information provided by, Blue Sky or the Manager, Blue Sky and the Manager have consented to each such statement being included in this Prospectus in the form and context in

which it is included and has not withdrawn that consent at any time prior to the lodgement of this Prospectus.

## Disclaimer

No person is authorised by the Company or the Joint Lead Managers to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, the Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus. Neither the Company nor any person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under this Prospectus, the repayment of capital or the payment of dividends on the Shares.

This Prospectus contains forward looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as 'aim', 'anticipate', 'assume', 'believe', 'could', 'due', 'estimate', 'expect', 'forecasts', 'guidance', 'goal', 'intend', 'may', 'objective', 'outlook', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would' and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions.

These forward-looking statements are provided as a general guide only and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Sections 1, 3 and 5.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the date of this Prospectus.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be

an arithmetic aggregation of the figures that preceded them.

## Intermediary authorisation

The Company does not hold an Australian Financial Services Licence (AFSL) under the Corporations Act. Accordingly, the Offer will be made pursuant to an arrangement between the Company and Ord Minnett Limited (AFSL 237 121) as the holder of an Australian Financial Services Licence under section 911A(2)(b) of the Corporations Act. The Company has authorised the Authorised Intermediary to make offers to arrange for the issue of Shares and Options under the Prospectus and the Company will only issue the Securities in accordance with those offers and no others.

Ord Minnett (AFSL 237 121) and Morgans (AFSL 235 407) (together, the Joint Lead Managers) will manage the Offer on behalf of the Company.

The Joint Lead Managers' functions should not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. The Joint Lead Managers do not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither the Joint Lead Managers nor any other licensee is responsible for, or has caused the issue of, this Prospectus.

## Australian and New Zealand residents only

The Offer is available to Australian and New Zealand residents in each state and territory of Australia and each provincial district of New Zealand. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and may constitute a violation of applicable securities laws. Seek advice on and observe any restrictions. This Prospectus is not an Offer in any place where, or to any person to whom, it would not be lawful to make the Offer. The Company is entitled to refuse an application for Securities under this Prospectus if it believes that Applicant received the Offer outside Australia in non-compliance with the laws of the relevant foreign jurisdiction.

## Notice to New Zealand residents

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act and Corporation Regulations 2001* (Cth). In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings-Australia) Regulations 2008*.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act and Corporation Regulations 2001* (Cth) [Australia] set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make

a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Securities is not New Zealand dollars. The value of the Securities will go up or down according to changes in the exchange rate between the Australian dollar and the New Zealand dollar. These changes may be significant.

If you need to convert any amount paid in respect of the Securities to New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the Securities are able to be traded on a securities market and you wish to trade the Securities through that market, you will have to make arrangements for a participant in that market to sell the Securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Securities and trading may differ from securities markets that operate in New Zealand.

A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office under the mutual recognition regime.

While the Offer is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited.

#### Notice to United States residents

The Securities being offered pursuant to this Prospectus have not been registered under the *Securities Act of 1933*, as amended (the US Securities Act) or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these Securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions involving these Securities may not be conducted unless in compliance with the US Securities Act.

#### Electronic prospectus

This Prospectus is available electronically at [blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund). The information on [blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund) does not form part of this Prospectus. Any person accessing the electronic version of this Prospectus, for the purpose of making an investment in the Company, must only access the Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law. The Application Form attached to the electronic version of this Prospectus must be used within

Australia. Electronic versions of this Prospectus should be downloaded and read in their entirety. You may obtain a paper copy of the Prospectus (free of charge) by telephoning +61 1300 859 277. Applications for Shares may only be made on the Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from [blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund). Applicants may apply online for the Securities. Any Applicant applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker). The Corporations Act prohibits any person from passing the Application Form to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of this Prospectus. If the Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

#### Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

#### Exposure period

Under the Corporations Act, the Company must not process Application Forms during the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This exposure period enables the Prospectus to be examined by market participants. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, the Company will:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within 1 month and be repaid the Subscription Amount; or
- issue to each Applicant the Shares and Options applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within 1 month and be repaid the Application Monies.

Application Forms received during the exposure period will not be processed until after the expiry of that period. No preference will be given to Application Forms received during the exposure period.

#### Privacy

By completing an Application Form or authorising a Broker to do so on your behalf, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications, and consent to the collection, storage, use and disclosure of that personal information in accordance with these terms. That personal information will be collected, held, used and disclosed both in and

outside of Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as a security holder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company/Share Registry may not be able to process your Application.

Once you become a security holder, the Corporations Act requires information about you (including your name, address and details of the Shares and Options you hold) to be included in the Company's Shareholder and Optionholder register, which will be accessible by the public. This information must continue to be included in the Company's public Shareholder and Optionholder register even if you cease to be a security holder.

The Company, and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed following or as otherwise authorised under the *Privacy Act 1988 (Cth)*: the Manager; the Share Registry for ongoing administration of the Company's public Shareholder and Optionholder register; printers and other companies for the purpose of preparation and distribution of documents and or handling mail; the Joint Lead Managers in order to assess your Application; market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Securities and for associated actions.

Under the *Privacy Act 1988 (Cth)*, you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

#### Currency

Monetary amounts are expressed in Australian dollars. The Financial Information shown in this Prospectus is presented in Australian dollars.

#### Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website are incorporated by reference into this Prospectus.

#### Defined terms

Some terms used in this Prospectus are defined in the Glossary. All references to time in this Prospectus refer to Australian Eastern Standard Time unless stated otherwise.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

# Important Dates

|  |   |
|--|---|
| Lodgement of the Prospectus with ASIC  | 6 May 2014  |
| Priority Offer Record Date   | 14 May 2014   |
| Offer opens  | 15 May 2014   |
| Offer closes   | 4 June 2014   |
| Expected date for allotment of Shares  | 10 June 2014  |
| Expected date for allotment of Options   | 11 June 2014  |
| Expected date for despatch of holding statements                                 | 12 June 2014  |
| Trading of Shares and Options commences on ASX<br>(on a normal settlement basis) | 16 June 2014  |
| Exercise period for the Options  | The period commencing on the first date of trading of the Options (16 June 2014) and ending on 16 December 2015 |

The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

# Key Offer Statistics

|  |  |
|--|--|
| Company  | Blue Sky Alternatives Access Fund Limited                      |
| Proposed ASX code  | BAF: Shares<br>BAFO: Options                                   |
| Securities offered   | Fully paid Shares with one Option for every one Share allotted |
| Issue Price under the General Offer, comprising solely the Subscription Price  | \$1.00   |
| Issue Price under the Broker Firm Offer, comprising a Subscription Price of 98.35 cents per Share, payable to the Company, and a Service Fee of 1.65 cents per Share (inclusive of GST), payable to your Broker (if you consent to the payment of the Service Fee) | \$1.00   |
| Issue Price under the Priority Offer, comprising:  | \$1.00   |
| (i) solely the Subscription Price if no valid claim is submitted by a Broker; or   |  |
| (ii) where a valid claim is submitted by your Broker, a Subscription Price of 98.35 cents per Share payable to the Company and a Service Fee of 1.65 cents per Share (inclusive of GST) payable to your Broker (if you consent to the payment of the Service Fee)  |  |
| Minimum number of Securities available under the Offer   | 50,000,000 Shares<br>50,000,000 Options                        |
| Gross proceeds from the Offer (before exercise of any Options) based on the Minimum Subscription <sup>(1)</sup>  | \$50,000,000   |
| Maximum number of Securities available under the Offer <sup>(2)</sup>  | 101,677,682 Shares<br>101,677,682 Options                      |
| Gross proceeds from the Offer (before exercise of any Options but after payment of the Service Fee) based on the Maximum Subscription  | \$100,000,000  |
| Exercise price per Option  | \$1.00   |
| Unaudited NAV backing per Share <sup>(3)</sup> based on the Minimum Subscription being received (based on the unaudited statements of financial position set out in Section 7)   | 0.9794   |
| Unaudited NAV backing per Share <sup>(3)</sup> based on the Maximum Subscription being received (based on the unaudited statements of financial position set out in Section 7)   | 0.9818   |

1. Calculated on the assumption that 100% of the Offer is raised under the General Offer and no Service Fee is payable.

2. Calculated on the assumption that 100% of the Applicants are eligible to pay, and consent to the payment of, the Service Fee.

3. Calculated before the exercise of any Options and on the assumption that Applicants for 50% of the Offer are eligible to pay, and consent to the payment of, the Service Fee.

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# Letter from the chairman

6 May 2014

**Dear Investor,**

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder of Blue Sky Alternatives Access Fund Limited (**Company**).

The Company is seeking to raise a minimum of \$50 million and up to \$100 million under the Offer (with attaching Options on a one-for-one basis exercisable up to 16 December 2015) and to obtain a listing on ASX.

## Why Alternatives?

'Alternative Assets' include a range of asset classes such as Real Assets (for example, infrastructure, commodities, farmland), Private Equity, Private Real Estate and Hedge Funds.

Investing in Alternatives has the potential to enhance the risk/return characteristics of investment portfolios by increasing diversification and reducing overall volatility (given low correlation to more traditional asset classes such as listed equities or fixed interest).

In addition, Alternative Asset managers' incentives are typically based on absolute returns (not relative returns as is the case with many listed equities managers).

Globally the average allocation made by institutional investors to Alternatives is greater than 20% of their portfolios<sup>1</sup>. In Australia, allocations have almost tripled, from 5% in 1997 to 14% in 2013<sup>2</sup>.

## Rationale

The Offer represents an opportunity to make a strategic allocation to Alternatives through a diverse portfolio of Blue Sky managed Alternative Assets with a relatively low cost structure. As the Company will be a listed vehicle, it is likely to provide more liquidity than a direct investment in unlisted Alternative Assets.

## About the Company

The Company will, through BSAAF Management Pty Ltd (the **Manager**), invest in a diversified portfolio of Alternative Assets managed by Blue Sky Entities.

Capital may be invested across each of the major Alternative Asset classes managed by Blue Sky Entities. Currently these asset classes include Real Assets, Private Equity, Private Real Estate and Hedge Funds. Under the Company's investment mandate, each asset class must represent no more than 40% of the total value of the Company's assets.

The Company may invest into Blue Sky Fund Entities or co-invest alongside Blue Sky Fund Entities into assets that are managed by Blue Sky Entities. The Company has the first right to invest in up to 50% of any Blue Sky Fund Entity established after the Share Allotment Date and any existing open-ended Blue Sky Fund Entities.

<sup>1</sup> Russell Investments' 2012 Global Survey on Alternative Investing.

<sup>2</sup> Rainmaker Roundup – Edition 64 (September 2013).



## Letter from the chairman

### About Blue Sky

The Investment Portfolio will be constructed and managed by the Manager, a wholly owned subsidiary of Blue Sky Alternative Investments Limited (**Blue Sky**). Blue Sky is a listed investment management company with a track record of successfully managing Alternative Assets. As at 6 May 2014, Blue Sky Entities are managing over \$550 million on behalf of private clients, institutional investors and the clients of financial advisers and have generated an overall return since inception of 13.9% per annum net of fees for investors in funds which the group manages.

While the historical returns generated by funds managed by Blue Sky Entities (which are predominantly unlisted unit trusts) are relevant to your investment decision on the basis that Blue Sky Entities will be managing the Investment Portfolio, those returns should not be relied upon as an indication of the future performance of your investment in shares in the Company which will be a listed Australian public company and is structurally a different type of investment to a direct investment in the Blue Sky Fund Entities. Additionally, the historical returns are calculated on a weighted average basis between asset classes with various return profiles and the Investment Portfolio may have a different allocation between those asset classes. Finally, past performance of Blue Sky Entities as managers is not a reliable indicator of their future performance.

**Accordingly, the actual returns of the Company could differ materially from the historical returns of the funds managed by Blue Sky Entities.**

### Why now?

Blue Sky is currently seeing a strong flow of investment opportunities across its Alternative Assets classes. This will provide an opportunity for the Manager to deploy the capital raised under the Offer and to construct a diversified Investment Portfolio.

We believe that this Offer also presents an opportunity to re-balance portfolios at a time when equity markets are at near five year highs, and to make a strategic allocation to obtain exposure to a diversified Alternatives portfolio.

Blue Sky intends to apply under the Offer for \$5 million worth of Securities in the Company.

I encourage you to read this Prospectus in full and carefully consider it before making your investment decision. It contains detailed information about the Company, the Securities and the risks associated with an investment in the Company (see Section 5 for details of key risks of investing in the Company).

I am excited about the outlook for the Company and look forward to welcoming you as a Shareholder.

Yours faithfully,



**John Kain**  
Chairman  
Blue Sky Alternatives Access Fund Limited

# 1. Investment overview

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Securities under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

## 1.1 About the Company

| Topic   | Summary   | For more information |
|---|---|----------------------|
| <b>What is the business of the Company?</b>       | <p>The Company is a newly incorporated company which has not conducted any business to date. Upon completion of the Offer the Company will invest in Alternatives.</p> <p>The Company's objective is to achieve pre-tax returns (net of fees) on the Investment Portfolio in the long-term that are higher than the Hurdle (which is a fixed rate of 8.0% per annum), through long-term capital growth and dividends by investing in a portfolio of Alternatives. The Investment Portfolio will be a portfolio of funds and investments managed by Blue Sky Entities.</p> <p>The Company will provide investors with the opportunity to access an actively managed portfolio and gain exposure to the investment experience, expertise and track record of Blue Sky Entities.</p>   | Section 3            |
| <b>What is the Company's investment strategy?</b> | <p>The Company will invest in a portfolio of funds and investments managed by Blue Sky Entities in order to give Shareholders exposure to a diverse portfolio of Alternative Assets with the aim of providing a balance of capital gains and income to investors.</p> <p>The Investment Portfolio will consist of a range of funds and investments with differing characteristics. For example, the Company will invest in Blue Sky Fund Entities:</p> <ul style="list-style-type: none"><li>• where the underlying assets have the potential to achieve capital growth and are income generating (such as water entitlements, infrastructure and income generating Private Equity and Private Real Estate opportunities);</li><li>• where the underlying assets have the potential to achieve capital growth (such as residential developments and Private Equity); and</li><li>• that provide short term liquidity (such as Hedge Funds and water entitlements).</li></ul> <p>Leverage will not be used by the Company to enhance returns. Leverage is used, however, in some of the underlying funds and investments managed by Blue Sky Entities (for example, Private Real Estate funds). The Company may also use bridging finance facilities in circumstances where investment opportunities arise and the Company is waiting for returns on asset realisations to be distributed.</p> <p>The Company's investment strategy is subject to a number of risks which are set out in detail in Section 5 of this Prospectus.</p> | Sections 3 and 4     |
| <b>What are Alternatives?</b>                     | <p>Alternatives are asset classes that display different risk and return characteristics to traditional asset classes such as cash, listed equities and bonds. Examples of asset classes that are commonly referred to as 'alternative asset classes' include Private Equity, Private Real Estate, Hedge Funds and Real Assets.</p>   | Section 3            |

# 1. Investment overview

| Topic   | Summary   | For more information |
|---|---|----------------------|
| <b>What are the key highlights of the Offer?</b>      | <p>Taking up this Offer will allow investors to:</p> <ul style="list-style-type: none"><li>• secure a distinctive opportunity to gain exposure to a diversified portfolio of Alternative Assets;</li><li>• diversify their existing portfolio and potentially reduce overall volatility in their investment portfolio, through the low correlation of Alternatives to traditional asset classes such as listed equities and bonds;</li><li>• access an investment manager with a strong track record in investing in Alternatives;</li><li>• take advantage of investment opportunities in Alternatives which have historically been more difficult to access for investors who are not institutional and sophisticated investors;</li><li>• take advantage of higher liquidity than what is typical for a direct investment in unlisted Alternative Assets, given the Company will be a listed public company;</li><li>• be aligned with the Manager due to the Manager's absolute return performance fee structure;</li><li>• enjoy the benefits of an investment strategy that focuses on the Manager's assessment of an asset's long-term value, regardless of its benchmark weighting;</li><li>• obtain an investment in Alternatives with a relatively low fee structure, compared with most unlisted Alternative Asset funds; and</li><li>• have the benefit of oversight from a Board with strong experience in capital markets, corporate governance and investment.</li></ul> | Sections 3 and 4     |
| <b>What is the financial position of the Company?</b> | <p>While the Company is yet to commence trading, an unaudited historical statement of its financial position as at 4 April 2014 and unaudited pro forma statements of financial position as at 6 May 2014 are set out in Section 7.</p>   | Section 7            |
| <b>What is the Company's investment mandate?</b>      | <p>The Company's objective is to achieve pre-tax returns (net of fees) on the Investment Portfolio in the long-term that are higher than the Hurdle, through long-term capital growth and dividends by way of a portfolio of investments in Alternatives.</p> <p>The Manager may invest the Company's funds in Authorised Investments subject to the following parameters:</p> <p>(a) any one of the Mandated Asset Classes cannot exceed 40% of the Portfolio Net Asset Value of the Company; and</p> <p>(b) investment by the Company cannot exceed 50% of the invested equity in any single Blue Sky Fund Entity.</p> <p>The Company will have the first right to hold up to 50% of all new Blue Sky Fund Entities and any existing open-ended Blue Sky Fund Entities.</p>   | Section 3            |

# 1. Investment overview

| Topic                                   | Summary   | For more information |  |                |       |                     |       |             |       |             |      |                |              |           |
|---|---|----------------------|--|----------------|-------|---------------------|-------|-------------|-------|-------------|------|----------------|--------------|-----------|
| <b>Who will manage the investments?</b> | <p>The Manager is a wholly owned subsidiary of Blue Sky, a listed investment management company with a strong track record of successfully managing Alternatives.</p> <p>The Manager will invest the Company's funds in a portfolio of funds and investments managed by Blue Sky Entities.</p> <p>Blue Sky's investment team will manage the underlying Blue Sky Fund Entities and their investments.</p> <p>As at the date of this document, Blue Sky Entities manage over \$550 million on behalf of private clients, institutional investors and the clients of financial advisers.</p> <p>Funds managed by Blue Sky Entities have demonstrated strong net performance historically, as illustrated below:</p> <table border="1"><thead><tr><th>Asset class</th><th>Total return since inception (net of fees)</th></tr></thead><tbody><tr><td>Private Equity</td><td>16.3%</td></tr><tr><td>Private Real Estate</td><td>16.7%</td></tr><tr><td>Hedge Funds</td><td>10.0%</td></tr><tr><td>Real Assets</td><td>7.9%</td></tr><tr><td><b>Overall</b></td><td><b>13.9%</b></td></tr></tbody></table>   | Asset class          | Total return since inception (net of fees) | Private Equity | 16.3% | Private Real Estate | 16.7% | Hedge Funds | 10.0% | Real Assets | 7.9% | <b>Overall</b> | <b>13.9%</b> | Section 4 |
| Asset class                             | Total return since inception (net of fees)  |                      |  |                |       |                     |       |             |       |             |      |                |              |           |
| Private Equity                          | 16.3%   |                      |  |                |       |                     |       |             |       |             |      |                |              |           |
| Private Real Estate                     | 16.7%   |                      |  |                |       |                     |       |             |       |             |      |                |              |           |
| Hedge Funds                             | 10.0%   |                      |  |                |       |                     |       |             |       |             |      |                |              |           |
| Real Assets                             | 7.9%  |                      |  |                |       |                     |       |             |       |             |      |                |              |           |
| <b>Overall</b>                          | <b>13.9%</b>  |                      |  |                |       |                     |       |             |       |             |      |                |              |           |
|   | <p>Total return is the cumulative income and capital return of the funds which Blue Sky Entities have managed since the incorporation of the first Blue Sky Entity in February 2006 to 31 March 2014 (other than Private Equity and Private Real Estate in respect of which figures are based on valuations which were conducted during March and April 2014 for the same period but ending 28 February 2014).</p> <p>Given some of these returns are unrealised, actual returns may vary significantly from the unrealised returns at the point at which the underlying investments are sold.</p> <p>While the historical returns generated by funds managed by Blue Sky Entities (which are predominantly unlisted unit trusts) are relevant to your investment decision on the basis that Blue Sky Entities will be managing the Investment Portfolio, those returns should not be relied upon as an indication of the future performance of your investment in shares in the Company which will be a listed Australian public company and is structurally a different type of investment to a direct investment in the Blue Sky Fund Entities. Additionally, the historical returns are calculated on a weighted average basis between asset classes with various return profiles and the Investment Portfolio may have a different allocation between those asset classes. Finally, past performance of Blue Sky Entities as managers is not a reliable indicator of their future performance.</p> |                      |  |                |       |                     |       |             |       |             |      |                |              |           |

# 1. Investment overview

| Topic  | Summary  | For more information |
|--|--|----------------------|
| <b>What are the key terms of the Management Agreement?</b> | <p>The Manager will be responsible for managing the Investment Portfolio in accordance with the investment parameters and Authorised Investments detailed in Section 3.</p> <p>The Manager has been appointed as the exclusive manager of the Investment Portfolio for the term of the Management Agreement.</p> <p>The Company has sought ASX relief in respect of Listing Rule 15.16 (which limits the initial term of a manager of a listed investment company to 5 years) so that the Management Agreement provides for the appointment of the Manager for an initial term of 10 years (unless terminated earlier). If ASX does not provide the requested relief, the initial term of the Management Agreement will be five years (or such other period longer than five years but shorter than 10 years that may be determined by ASX).</p> <p>After the initial term the Management Agreement will be automatically extended for a five year period but can be terminated:</p> <ul style="list-style-type: none"><li>• by the Manager providing three months' written notice; or</li><li>• automatically on the date which is three months after Shareholders resolve to terminate the agreement at a general meeting.</li></ul> <p>During the initial term, the Management Agreement can only be terminated where there is cause to do so (further details set out in Section 10.1).</p> <p>The Company will pay the Manager a management fee of 1.2% p.a. (plus GST) of the NAV of the Investment Portfolio, which is calculated and paid monthly in arrears. In addition, the Manager will be entitled to receive a performance fee from the Company equal to 17.5% (plus GST) of the Investment Portfolio's outperformance of the Hurdle of 8.0% which is calculated and accrued monthly on a pre-tax basis and paid annually in arrears. Performance below the Hurdle will be set off against performance fees that would otherwise be payable in future years.</p> <p>During the term of the Management Agreement no management or performance fees will be charged to the Company by Blue Sky Entities (other than the Manager). To the extent any such fees are paid by the Company they will be rebated to the Company.</p> <p>The Company will be required to fund its pro-rata share of any transaction costs and establishment fees charged by Blue Sky Entities to investors (excluding any capital raising and marketing fees).</p> <p>After the initial term, if the Management Agreement is terminated by the Company without cause and other than as a result of an insolvency event occurring in respect of the Manager:</p> <ul style="list-style-type: none"><li>• the Company will be required to pay each Blue Sky Fund Entity in which the Company has invested, all fees (whether management fees, performance fees or otherwise) payable by other investors on the same basis as the other investors, from the date of termination of the Management Agreement; and</li><li>• unless ASX has agreed to waive Listing Rule 15.16 so that the Manager has a 10 year initial term, the Manager will be entitled to a termination payment at the termination date equal to 5%, reduced by one sixtieth (1/60) for each whole calendar month that has elapsed between the commencement of the extended term and the termination date, of the net tangible asset value of the Investment Portfolio.</li></ul> | Sections 3 and 10.1  |

# 1. Investment overview

| Topic  | Summary  | For more information      |
|--|--|---------------------------|
| <b>Does the Board approve investments?</b>   | <p>Board approval is not required for Authorised Investments undertaken by the Manager that are in accordance with the Company's Investment Parameters (as defined in the Management Agreement); however, the Manager's powers to invest and manage the Investment Portfolio are subject to proper and reasonable directions from the Board required for the Board to meet working capital requirements, pay dividends to Shareholders, carry out capital management strategies, maintain solvency and comply with applicable laws.</p> <p>Any investments that the Manager proposes outside of the mandated investment parameters must be approved by the Board.</p> <p>No change may be made to the class of Authorised Investments unless the Board and the Shareholders resolve to approve such change.</p> <p>The Company will provide an undertaking to ASX prior to the Share Allotment Date that it will not make any material changes to the Management Agreement without first obtaining Shareholder approval.</p>   | Sections 3.5, 3.6 and 3.7 |
| <b>Will the Company pay dividends?</b>   | <p>The Company currently intends to pay annual dividends to Shareholders. The amount of the dividend will be at the discretion of the Board and will depend on a number of factors, including earnings, capital requirements, financial conditions, future prospects and other factors that the Board deems relevant.</p> <p>It is the current Board policy that all dividends paid to Shareholders will be franked to 100% or to the maximum extent possible.</p>   | Section 3.8               |
| <b>Will any related party have a significant interest in the Company or the Offer?</b> | <p>Blue Sky intends to apply under the Offer for Shares (and Options) worth \$5 million. Blue Sky will not be a related party for the purpose of the Corporations Act nor the Listing Rules provided its shareholding in the Company does not exceed 10% of the share capital of the Company.</p> <p>Certain Directors of the Company have expressed an intention to apply for Shares (and Options) under the Offer.</p> <p>As at the date of this Prospectus, Beaglemoat Nominees Pty Limited (<b>Beaglemoat</b>) holds 100% of the issued capital of the Company by way of the issue of one share on incorporation of the Company. Beaglemoat is ultimately controlled by Ord Minnett and therefore Ord Minnett is a related party of the Company. Ord Minnett has entered into an Offer Management Agreement with the Company, the other Joint Lead Manager, the Manager and Blue Sky (see Section 10 for further details). The Offer Management Agreement has been entered into on arm's length terms.</p> <p>Other than as set out above, there are no existing agreements or arrangements nor any currently proposed transactions in which the Company was, or is to be, a participant and in which any related party of the Company has or will have a direct or indirect interest in the Company or the Offer.</p> | Section 11                |

## 1. Investment overview

| Topic  | Summary   | For more information |
|--|---|----------------------|
| <b>Who are the Directors of the Company?</b>               | <p>The Directors of the Company are:</p> <ul style="list-style-type: none"><li>• John Kain – non-executive chairman</li><li>• Philip Hennessy – independent non-executive Director</li><li>• Paul Masi – independent non-executive Director</li><li>• Andrew Champion – Director</li><li>• Alexander McNab – Director</li></ul> <p>See Section 6 for further details regarding the background of the Directors.</p> | Section 6.1          |
| <b>Does the Company have any other material contracts?</b> | <p>In addition to the Management Agreement, the Company has entered into an Offer Management Agreement with respect to the Offer.</p> <p>See Section 10.2 for further details regarding this contract.</p>  | Section 10.2         |

### 1.2 About the Offer

| Topic  | Summary  | For more information          |
|--|--|-------------------------------|
| <b>What is the Offer?</b>                    | <p>The Company is offering Shares for subscription to raise a minimum of \$50 million and up to \$100 million.</p> <p>Investors will also receive, for no additional consideration, one Option for every one Share allotted, exercisable at \$1.00 on or before 16 December 2015.</p> <p>For details relating to the rights and liabilities of the Shares, refer to Section 11.5.</p> <p>For details relating to the rights and liabilities of the Options, refer to Section 11.6.</p> <p>For the terms and conditions of the Options refer to Section 12.</p> | Sections 2, 11.5, 11.6 and 12 |
| <b>Who is the issuer?</b>                    | Blue Sky Alternatives Access Fund Limited ACN 168 941 704 (the Company).   | Section 3                     |
| <b>What is the purpose of the Offer?</b>     | The Company is seeking to raise a minimum of \$50 million and up to \$100 million to undertake investments consistent with the investment objectives and guidelines outlined in this Prospectus, to pay the costs of the Offer and to obtain a listing on ASX.   | Section 7.1                   |
| <b>How is the Offer structured?</b>          | <p>The Offer comprises the:</p> <ul style="list-style-type: none"><li>• Broker Firm Offer;</li><li>• General Offer; and</li><li>• Priority Offer.</li></ul>  | Section 2.1                   |
| <b>What is the minimum application size?</b> | \$2,000 for 2,000 Shares and a like number of Options, with incremental multiples of 500 Shares and Options (i.e. incremental multiples of at least \$500).  | Section 2.6                   |

## 1. Investment overview

| Topic  | Summary  | For more information |
|--|--|----------------------|
| <b>Who can participate in the Offer?</b>                     | <p><b>Broker Firm Offer:</b> open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or New Zealand.</p> <p><b>General Offer:</b> open to investors who have a registered address in Australia or New Zealand.</p> <p><b>Priority Offer:</b> open to shareholders in Blue Sky and/or an investor in any existing Blue Sky Fund Entity as at the Priority Offer Record Date and who has a registered address in Australia or New Zealand (<b>Qualifying Applicants</b>).</p>   | Section 2.1          |
| <b>How do I apply?</b>                                       | <p><b>General Offer:</b> You may apply for Shares under the General Offer by completing the General Offer Application Form accompanying or included in this Prospectus or online at <a href="https://blueskyfunds.com.au/accessfund">blueskyfunds.com.au/accessfund</a>. Any Applicants applying online must personally complete the online Application Form. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).</p> <p><b>Broker Firm Offer:</b> Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form provided by their Broker.</p> <p><b>Priority Offer:</b> Qualifying Applicants may apply for Shares in the Priority Offer by completing their personalised Priority Offer Application Form, which will be available for download by Qualifying Applicants at <a href="https://blueskyfunds.com.au/accessfund">blueskyfunds.com.au/accessfund</a>.</p>   | Section 2.6          |
| <b>What do Applicants pay when applying under the Offer?</b> | <p><b>General Offer:</b> Applicants under the General Offer will pay an Application Amount of \$1.00 per Share (comprising solely the Subscription Price).</p> <p><b>Broker Firm Offer:</b> Both Retail Applicants and Institutional Applicants under the Broker Firm Offer will pay an Application Amount of \$1.00 per Share (comprising the Subscription Price of 98.35 cents per Share, payable to the Company, and the Service Fee of 1.65 cents per Share (inclusive of GST), payable to their Broker if they consent to the payment of the Service Fee).</p> <p><b>Priority Offer:</b> (i) if a Broker submits a valid claim in respect of a Priority Offer application, then that Qualifying Applicant will pay an Application Amount of \$1.00 per Share (comprising the Subscription Price of 98.35 cents per Share, payable to the Company, and the Service Fee of 1.65 cents per Share (inclusive of GST), payable to their Broker if they consent to the payment of the Service Fee); (ii) if no valid claim is submitted by a Broker in respect of a Priority Offer application, then that Qualifying Applicant will pay an Application Amount of \$1.00 per Share (comprising solely the Subscription Price).</p> | Section 2.1          |
| <b>What is the Allocation Policy?</b>                        | <p>The basis of allocation of Securities will be determined by the Company and the Joint Lead Managers, subject to any firm allocations under the Broker Firm Offer.</p> <p>Qualifying Applicants under the Priority Offer will be given preference in allocation of Securities in accordance with the rules of the Priority Offer.</p> <p>The Company reserves the right in its absolute discretion to not issue Securities to Applicants under the General Offer and may reject any Application or allocate a lesser amount of Securities than those applied for at its absolute discretion.</p>   | Section 2.7          |



## 1. Investment overview

| Topic   | Summary  | For more information                  |                                      |                                       |               |            |             |                |            |             |             |
|---|--|---------------------------------------|--------------------------------------|---------------------------------------|---------------|------------|-------------|----------------|------------|-------------|-------------|
| <b>When will I receive confirmation whether my Application has been successful?</b>         | The Company expects that holding statements confirming Applicants' allocations under the Offer will be sent to successful Applicants by standard post on or around 12 June 2014.   | Section 2.6                           |                                      |                                       |               |            |             |                |            |             |             |
| <b>Who are the Joint Lead Managers of the Offer?</b>  | The Joint Lead Managers are Ord Minnett and Morgans.   | Section 10.2                          |                                      |                                       |               |            |             |                |            |             |             |
| <b>Is the Offer underwritten?</b>   | No.  | Section 2.5                           |                                      |                                       |               |            |             |                |            |             |             |
| <b>What fees and costs are payable to the Joint Lead Managers and Brokers?</b>              | <p>The Company will pay to the Joint Lead Managers a management fee equal to 1.0% (excluding GST) of the total amount raised under the Offer. Any management fee which is payable to the Co-Lead Manager will be paid out of this amount.</p> <p>Applicants who receive a firm allocation from a Broker under the Broker Firm Offer will pay the Service Fee, comprising 1.65 cents (inclusive of GST) out of their Application Amount of \$1.00 per Share, to their Broker (if they consent to the payment of the Service Fee).</p> <p>If a Broker submits a valid claim in respect of a Priority Offer application, then that Qualifying Applicant will pay the Service Fee, comprising 1.65 cents (inclusive of GST) out of their Application Amount of \$1.00 per Share, to their Broker (if they consent to the payment of the Service Fee).</p> <p>The Service Fee does not apply to, and is not payable by, Applicants under the General Offer.</p> | Section 2.4 and 10.2                  |                                      |                                       |               |            |             |                |            |             |             |
| <b>What will the capital structure of the Company be following completion of the Offer?</b> | <p>On completion of the Offer, the capital structure of the Company will be as set out below, assuming in each case that 50% of all Applicants consent to the payment of the Service Fee, and before the exercise of any Options.</p> <table border="1"> <thead> <tr> <th></th> <th>Minimum Subscription<br/>\$50,000,000</th> <th>Maximum Subscription<br/>\$100,000,000</th> </tr> </thead> <tbody> <tr> <td><b>Shares</b></td> <td>50,419,422</td> <td>100,838,842</td> </tr> <tr> <td><b>Options</b></td> <td>50,419,421</td> <td>100,838,841</td> </tr> </tbody> </table>   |                                       | Minimum Subscription<br>\$50,000,000 | Maximum Subscription<br>\$100,000,000 | <b>Shares</b> | 50,419,422 | 100,838,842 | <b>Options</b> | 50,419,421 | 100,838,841 | Section 7.3 |
|   | Minimum Subscription<br>\$50,000,000   | Maximum Subscription<br>\$100,000,000 |                                      |                                       |               |            |             |                |            |             |             |
| <b>Shares</b>   | 50,419,422   | 100,838,842                           |                                      |                                       |               |            |             |                |            |             |             |
| <b>Options</b>  | 50,419,421   | 100,838,841                           |                                      |                                       |               |            |             |                |            |             |             |
| <b>Can the Offer be withdrawn?</b>  | <p>The Company reserves the right not to proceed with the Offer at any time before the Share Allotment Date.</p> <p>If the Offer does not proceed, Application Monies (including amounts paid on account of the Service Fee) will be refunded.</p> <p>No interest will be paid on any refunded Application Monies.</p>   | Section 2.1                           |                                      |                                       |               |            |             |                |            |             |             |
| <b>Is there a cooling-off period?</b>   | No.  | Not applicable                        |                                      |                                       |               |            |             |                |            |             |             |

## 1. Investment overview

| Topic  | Summary  | For more information |
|--|--|----------------------|
| <b>Will the Shares and Options be listed?</b>                                | The Company will apply to be admitted to the Official List and will seek quotation of the Shares and Options on ASX.   | Section 2.9          |
| <b>What are the tax implications of investing in the Shares and Options?</b> | <p>The tax consequences for an investor of any investment in the Shares and Options will depend upon the investor's particular circumstances. Applicants should obtain their own tax advice before deciding whether to invest.</p> <p>A summary of the general tax implications of participating in the Offer for Australian and New Zealand resident investors is set out in Section 9 below.</p>   | Section 9            |
| <b>How can I obtain further information?</b>                                 | <p>If you would like more information or have any questions relating to the Offer, please call the Blue Sky Alternatives Access Fund Limited Offer Information Line on + 61 1300 859 277 or email at <a href="mailto:registrars@linkmarketservices.com.au">registrars@linkmarketservices.com.au</a>.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p> | Important notices    |

### 1.3 Investment risks

| Topic   | Summary  | For more information |
|---|--|----------------------|
| <b>What are the key risks associated with the business model, the Securities and the Offer?</b> | <p>The past performance of investments managed by Blue Sky Entities is not a guide to future performance of the Company.</p> <p>There are risks inherent in the investment strategy that the Manager will employ for the Company including, but not limited to:</p> <ul style="list-style-type: none"><li>• the share price of the Company's shares may not reflect the underlying value of the Company's Investment Portfolio;</li><li>• the Blue Sky Entities may not generate sufficient investment opportunities for the Investment Portfolio;</li><li>• key people engaged by Blue Sky Entities may leave the Blue Sky Entities;</li><li>• the Performance Fee may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Company;</li><li>• the value of the assets selected by the Manager may decline in value over time;</li></ul> | Sections 5.1 and 5.2 |

# 1. Investment overview

| Topic  | Summary  | For more information |
|--|--|----------------------|
| <b>What are the key risks associated with the business model, the Securities and the Offer?</b><br>(continued) | <ul style="list-style-type: none"><li>risks specific to any investments by the Company in Hedge Funds include:<ul style="list-style-type: none"><li>potential losses on short positions where the market price of the asset sold rises;</li><li>the use of derivatives (futures, options, exchange-traded options, swaps and forward contracts) having a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain;</li><li>counterparty or credit risk where the Hedge Fund bears the risk of settlement default with regards to parties with whom it trades;</li><li>currency risk where fluctuations in exchange rates may cause the value of investments to decline;</li><li>interdependence risk where an allocation to investment strategies is based on assumptions about observed historical relationships that may not persist into the future;</li><li>leverage risk where gains or losses will be magnified to a greater degree than would occur if the investment exposure was unleveraged;</li><li>liquidity risk where the Manager is unable to withdraw an investment at an opportune time;</li><li>margining risk being the risk that positions in future contracts or holdings in underlying funds and investments must be liquidated to meet initial or variation margin requirements set by clearing houses and exchanges;</li><li>pricing risk where the fund's units are unable to be priced within an acceptable time-frame;</li><li>short selling risk where the Investment Portfolio and the Blue Sky Fund Entities are expected to engage in short selling;</li><li>strategy implementation risk where actual returns are lower than the return of the Manager's model portfolio because the Manager has not implemented the trades and transactions as planned due to market closure, illiquidity, unavailability of investments, price changes, a cancelled or disputed trade or transactional or administrative error; and</li><li>systematic risk where a disruptive event causes a change of events to disrupt or compromise the normal functions of a system;</li></ul></li><li>other risks relating to funds and investments in which the Company invests, including:<ul style="list-style-type: none"><li>some funds and investments may not perform to the level expected by the Manager and could reduce in size or be terminated;</li><li>managers of certain funds and investments may be removed by unitholders in those funds;</li><li>a fund's performance may be adversely affected if the AFSL of the relevant fund manager was subjected to limitations as a result of misconduct;</li></ul></li></ul> | Sections 5.1 and 5.2 |

# 1. Investment overview

| Topic  | Summary   | For more information |
|--|---|----------------------|
| <b>What are the key risks associated with the business model, the Securities and the Offer?</b><br>(continued) | <ul style="list-style-type: none"><li>• unfavourable economic movements including any change to government fiscal or monetary policy can impact on the amount invested in a fund and the returns of a fund;</li><li>• taxation laws are often changed and those changes can materially affect funds and investments;</li><li>• given that returns are often unrealised, actual returns may vary significantly from those unrealised returns at the point at which the underlying investments are sold;</li><li>• the timeframe for the realisation of unrealised returns may be longer than expected; and</li><li>• each fund has its own risks and these risks could negatively impact the Company. In addition, there is a risk that deficiencies may exist in disclosure documents relating to one or more of the funds; and</li><li>• a change in the regulatory environment may lead to increased costs to the Company in order to maintain compliance with such regulations.</li></ul> <p>Investors should bear the above risks in mind when considering whether to participate in the Offer.</p> <p>More detail about these and other risks associated with the Company can be found in Section 5.</p> | Sections 5.1 and 5.2 |

## 2. Details of the Offer

### 2.1 What is the Offer?

#### The Offer

The Company is offering Shares for subscription to raise a minimum of \$50 million and up to \$100 million, together with an entitlement to one attaching Option for every one Share allotted, exercisable at \$1.00 per Option on or before 16 December 2015.

The rights attaching to the Shares are set out in Section 11.5 and the rights attaching to the Options are set out in Section 11.6. The full terms of the Options are set out in Section 12.

The Offer comprises the:

1. **Broker Firm Offer** – open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or New Zealand. An investor who has been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

Applicants under the Broker Firm Offer will be required to pay an Application Amount of \$1.00 per Share comprising:

- the Subscription Price of 98.35 cents per Share payable to the Company; and
- the Service Fee of 1.65 cents per Share (inclusive of GST) payable to their Broker (if they consent to the payment of the Service Fee) which will be collected by the Company (via the Share Registry) on behalf of the Brokers.

Retail Applicants who receive a firm allocation by a Broker under the Broker Firm Offer will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer). See Section 2.4 for more information.

2. **General Offer** – open to investors who have a registered address in Australia or New Zealand. Applicants under the General Offer will be required to pay an Application Amount of \$1.00 per Share, comprising solely of the Subscription Price of \$1.00 per Share payable to the Company. No Service Fee is payable by Applicants under the General Offer.

3. **Priority Offer** – open to shareholders in Blue Sky and/or investors in any existing Blue Sky Fund Entity as at the Priority Offer Record Date and who have a registered address in Australia or New Zealand (**Qualifying Applicants**). Qualifying Applicants under the Priority Offer will be eligible to each receive a guaranteed minimum allocation of up to \$100,000 worth of Shares.

If a Broker submits a valid claim in respect of a Priority Offer application, then that Qualifying Applicant will pay an Application Amount of \$1.00 per Share (comprising the Subscription Price of 98.35 cents per Share, payable to the Company, and the Service Fee of 1.65 cents per Share (inclusive of GST), payable to their Broker if they consent to the payment of the Service Fee). If no valid claim is submitted by a Broker in respect of a Priority Offer application, then that Qualifying Applicant will pay an Application Amount of \$1.00 per Share (comprising solely the Subscription Price).

#### Discretion under the Offer

The Company reserves the right not to proceed with the Offer at any time before the Share Allotment Date. If the Offer does not proceed, Application Monies received by the Company (including amounts paid on account of the Service Fee) will be refunded in full (without interest). The Company takes no responsibility for Application Monies paid to the Joint Lead Managers or Brokers until these are received by the Company.

The Company reserves the right to decline any Applications in whole or in part without giving any reason. An Application may be accepted by the Company in respect of the full number of Shares and Options specified in the Application or any number of them without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company also reserves the right to close the Offer early, to accept late Applications or extend the Offer without notifying any recipient of this Prospectus or any Applicant.

### 2.2 Minimum subscription

The Minimum Subscription required for the Offer to proceed is \$50 million.

If the Minimum Subscription is not obtained within four months after the date of this Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus and allow Applicants one month in which to withdraw their Applications and be repaid their Application Monies in full without interest.

## 2. Details of the Offer

### 2.3 Authorised Intermediary

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Ord Minnett under Section 911A(2)(b) of the Corporations Act. The Company will only authorise Ord Minnett to make offers to people to arrange for the issue of the Securities by the Company under the Prospectus and the Company will only issue the Securities in accordance with Applications made pursuant to such offers if they are accepted. The Company has entered into such an agreement with the Joint Lead Managers. The Company has agreed to pay a management fee of 1.0% (in aggregate and exclusive of GST) of the gross proceeds received by the Company from the Offer to the Joint Lead Managers.

### 2.4 Service fee

Under the Broker Firm Offer, Institutional Applicants and Retail Applicants will be required to pay an Application Amount of \$1.00 per Share, comprising the Subscription Price of 98.35 cents per Share, payable to the Company, and a Service Fee of 1.65 cents per Share (inclusive of GST), payable to their Broker (if they consent to the payment of the Service Fee).

Under the Priority Offer, if a Broker submits a valid claim in respect of a Priority Offer application, then that Qualifying Applicant will be required to pay an Application Amount of \$1.00 per Share, comprising the Subscription Price of 98.35 cents per Share, payable to the Company, and a Service Fee of 1.65 cents per Share (inclusive of GST), payable to their Broker (if they consent to the payment of the Service Fee).

In either case, Retail Applicants will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer).

If the Retail Applicant does not provide such consent or authorisation when completing the Broker Firm Offer Application Form or the Priority Offer Application Form, no Service Fee is payable to the Retail Applicant's Broker. Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless still pay an Application Amount of \$1.00 per Share, which will solely comprise a Subscription Price of \$1.00 per Share (with no Service Fee payable) and which will be retained in full by the Company. The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.

This Service Fee is a one off fee payable to the Applicant's Broker (if the Applicant consents to the payment of the Service Fee) in respect of the services provided by their Broker (and any specified adviser or individual broker) in introducing the Applicant to the Offer, giving advice in respect of the Offer, and dealing in respect of the Offer.

Applicants will pay their Subscription Price and Service Fee at the same time (if they consent to the payment of the Service Fee). The Company will collect (via the Share Registry) the Service Fee on behalf of Brokers and hold the Service Fee together with the Subscription Price in the Company's trust account for Application Monies in relation to the Offer until the Share Allotment Date.

The Service Fee component of the Application Amount will be moved on the Share Allotment Date to a service fee trust account.

It is a term of this Offer that, by completing and delivering their Broker Firm Application Form or Priority Offer Application Form to the Company (via the Share Registry), Applicants under the Broker Firm Offer and Priority Offer (where a Broker has a valid claim) consent to and authorise both the transfer of their Service Fee on the Share Allotment Date from the Company's trust account to a service fee trust account and the subsequent on-payment of the Service Fee from that service fee trust account to their Broker.

The Service Fee does not apply to, and is not payable by, Applicants under the General Offer or applicants under the Priority Offer where a Broker does not have a valid claim (and does not apply to, and is not payable by, any Applicant who does not consent to the payment of the Service Fee).

### 2.5 Is the Offer underwritten?

The Offer is not underwritten.

Ord Minnett and Morgans are acting as Joint Lead Managers of the Offer. The Company and the Joint Lead Managers have entered into an Offer Management Agreement with respect to the Offer, details of which are set out in Section 10.2.

As mentioned above, the Company has agreed to pay a management fee of 1.0% (in aggregate and excluding GST) of the total amount raised by the Company under the Offer to the Joint Lead Managers.

## 2. Details of the Offer

### 2.6 How do I apply?

#### Who is eligible to participate in the Offer?

##### Who can apply under the Broker Firm Offer?

The Broker Firm Offer is open to Retail Applicants resident in Australia or New Zealand and to Institutional Applicants in Australia or New Zealand who have received a firm allocation from their Broker. All Applicants under the Broker Firm Offer must have an eligible residential address in Australia or New Zealand.

##### Who can apply under the General Offer?

The General Offer is open to Retail Applicants resident in Australia or New Zealand and to Institutional Applicants in Australia or New Zealand. The Company reserves the right in its absolute discretion to issue no Securities to Applicants under the General Offer. All Applicants under the General Offer must have an eligible residential address in Australia or New Zealand.

##### Who can apply under the Priority Offer?

The Priority Offer is open to shareholders in Blue Sky and/or investors in any existing Blue Sky Fund Entity as at the Priority Offer Record Date and who have a registered address in Australia or New Zealand (**Qualifying Applicants**). Qualifying Applicants under the Priority Offer will be given preference in allocation of Securities in accordance with the rules of the Priority Offer. All Applicants under the Priority Offer must have an eligible residential address in Australia or New Zealand.

#### Completing and returning your Application under the Offer

##### What is the minimum and maximum application under the Offer?

Applications must be for a minimum of 2,000 Shares. Applications in excess of the minimum number of Shares must be in multiples of 500 Shares.

There is no maximum amount that may be applied for under the Offer. The Company reserves the right to aggregate any Applications under the Offer which it believes may be multiple Applications from the same person.

The Company reserves the right to reject any Application or to allocate a lesser number of Securities than that which is applied for.

## 2. Details of the Offer

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### How do I apply under the Broker Firm Offer?

If you are applying for Securities under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The allocation of Shares and Options to Brokers will be determined by the Company and the Joint Lead Managers.

Shares and Options that have been allocated to Brokers for allocation to their clients will be issued to the Applicants who have received a valid allocation of Shares and Options from those Brokers.

It will be a matter for the Brokers how they allocate Shares and Options among their clients, and they (not the Company nor the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares and Options.

Retail Applicants who receive a firm allocation from a Broker under the Broker Firm Offer will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer).

None of the Company, Share Registry nor the Joint Lead Managers take responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Monies (including, without limitation, failure to submit Application Forms by the close of the Broker Firm Offer).

Please contact your Broker if you have any questions.

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### How do I apply under the General Offer?

In order to apply for Securities under the General Offer, please complete the General Offer Application Form that forms part of, is attached to, or accompanies this Prospectus.

The General Offer Application Form must be completed in accordance with its accompanying instructions.

Once completed, please lodge your General Offer Application Form and Application Monies so that they are received at the address of the Company's Share Registry set out below by the Closing Date.

By mail to:

**Blue Sky Alternatives Access Fund Limited – Offer**

C/o Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235

By hand:

**Blue Sky Alternatives Access Fund Limited – Offer**

C/o Link Market Services Limited, 1A Homebush Drive, Rhodes NSW 2138

Alternatively, you can apply online at [blueskyfunds.com.au/accessfund](https://blueskyfunds.com.au/accessfund) and pay your Application Monies by BPAY. Any applicant applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

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## 2. Details of the Offer

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### How do I apply under the Priority Offer?

Qualifying Applicants may apply for Securities in the Priority Offer by completing their personalised Priority Offer Application Form.

Qualifying Applicants will receive a letter from the Share Registry directing them to the Offer website (which is at [blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund)). By entering their necessary details (including the SRN detailed in the letter from the Share Registry), Qualifying Applicants will be able to download a copy of their personalised Priority Offer Application Form or complete the online Priority Offer Application Form.

The downloaded Priority Offer Application Form must be completed in accordance with its accompanying instructions.

Once completed, please lodge the Priority Offer Application Form and Application Monies so that they are received at the address of the Company's Share Registry set out below by the Closing Date.

By mail to:

**Blue Sky Alternatives Access Fund Limited – Priority Offer**

C/o Link Market Services Limited, Locked Bag 3415, Brisbane QLD 4001

By hand:

**Blue Sky Alternatives Access Fund Limited – Priority Offer**

C/o Link Market Services Limited, 1A Homebush Drive, Rhodes NSW 2138

Alternatively, Qualifying Applicants can apply online and pay their Application Monies by BPAY. Any Qualifying Applicant applying online must personally complete the online Priority Offer Application Form and pay the Application Monies. Priority Offer Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Qualifying Applicant's Broker).

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### How to complete and attach your cheque for the Application Monies

Application Monies may be provided by BPAY (see following page), cheques or bank drafts. Cheques or bank drafts must be:

- in Australian currency;
- drawn on an Australian branch of a financial institution;
- crossed 'Not Negotiable'; and
- made payable:
  - for Applicants in the General Offer and the Priority Offer: to 'Blue Sky Alternatives Access Fund Limited'; or
  - for Applicants in the Broker Firm Offer: in accordance with the directions of the Broker from whom you received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

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## 2. Details of the Offer

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### **Paying your Application Monies by BPAY?**

Australian investors may apply for Securities in the General Offer online and pay their Application Monies by BPAY. Australian investors wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus, which is available at [blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund), and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)).

Any Applicants applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

Applicants will only be able to make a payment via BPAY if the Applicant is the holder of an account with an Australian financial institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (AEST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

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### **Fees, cost and timing for Applications**

#### **When does the Offer open?**

The Offer is expected to open for Applications on 15 May 2014. However, this may be delayed if ASIC extends the Exposure Period for the Prospectus.

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#### **What is the deadline to submit an Application under the Offer?**

Applicants under the General Offer or Priority Offer must ensure that their Application Form and Application Monies are received by the Share Registry before 5.00pm (AEST) on the Closing Date for the Offer which is 4 June 2014.

Broker Firm Offer Applicants should return their applications in accordance with the deadline set out to them by their Broker. The Company and the Share Registry take no responsibility in respect of an Application Form or Application Monies which are delivered to your Broker in connection with your Application until such time as your Application Form and Application Monies are received by the Share Registry.

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#### **Is there any brokerage, commission or stamp duty payable by Applicants?**

No stamp duty is payable by Applicants on the acquisition of Securities under the Offer.

Applicants under the Broker Firm Offer will be required to pay the Service Fee of 1.65 cents per Share (inclusive of GST) to their Broker (if they consent to the payment of the Service Fee). Applicants under the Priority Offer will be required to pay the Service Fee of 1.65 cents per Share (inclusive of GST) to their Broker, only where their Broker has submitted a valid claim in respect of that Priority Offer Application and where the Applicant has consented to the payment of the Service Fee.

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#### **What are the costs of the Offer and who is paying them?**

The costs of the Offer include the legal, accounting, advisory and other costs associated with the production of the offering documentation. At the time of production of this Prospectus the costs payable by the Company were estimated to be \$618,072 assuming the Minimum Subscription is achieved and \$996,409 assuming the Maximum Subscription is achieved. The Company is paying these costs from the proceeds of the Offer.

## 2. Details of the Offer

### Confirmation of your Application and trading on ASX

|  |  |
|--|--|
| <b>When will I receive confirmation whether or not my Application has been successful?</b> | <p>Applicants under the General Offer and the Priority Offer will be able to call the Blue Sky Alternatives Access Fund Limited Offer Information Line on +61 1300 859 277 between 8.30am and 5.00pm AEST from 10 June 2014 to confirm their allocation.</p> <p>Holding statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants on or around 12 June 2014.</p>  |
| <b>Is DvP settlement available?</b>  | <p>Delivery versus payment (DvP) settlement is available for Applicants under the Broker Firm Offer. Please contact your Broker or the Joint Lead Managers for further details.</p>  |
| <b>When will I receive my Securities and when can I trade my Securities?</b>               | <p>Subject to ASX granting approval for the Company to be admitted to the Official List (see Section 2.9), the Company will issue the Securities to successful Applicants as soon as practicable after the Closing Date. The Share Allotment Date is expected to be 10 June 2014, and the Option Allotment Date is expected to be 11 June 2014.</p> <p>Trading of the Securities on ASX is expected to commence on 16 June 2014 on a normal T + 3 settlement basis.</p> <p>If you sell your Securities before receiving an initial holding statement, you do so at your own risk, even if you have obtained details of your holding from your Broker or the Blue Sky Alternatives Access Fund Limited Offer Information Line on +61 1300 859 277 between 8.30am and 5.00pm AEST.</p> |
| <b>Who do I contact if I have further queries?</b>   | <p>If you have queries about investing under the Offer, you should contact your stockbroker, financial adviser, accountant or other professional adviser.</p> <p>If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call the Blue Sky Alternatives Access Fund Limited Offer Information Line on +61 1300 859 277 between 8.30am and 5.00pm AEST.</p>   |

### 2.7 Allocation policy

The basis of allocation of Securities under the Offer will be determined by the Company and the Joint Lead Managers, subject to any firm allocations under the Broker Firm Offer. Qualifying Applicants under the Priority Offer will be given preference in allocation of Securities in accordance with the rules of the Priority Offer.

It is currently anticipated that certain shareholders, directors and employees of Blue Sky and of the Manager will be permitted to participate in the Offer.

The Company reserves the right in its absolute discretion to not issue Securities to Applicants under the General Offer and may reject any Application or allocate a lesser amount of Securities than those applied for at its absolute discretion.

### 2.8 Application monies

All Application Monies will be held by the Company on trust in a separate account until the Securities are issued to successful Applicants.

Under the Broker Firm Offer, Applicants will pay their Subscription Price and Service Fee (if they consent to the payment of the Service Fee) at the same time. Under the Priority Offer, if a Broker submits a valid claim in respect of a Priority Offer application, then that Qualifying Applicant will pay its Subscription Price and Service Fee (if they consent to the payment of the Service Fee) at the same time.

## 2. Details of the Offer

The Company will collect (via the Share Registry) the Service Fee on behalf of Brokers and hold the Service Fee together with the Subscription Price in the Company's trust account for Application Monies in relation to the Offer until the Share Allotment Date. The Service Fee component of the Application Amount will be moved on the Share Allotment Date to a service fee trust account and paid to the Broker.

Application Monies and any associated Service Fee will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Company will retain any interest earned on Application Monies.

### 2.9 ASX listing

No later than seven days after the date of this Prospectus, the Company will apply to ASX for admission to the Official List and for its Securities to be granted official quotation by ASX. The Company is not currently seeking a listing of its Securities on any financial market other than ASX.

The fact that ASX may admit the Company to the Official List and grant official quotation of the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Securities, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive confirmation of their allotment will do so at their own risk.

If ASX does not grant permission for the Securities to be quoted within three months after the date of this Prospectus, the Securities will not be issued and all Application Monies will be refunded (without interest) as soon as practicable.

### 2.10 Tax implications of investing in the Company

The taxation consequences of any investment in the Securities will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

A general overview of the Australian and New Zealand taxation implications of investing in the Company is set out in Section 9.

The information in Section 9 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

### 2.11 Overseas distribution

No action has been taken to register or qualify the offer of Securities under this Prospectus, or to otherwise permit a public offering of Securities, in any jurisdiction outside Australia and New Zealand.

#### Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

#### United States residents

The Securities being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

#### Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

## 3. About the Company

### 3.1 Background to the Company

The Company is a newly incorporated company. The Company's capital will be allocated by the Manager (pursuant to the Management Agreement) to a range of Alternative investments managed by Blue Sky Entities. This will give Shareholders a diversified exposure to Alternative Asset classes including Real Assets, Private Equity, Private Real Estate and Hedge Funds.

The Company has been established in order to give Shareholders the ability to gain a strategic exposure to Alternatives through an ASX-listed structure that is more accessible, more diversified and potentially more liquid than is typically available for Alternative Assets.

The Company has not yet conducted any operations.

### 3.2 Background to 'Alternatives'

#### What are 'Alternatives'?

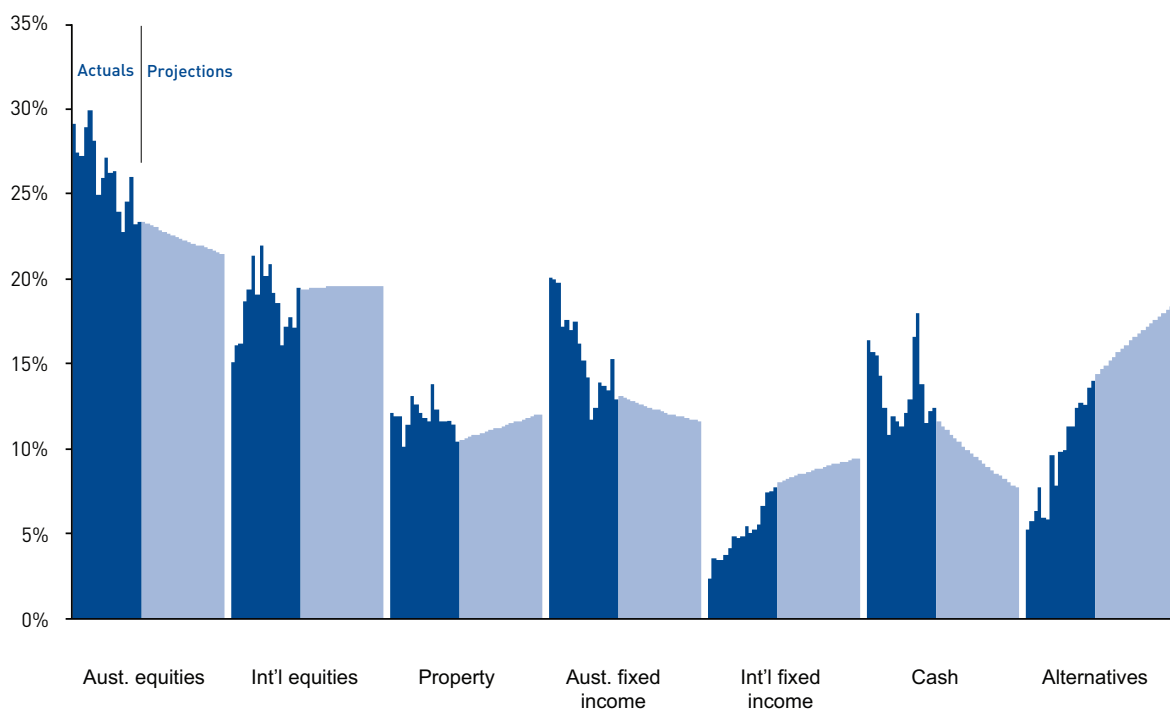
'Alternatives' refer to a range of asset classes that display different risk and return characteristics to traditional asset classes such as cash, listed equities and bonds. Examples of asset classes that are commonly referred to as 'alternative asset classes' include Real Assets, Private Equity, Private Real Estate and Hedge Funds.

#### Increasing allocations to Alternatives

In Australia, funds under management allocated to Alternative Assets have increased to \$252 billion and in September 2013 they represented 15% of the funds under management market in Australia (refer to Table A below), having tripled from 5% in 1997. Over the 12 months to September 2013, allocations to Alternative Assets in Australia increased by 21%. This recent increase has been broad based, with allocations to Hedge Funds increasing 16% (to \$46 billion), private equity and venture capital increasing 21% (to \$24 billion) and infrastructure growing by 12% (to \$70 billion).<sup>1</sup>

In their September 2013 'Roundup' report, Rainmaker Information observed that this growth in Alternatives has been 'dramatic and of a strategic order of magnitude' and that by 2033 allocations to Alternatives 'could amount to nearly \$2 trillion'.

Table A: Asset class segment shares (1997 – 2033)<sup>1</sup>.



<sup>1</sup> Rainmaker Information, 'Rainmaker Roundup' (September 2013 and December 2013 editions).

## 3. About the Company

An allocation to Alternatives can increase diversification and can potentially reduce overall volatility in an investment portfolio (given lower correlations to more traditional asset classes).

In addition, incentive structures of most managers in this sector are based on the achievement of absolute returns, rather than to returns relative to an index (which may be negative).

While in Australia the allocation to Alternatives has been growing, it remains lower than the average allocation to Alternatives made by institutional investors globally. For example, a global survey by Russell Investments in 2012 of a broad range of institutional investors (representing \$1.1 trillion in assets under management) found that these institutions, on average, allocated 22.4% of their total portfolio to Alternatives.<sup>1</sup>

### 3.3 Company objectives

The primary objectives of the Company are to:

- deliver long term absolute returns to Shareholders, comprised of both capital appreciation and a dividend yield, franked to either 100% or the maximum extent possible;
- provide investors with a strategic exposure to a diverse range of Alternative Assets through a range of investments managed by Blue Sky Entities; and
- provide investors with the ability to invest in Alternatives through a structure that is more readily accessible and liquid than is typical for many Alternative Assets.

### 3.4 Investment strategy

The Manager will invest the Company's funds in a portfolio of funds and investments managed by Blue Sky Entities in order to give Shareholders exposure to a diverse portfolio of Alternative Assets with the aim of providing a balance of capital gains and income to investors.

The Investment Portfolio will consist of a range of funds and investments with differing characteristics. For example, the Company will invest in Blue Sky Fund Entities:

- where the underlying assets have the potential to achieve capital growth and are income generating (such as water entitlements, infrastructure and income generating Private Equity and Private Real Estate opportunities);
- where the underlying assets have the potential to achieve capital growth (such as residential developments and Private Equity); and
- that provide short term liquidity (such as Hedge Funds and water entitlements).

Leverage will not be used by the Company to enhance returns. Leverage is however used in some of the underlying funds

managed by Blue Sky Entities (for example, Private Real Estate funds). The Company may also use bridging finance facilities in circumstances where investment opportunities arise and the Company is waiting for returns on asset realisations to be distributed.

The Manager's powers to invest and manage the Investment Portfolio are subject to proper and reasonable directions from the Board required for the Board to meet working capital requirements, pay dividends to Shareholders, carry out capital management strategies, maintain solvency and comply with applicable laws.

### 3.5 Authorised investments

The Manager may only invest (on behalf of the Company) in Authorised Investments. Authorised Investments are defined as:

- (a) any security, right, title or interest of whatsoever nature in a Blue Sky Fund Entity or co-investment vehicle and without limiting the generality of this includes shares, units or notes which are redeemable, preference or deferred, fully or partly paid, with or without a par value and any right, title or interest thereto or therein (including a right to subscribe for or convert to any such security whether listed on ASX or not);
- (b) the taking and/or giving of options to purchase any investment and the taking and/or giving of options to sell any investment which is an authorised investment outlined in paragraph (a) above; and
- (c) any investment which ceases to be an authorised investment as a result of an exit event occurring in respect of the investment (for example the relevant Blue Sky Fund Entity is required to hold escrowed shares in an entity in which it has invested that has ceased to be a Blue Sky Fund Entity as the result of an initial public offering).

A Blue Sky Fund Entity is defined as any trust, company, partnership or joint venture which is owned (directly or indirectly, wholly or partially) or managed by a Blue Sky Entity or in respect of which a Blue Sky Entity is an associate, trustee or responsible entity, and which trust, company, partnership or joint venture is within an Alternative Asset class or holds or invests in assets which fall within one or more Alternative Asset classes.

### 3.6 Investment parameters

The Company has several investment parameters to ensure that:

- (a) the Company has access to all new investment opportunities in Blue Sky Fund Entities; and
- (b) the Company holds a diversified portfolio and is not overweight in any one particular asset class, or any one particular Blue Sky Fund Entity.

<sup>1</sup> Russell Investments, '2012 Global Survey on Alternative Investing' (2012).

### 3. About the Company

In order to ensure the Company has access to all new Blue Sky Fund Entity investment opportunities, the Company will be granted the first right to invest in any Authorised Investment opportunity which arises after the Share Allotment Date. This gives the Company priority access over other investors and guarantees the Company may invest in any Authorised Investment.

In order to ensure the Company holds a diversified portfolio, the Manager may not (on behalf of the Company), invest in an investment if the investment would result in:

- (a) the total value of the investments in any one Alternatives Asset class exceeding 40% of the Portfolio Net Asset Value of the Company (**40% Limit**) at the time of the relevant investment, provided that, if the total value of investments in any one asset class exceeds the 40% Limit due to valuation movements or asset realisations in the Investment Portfolio or any other reason other than active investment by the Manager (**Subsequently Overweight Asset Class**), the Manager will not be required to realise assets in the Subsequently Overweight Asset Class or make further investments in an underweight asset class to bring the Subsequently Overweight Asset Class under the 40% Limit. The Manager would, however, in these circumstances, be prevented from making further investments in the Subsequently Overweight Asset Class until such time as that class ceased to breach the 40% Limit and in that case only if the proposed investment would not lead to a breach of the 40% Limit; or
- (b) the Company (whether through one or more interposed investment vehicles or otherwise) holding a beneficial interest in more than 50% of any single Blue Sky Fund Entity.

#### 3.7 Changes to investment strategy

The class of Authorised Investments may only be varied by the Board after consultation with the Manager and with the approval of the Shareholders by an ordinary resolution passed in a general meeting.

The other investment parameters may only be varied by the Board, after consultation with the Manager.

The Company will provide an undertaking to ASX prior to the Share Allotment Date that it will not make any material changes to the Management Agreement without first obtaining Shareholder approval.

#### 3.8 Dividend policy

The Company currently intends to pay an annual dividend to Shareholders.

The amount of the dividend will be at the discretion of the Board and will depend on a number of factors, including the time it takes the Manager to deploy capital, future earnings, capital requirements, financial conditions, future prospects and other factors that the Board deem relevant.

It is the current policy of the Board that all dividends paid to Shareholders will be franked to 100% or to the maximum extent possible.

#### 3.9 Status as a listed investment company

Where the Company qualifies as a LIC, certain types of Shareholders may qualify for income tax deductions in respect of dividends paid out of certain profits which represent capital gains on the disposal of a permitted investment that the Company has held for over 12 months (referred to as a 'LIC capital gain').

Specifically, where the capital profit would have qualified as a discounted capital gain if the underlying asset had been held directly by a Shareholder, the benefit of the discounted capital gain flows through to the Shareholder such that the dividends paid out of those profits are effectively taxed in the hands of the Shareholder at the same rate as a discounted capital gain.

On the basis of the current investment strategy, it is anticipated that the Company will generally not generate LIC capital gains as a consequence of the investment mandate proposed to be adopted. As such, Shareholders will generally not be able to obtain taxation benefits under the LIC regime.

For this reason, it is recommended that investors do not make a decision to apply for Securities under this Prospectus solely on the basis of potential taxation benefits that may result from the Company being treated as a LIC.

However the Company may hold certain investments on capital account and may be able to pass through LIC taxation benefits to Shareholders that qualify for these concessions.

#### 3.10 Reports to Shareholders

Within 14 days after the end of each month, the Company will release on ASX a statement of the net tangible asset backing of its Shares as at the end of that month. The calculation of the net tangible asset backing of Shares will be made in accordance with the Listing Rules.

The Company will provide to Shareholders and Optionholders on request, free of charge, a copy of statements released to ASX of the net tangible asset backing of Shares.

## 4. About the Manager and Blue Sky

### 4.1 About the Manager

The Manager is a new incorporated and wholly owned subsidiary of Blue Sky, an ASX-listed funds management business that manages investments across Alternative Asset classes including Real Assets, Private Equity, Private Real Estate and Hedge Funds.

Under the Management Agreement, the Manager will manage the Investment Portfolio in accordance with the terms of the Management Agreement.

The Manager will also provide or procure the provision of administrative support services reasonably required by the Company to conduct its business. These services include assisting the Company in respect of the following:

- (a) maintenance of the corporate, tax and statutory records of the Company;
- (b) compliance with the Company's obligations under the Corporations Act and the Listing Rules;
- (c) liaison with the Share Registry;
- (d) preparation of the Company's monthly net tangible asset backing reports and arranging for the lodgement of such reports in a timely manner to enable the Company to comply with its reporting requirements under the Listing Rules;
- (e) preparation of the Company's half-year reports and annual reports, and arranging for the printing and distribution of such reports; and
- (f) the provision of information necessary for the maintenance of financial accounts of the Company to be completed.

### 4.2 Manager's investment strategy

As noted above, the Manager will invest the Company's funds in a portfolio of funds and investments managed by Blue Sky Entities in order to give Shareholders exposure to a diverse portfolio of Alternative Assets with the aim of providing a balance of capital gains and income to investors.

Blue Sky Entities rather than the Manager will be responsible for the management of the Blue Sky Fund Entities in which the Manager will invest the Company's capital.

See Sections 4.3 to 4.6 for information on Blue Sky's investment team, its approach to investing and information on Blue Sky Entities.

### 4.3 About Blue Sky

Blue Sky has in excess of \$550 million in assets under management<sup>1</sup> across 48 funds, 46 employees and offices in Brisbane, Sydney, Melbourne, Adelaide and New York. As at 2 May 2014, Blue Sky's market capitalisation was approximately \$130,590,000.<sup>2</sup>

BSPE (a wholly owned subsidiary of Blue Sky), which holds Australian Financial Services Licence 314 177, has appointed the Manager as an authorised representative under its AFSL.

### 4.4 Overview of Blue Sky's asset classes

#### Private Equity

Through its wholly owned subsidiary, Blue Sky Private Equity, Blue Sky specialises in deploying capital to growing Australian companies, primarily as 'expansion capital' or 'late stage venture capital'.

'Expansion capital' and 'late stage venture capital' are forms of private equity investment that provide businesses – typically small to medium-sized enterprises – with additional capital to fund growth. In return for providing funding, the relevant Blue Sky Private Equity managed fund typically takes a meaningful equity stake in each investee company as well as a range of rights, such as the right to board representation.

Blue Sky Private Equity's management team then partners with the owners and management teams of its investee companies to help refine their strategic priorities, improve their operations and drive profitable growth ahead of an ultimate exit event.

When investing its fund capital, Blue Sky Private Equity looks for companies that are:

- high growth companies that have a need for capital to expand;
- are led by strong entrepreneurial owners or managers that are committed to the business;
- have innovative ideas to lead or take advantage of change in their industry; and
- have a clear path to enable Blue Sky Private Equity to exit within five years.

Through its funds, Blue Sky Private Equity currently manages investments in sixteen companies across a broad range of sectors, including franchising, consumer goods, equipment hire, IT services and retirement villages.

<sup>1</sup> This amount includes assets under management as a result of the recent acquisition of Investment Science Pty Ltd by Blue Sky which completed on 30 April 2014.

<sup>2</sup> Based on a closing price on Friday 2 May 2014 of \$2.33 and issued capital of 56,047,589 shares.



## 4. About the Manager and Blue Sky

Any investment by the Company in Private Equity will be an investment in or alongside Blue Sky Fund Entities which are established after the Share Allotment Date or which are established before the Share Allotment Date but which have not yet completed any investments.

### Private Real Estate

Through its wholly owned subsidiary, Blue Sky Private Real Estate, Blue Sky seeks out private equity investments in Australia's real estate markets, deploying capital into opportunities where Blue Sky Private Real Estate has the ability to add value through its active management approach.

Historically, Blue Sky Private Real Estate has managed three types of investment: residential development; residential income opportunities (including the ownership of management rights and freehold motels); and the provision of mezzanine debt funding.

Blue Sky Private Real Estate's residential development investments have centred on affordable housing developments with gross realisation values of between \$10 million and \$40 million. Specifically, Blue Sky Private Real Estate has invested in development projects in areas of high population growth, increasing incomes, reasonable market liquidity and ongoing infrastructure spend. Higher than median rental yields to drive cash flow have also been important investment criteria, along with low unemployment.

Blue Sky Private Real Estate takes an active role in all projects through their development and has a range of in-house resources reflecting Blue Sky's philosophy of active investing. This includes a team with development management, finance, acquisition and sales skills.

Blue Sky Private Real Estate's residential income investments have focused on the ownership of both residential management rights and motels. Through its funds, Blue Sky Private Real Estate is responsible for the management rights pertaining to approximately 1,118 lots across 10 complexes. A fund managed by Blue Sky Private Real Estate also owns the freehold title to a motel in Mackay. Blue Sky Private Real Estate leases this motel to an on-site manager from which it derives income for investors in this fund. Blue Sky Private Real Estate will continue to seek further investments in residential assets, management rights, motels and other similar property assets that produce an income stream for investors.

Blue Sky Private Real Estate has also managed a number of mezzanine debt investments that have been a relatively minor component of Blue Sky Private Real Estate's business. Blue Sky Private Real Estate will opportunistically offer further funds with mezzanine debt as the underlying asset where Blue Sky Private Real Estate believes the risk/return profile of the investment is appropriate.

Blue Sky Private Real Estate follows the property cycle and maintains a flexible investment mandate to ensure fund capital is deployed into compelling investment opportunities, which in future may include additional residential investment opportunities as well as commercial and/or industrial assets.

Any investment by the Company in Private Real Estate will be an investment in or alongside Blue Sky Fund Entities which are established after the Share Allotment Date or which are established before the Share Allotment Date but which have not yet completed any investments.

### Real Assets

Within its Real Assets division, Blue Sky Entities have been focused on two distinct investment classes: water entitlements and water infrastructure.

Water entitlements are perpetual rights to access a share of a defined water resource (such as a river system) that are issued, regulated and registered by State Governments (in a similar way to land titles). Holders of water entitlements are allocated a volume of water each year which can be sold to agricultural, urban and commercial water users.

Blue Sky Water Partners was launched in 2007 and has pioneered the investment in water entitlements as a distinct asset class in Australia. Blue Sky believes that water entitlements will prove to be an attractive investment class, primarily due to:

- the potential for long-term capital growth driven by incremental fresh water scarcity as a key input to food, fibre and energy production required by a growing world population;
- ongoing yields to investors from the sale of annual water allocations; and
- the low correlation of returns with traditional financial markets.

From May 2008 until June 2011, Blue Sky Water Partners managed an investment mandate for a leading international water fund, in relation to its investments in Australian water entitlements. Blue Sky Water Partners terminated this mandate to allow it to launch the Blue Sky Water Fund. Blue Sky Water Partners began investing on behalf of this fund in August 2012.

Blue Sky also manages a range of investment vehicles that own equity in Water Utilities Australia. Water Utilities Australia was established by Blue Sky in 2012 to take advantage of the opportunity to invest in urban and agricultural water infrastructure, an asset class where Blue Sky believes there is an attractive window for investment. In 2013, Blue Sky attracted one of Australia's largest institutional investors to co-invest alongside the funds managed by Blue Sky in Water Utilities Australia.

## 4. About the Manager and Blue Sky

Water Utilities Australia currently owns two assets – the Willunga Basin Water Company (which owns the infrastructure used to deliver water for irrigation to the McLaren Vale wine region in South Australia) as well as Lightsview Re-Water (which owns the infrastructure that delivers recycled water to the 'Lightsview' housing development in Adelaide, South Australia).

Water Utilities Australia will continue to look for other compelling water infrastructure assets to acquire. Assuming this occurs, Blue Sky is likely to develop new funds to facilitate further capital deployment by its investors.

In addition to continuing to invest in water entitlements and water infrastructure, Blue Sky will seek to develop investment opportunities in other forms of Real Assets where it believes the risk/reward trade-off is compelling. This may, for example, involve investing in a range of Real Assets such as farmland and social infrastructure.

### Hedge Funds

Blue Sky manages investments in the Hedge Fund asset class through Blue Sky Investment Science Pty Ltd (formerly Investment Science Pty Ltd) (**Blue Sky Investment Science**). Blue Sky Investment Science is an award winning Hedge Fund manager that focuses on risk (volatility) as the pre-eminent factor in portfolio construction. The business has been managing Hedge Funds since 2007 and in 2012 won the award for the Best Multi Strategy Fund at the Australian Hedge Fund Awards. The acquisition of Blue Sky Investment Science was completed by Blue Sky on 30 April 2014.

Blue Sky Investment Science has created and manages four separate Hedge Funds that focus on particular volatility targets. These are:

- Alliance SRA 4, which targets 4% p.a. volatility;
- Alliance SRA 9, which targets 9% p.a. volatility;
- Alliance SRA 16, which targets 16% p.a. volatility; and
- Access SRA 16, which also targets 16% p.a. volatility.

The Alliance SRA 4 and 9 funds both take a 'fund of funds' approach, investing in a portfolio of domestic and international Hedge Funds managed by third party managers that have a proven track record and that meet a range of quantitative and qualitative hurdles identified by Blue Sky Investment Science.

The Alliance SRA 16 and Access SRA 16 funds are both 'direct' Hedge Funds. These funds employ a range of quantitative and qualitative strategies, which are expressed through investing in a portfolio of financial assets, including futures contracts, equities indices, short term interest rates, government bonds, commodities and foreign exchange.

Prior to the acquisition of Blue Sky Investment Science, Blue Sky's Hedge Fund division managed two funds that are now closed (the **Apeiron Funds**). There was a requirement that the Apeiron Funds be closed if the funds hit certain peak to trough drawdowns. Despite achieving positive returns since inception, the threshold peak to trough drawdowns were hit in March 2014 and the funds were closed at that point.

### 4.5 Blue Sky's investment team

As mentioned above, the Blue Sky Fund Entities in which the Manager invests on behalf of the Company will primarily be managed by Blue Sky's investment team. Brief details of members of the team, their background and areas of responsibility are set out below.

The time dedicated by each member of the Blue Sky team to the Blue Sky Fund Entities and investments in which the Company's funds are invested will vary from time to time depending on factors such as the mix of investments in the Investment Portfolio and market conditions.

The investment team members set out below have all had direct involvement in the execution of Blue Sky's investment strategy and the Company and the Manager will be able to draw upon and benefit from this depth and breadth of experience in the construction and maintenance of the Investment Portfolio.

## 4. About the Manager and Blue Sky

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### Mark Sowerby

Mark Sowerby is the founder and managing director of Blue Sky. He established Blue Sky Private Equity in 2006 as a private equity firm investing expansion capital into Australian small to medium-sized businesses. Since that time, Mark has expanded Blue Sky's suite of investment opportunities across a broad spectrum of Alternative Asset classes, including Real Assets, Private Equity, Private Real Estate and Hedge Funds.

Prior to founding Blue Sky, Mark worked for a number of years with a US based commodity merchant, living in the United States and working in a wide variety of locations including Mexico, Central America, China, South East Asia, Korea, Japan and India. He developed a strong understanding of export markets, business cultures, foreign trade, futures markets and derivatives.

Mark holds a Bachelor of Agricultural Science, a Master of Business Administration and a Graduate Diploma of Applied Finance and Investment.

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### Alexander McNab

Alexander McNab is a director of Blue Sky and a senior member of Blue Sky's investment team.

Alexander joined Blue Sky in 2009 as a partner in Blue Sky's private equity business. In that capacity, Alexander is responsible for sourcing potential investments, leading due diligence, negotiating and executing transactions and managing Blue Sky's portfolio of private equity investments. Alexander sits on the boards of Readify, Alcidion Corporation, Milk & Company, CommStrat and Balance Carbon.

Alexander also takes a broader investing role across Blue Sky, sitting on the board or investment committee of Blue Sky Venture Capital, Blue Sky Private Real Estate, Blue Sky Investment Science and Blue Sky Water Partners.

Prior to joining Blue Sky, Alexander spent eight years at Bain & Company, a global strategy consulting firm. During his time at Bain & Company, Alexander formulated corporate and business unit strategies, led performance improvement projects and influenced management teams to drive results. In this capacity, Alexander worked with clients across a range of industries, including financial services, telecommunications, retail and technology.

Alexander holds a Masters of Business Administration (with Distinction) from INSEAD, a Bachelor of Economics (First Class Honours) and a Bachelor of Laws from the University of Queensland. He is a Graduate Member of the Australian Institute of Company Directors.

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### Andrew Champion

Andrew Champion is the managing director of Blue Sky, Sydney.

Andrew has 20 years' experience in corporate advice and finance and has been responsible for private equity and alternative assets coverage for two leading investment banks out of London and Sydney. He also has extensive experience in leading M&A and debt and equity funding for companies in Australia.

Given Andrew's experience, he is also responsible for originating, advising and executing on private equity transactions.

Andrew holds a Bachelor of Commerce and Bachelor of Laws and has been a member of the ICAA since 1994.

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## 4. About the Manager and Blue Sky

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### Tim Wilson

Tim Wilson is the managing director of Blue Sky Private Equity and is responsible for leading the private equity team, sourcing and negotiating deals, advising investee companies, driving exits, and building the Blue Sky network. Tim is a director of Blue Sky and a number of Blue Sky Private Equity portfolio companies.

Prior to joining Blue Sky in 2009, Tim worked for a range of investment banks including Paribas, Credit Suisse First Boston, Babcock & Brown, Westpac Institutional Bank and Investec.

Tim holds a Bachelor of Commerce, a Diploma of Applied Finance and Investment and a Master of Science in Finance from the London Business School.

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### Kim Morison

Kim Morison is the managing director and investment director of Blue Sky Water Partners with responsibilities across Blue Sky's real assets portfolios, including water entities, water infrastructure and agriculture.

Prior to joining Blue Sky Water Partners in 2010, Kim held various roles in Australian agribusiness including: general manager (marketing) at CSR Sugar, Australia's largest sugar milling and refining company; division director and joint head of the international cotton trading business at Macquarie Bank; general manager of Colly Cotton Marketing, a division of the Twynam Agricultural Group; and commercial manager at Colly Cotton Limited, Australia's largest cotton growing company at the time.

Kim holds a Bachelor of Commerce, Graduate Diploma of Agricultural Economics and a Graduate Diploma of Applied Finance.

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### Graham Dooley

Graham Dooley is the chairman of Blue Sky Water Partners. He has over 44 years' experience in the water industry in the areas of infrastructure design, construction management, commissioning and large scale operations and executive management in both the public and private sectors. Over the past 20 years, he has been chairman, director or chief executive director of nearly forty companies and organisations. Graham has been involved with the Australian Water Association since 1983, serving first as federal secretary, then president of the South Australia branch and currently as president of the national body. He was appointed chairman of Water Australia in 2011 and was a non-executive director of the Water Industry Alliance of South Australia between 1997 and 2008.

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## 4. About the Manager and Blue Sky

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### Michael Blakeney

Michael Blakeney is an investment director of Blue Sky Water Partners.

With over 15 years direct agricultural management and investment experience, Michael has designed, deployed and managed large scale agricultural investment portfolios for a number of institutional investors.

Previous roles have included managing director of Warakirri Agricultural Trusts and general manager of PrimeAg Australia Limited's Ag Fund. Michael has extensive agribusiness networks and is the chairman of the USQ National Centre for Engineering in Agriculture research group.

Michael holds a Master of Science from the University of London, as well as a Bachelor of Agricultural Economics from the University of Queensland. Michael is also a graduate member of the Australian Institute of Company Directors.

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### Keiran Foster

Keiran Foster is the managing director of Blue Sky Private Real Estate and is responsible for managing and developing the existing portfolio, sourcing new investment opportunities and managing all aspects of the development cycle from acquisition, sales, financing to construction and exits.

Prior to joining Blue Sky in 2010, Keiran worked in construction and property development having commenced his career working on large scale residential, retail and commercial construction projects in South East Queensland. He progressed into property development where he worked in acquisition, planning, sales, leasing and disposal of projects across commercial, residential and retail sectors.

Keiran holds a Bachelor of Applied Science (Construction Management) from Queensland University of Technology.

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### David Hobart

David Hobart is the managing director of Blue Sky's Hedge Fund division and manages the team responsible for investment strategy and implementation. With over 20 years working in investment markets, David brings considerable experience to the business.

Prior to joining Blue Sky in 2010, David held a number of senior proprietary trading roles where he was able to refine his investment strategy. Having commenced his trading career working for Bankers Trust (BT) Australia in foreign exchange, David developed a practical understanding of the interrelationships between the different asset markets that impact a country's currency. As a price maker in European currencies prior to the conversion to the Euro, David was able to actively observe the interplay between various European bond markets and their respective currencies.

David holds a Bachelor of Business from the University of Queensland and a Bachelor of Economics from the Queensland University of Technology.

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## 4. About the Manager and Blue Sky

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### David Toohey

David Toohey is the co-founder and investment director of Blue Sky Investment Science Pty Ltd (which was formerly Investment Science Pty Ltd) and has responsibility for investment policy, portfolio risk management, investment performance analysis and the fund selection process. Prior to this venture, David was an investment manager at Funds SA, with responsibility for the debt sector asset classes, and as a shadow asset consultant covering new opportunities, financial markets, portfolio optimisation and analysis of asset allocation policy decisions. With \$9 billion of South Australian public sector superannuation funds at that time, Funds SA was a pioneer of the active manager-of-managers approach to superannuation investment.

Prior to joining Funds SA, David was employed as a quantitative analyst by the South Australian Government Financing Authority and as an actuarial analyst by Mercer.

David holds a Bachelors Degree with First Class Honours in Applied Mathematics from the University of Adelaide. He is a Fellow of the Institute of Actuaries of Australia and holds a Graduate Diploma in Finance and Investments.

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### Elaine Stead

Elaine Stead is an investment director within Blue Sky's Private Equity team and is responsible for the management of the Blue Sky's venture capital portfolio.

Prior to joining Blue Sky in 2013, Elaine worked as an investment manager at CM Capital Investments, a venture capital fund with a dual focus on healthcare and digital technology. As investment manager, Elaine focused on portfolio management and investment identification as well as investee company performance. Elaine has also worked in corporate advisory with both listed and private companies and as the chief executive officer of a venture capital backed clinical diagnostics company.

Elaine holds a PhD in biochemistry from the University of Adelaide.

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### Robert Shand

Robert Shand is the chief operating officer of Blue Sky and is a director on several boards of Blue Sky's Private Equity investee companies.

Prior to joining Blue Sky in 2010, Robert worked for six years at Bain & Company, a leading global management consulting company. Robert spent the first three years based in their Sydney office, before working overseas in Bain's London, Tokyo and Johannesburg offices.

Robert holds a Bachelor of Commerce (First Class Honours) and a Bachelor of Laws (First Class Honours).

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## 4. About the Manager and Blue Sky

### 4.6 Historical Performance of funds managed by Blue Sky Entities

The table below summarises the historical performance returns achieved since inception by funds that Blue Sky Entities have been responsible for managing. 'Returns since inception' are pre-tax returns to investors net of all fees (e.g. management fees, performance fees) for the period since the incorporation of the first Blue Sky Entity in February 2006 to 31 March 2014 (other than Private Equity and Private Real Estate in respect of which figures are based on valuations which were conducted during March and April 2014 for the same period but ending 28 February 2014). The returns include both realised and unrealised returns. Actual returns may vary significantly from the unrealised returns at the point at which the underlying investments are sold. 'Overall returns' are weighted by the equity deployed in each asset class as at 28 February 2014 for Private Equity and Private Real Estate and 31 March 2014 for Hedge Funds and Real Assets.

While the historical returns generated by funds managed by Blue Sky Entities (which are predominantly unlisted unit trusts) are relevant to your investment decision on the basis that Blue Sky Entities will be managing the Investment Portfolio, those returns should not be relied upon as an indication of the future performance of your investment in shares in the Company which will be a listed Australian public company and is structurally a different type of investment to a direct investment in the Blue Sky Fund Entities. Additionally, the historical returns are calculated on a weighted average basis between asset classes with various return profiles and the Investment Portfolio may have a different allocation between those asset classes. Finally, past performance of Blue Sky Entities as managers is not a reliable indicator of their future performance.

Accordingly, the actual returns of the Company could differ materially from the historical returns of the funds managed by Blue Sky Entities.

Table 1: Returns since inception by asset class

| Asset class                              | Return period                     | Returns since inception |
|--|-----------------------------------|-------------------------|
| Private Equity                           | October 2006 to 28 February 2014  | 16.3%                   |
| Private Real Estate                      | November 2006 to 28 February 2014 | 16.7%                   |
| Hedge Funds                              | February 2006 to 31 March 2014    | 10.0%                   |
| Real Assets                              | August 2012 to 31 March 2014      | 7.9%                    |
| <b>Overall returns (equity weighted)</b> |                                   | <b>13.9%</b>            |

Further details on the historical performance of each of these asset classes are included below.

#### Private Equity

The table below summarises the historical returns achieved in between inception in October 2006 and 28 February 2014 by the Private Equity investments that Blue Sky Entities have been managing. For the reasons outlined above, it is important to note that past performance of these investments should not be relied on as an indicator of future performance of the funds or of the Company.

| Time Period                           | 1 year | 3 years | 5 years | Since inception |
|---------------------------------------|--------|---------|---------|-----------------|
| Annual returns (pre tax, net of fees) | 2.4%   | 12.9%   | 17.8%   | 16.3%           |

#### Private Real Estate

The table below summarises the historical returns achieved in the period between inception in November 2006 and 28 February 2014 by the Private Real Estate investments which Blue Sky Entities have been responsible for managing. These include returns from developments, residential income and mezzanine debt funds managed by Blue Sky Entities. For the reasons outlined above, it is important to note that past performance of these investments should not be relied on as an indicator of future performance of the funds or the Company.

| Time Period                           | 1 year | 3 years | 5 years | Since inception |
|---------------------------------------|--------|---------|---------|-----------------|
| Annual returns (pre tax, net of fees) | 21.9%  | 19.0%   | 17.3%   | 16.7%           |

## 4. About the Manager and Blue Sky

### Real Assets

The table below summarises the historical performance returns achieved by the Blue Sky Water Fund in the period between inception in August 2012 and 31 March 2014. For the reasons outlined above, it is important to note that past performance of these investments should not be relied on as an indicator of future performance of the funds or the Company.

| Time period                           | 1 year | Since inception |
|---------------------------------------|--------|-----------------|
| Annual returns (pre tax, net of fees) | 10.3%  | 7.9%            |

Note: These returns exclude discretionary redemption fees (2%) that may be payable upon redemption.

### Hedge Funds

The table below summarises the historical performance returns achieved in the period between inception in February 2006 and 31 March 2014 by the Hedge Funds that Blue Sky Entities have been responsible for managing. They include both the Apeiron Funds and the funds managed by Blue Sky Investment Science. For the reasons outlined above, it is important to note that past performance of these investments should not be relied on as an indicator of future performance of the funds or the Company.

| Time period                          | 1 year | 3 years | 5 years | Since inception |
|--------------------------------------|--------|---------|---------|-----------------|
| Annual returns (pre tax net of fees) | -0.8%  | 3.6%    | 5.0%    | 10.0%           |

### Further Information on Historical Performance of funds managed by Blue Sky Entities

- The returns included above reflect past performance which is not a reliable indicator of the future performance of the funds, or of the Company.
- The performance returns are net of all management, performance and other fees and taxes applicable to that fund (except the Blue Sky Water Fund discretionary redemption fees that may be payable on redemption). The total return is the cumulative income and capital return, respectively, of each fund for the period from the fund's inception date to 31 March 2014 (other than Private Equity and Private Real Estate in respect of which figures are based on valuations which were conducted during March and April 2014 for the same period but ending 28 February 2014).
- With the exception of those funds noted below, the performance returns include all funds where a Blue Sky Entity was responsible for the initial investment and subsequent management.
- Private Equity and water infrastructure investments made by Blue Sky Entities in the past 12 months have been excluded on the basis that:
  - they are recent investments and it is not common industry practice to revalue such investments within the first twelve months unless there has been a material change (either positive or negative) to the underlying investment; and
  - as at the date of this Prospectus, there had not been a material change to any of the recent investments managed by Blue Sky.
- Two funds have been excluded from the Private Real Estate calculations: the Railway Terrace Milton Trust and the Carl Street Woolloongabba Trust. These funds were launched in November 2013 and March 2014 respectively. These funds have been excluded on the basis that they have only recently been launched.
- Returns in the preceding tables above include both realised and unrealised returns. Unrealised returns are:
  - for Private Equity, based on a limited scope valuation review conducted independently by a third party accounting firm (BDO) in March and April 2014 having regard to valuations as at 28 February 2014 prepared by management and on other internal valuations prepared by management; and
  - for Private Real Estate, based on known and management's estimated project costs (such as fixed price construction contracts) and estimated sales prices for unsold lots based on the average price of equivalent lots from the same development that have been sold and anticipated timing of sales.



## 4. About the Manager and Blue Sky

### 4.7 Related party disclosure

John Kain is the chairman and Alexander McNab is a director of Blue Sky, of which the Manager is a wholly owned subsidiary. Alexander McNab and Andrew Champion are directors of the Manager. Further details are set out in Section 6.1. Each of John, Alexander and Andrew is also a director of the Company.

None of the Manager, any Blue Sky Entity nor any of the Blue Sky Fund Entities is a related party of the Company for the purposes of the Corporations Act or the Listing Rules (provided Blue Sky's shareholding in the Company does not exceed 10% of the share capital of the Company).

Further details are set out in Sections 3 and 11.7.

Certain shareholders, directors and employees of the Manager and Blue Sky have indicated an intention to apply for Securities under the Offer.

Blue Sky intends to apply under the Offer for \$5 million worth of Securities in the Company.

As at the date of this Prospectus, Beaglemoat Nominees Pty Limited (**Beaglemoat**) holds 100% of the issued capital of the Company by way of the issue of one share on incorporation of the Company. Beaglemoat is ultimately controlled by Ord Minnett and therefore Ord Minnett is a related party of the Company. Ord Minnett has entered into an Offer Management Agreement with the Company (see Section 10 for further details). The Offer Management Agreement has been entered into on arm's length terms between the Company the Manager, Blue Sky and each of the Joint Lead Managers.

Other than as set out above, there are no existing agreements or arrangements nor any currently proposed transactions in which the Company was, or is to be, a participant and in which any related party of the Company has or will have a direct or indirect interest in the Company or the Offer.

### 4.8 Conflict policy

The Manager has in place a comprehensive conflicts policy which accords with its various obligations and duties as an AR of BSPE.

The Manager is a related party of various Blue Sky Entities, however, while the Management Agreement remains in force, other than the fees payable to the Manager under the Management Agreement, the Company will not be required to pay any management or performance fees to any Blue Sky Entities in respect of the Company's investments in Blue Sky Fund Entities. To the extent any such fees are paid by the Company they will be rebated to the Company.

The Manager intends to construct and manage the Investment Portfolio in accordance with the terms of the Management Agreement, its conflicts policy and as disclosed in this Prospectus.

## 5. Risk factors

Investing in the Securities involves a high degree of risk. You should carefully consider the risks described below and all of the other information set out in this Prospectus before deciding to invest in the Securities. If any of the events or developments described below occurs, the Company's business, financial condition or results of operations could be negatively affected. In that case, the market price of the Securities could decline, and you could lose all or part of your investment.

### 5.1 Investment strategy risk

The past performance of funds and investments managed by Blue Sky and persons associated with them are not necessarily a guide to future performance of the Company. There are risks inherent in the investment strategy that the Manager will employ for the Company including, but not limited to:

- the success and profitability of the Company depends in part on the ability of the Manager to construct and manage a portfolio of Authorised Investments in accordance with the Company's proposed Investment Parameters;
- the Performance Fee may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Company;
- the Manager will be investing in a wide range of investments and this requires more upfront and ongoing due diligence by the Manager;
- key personnel engaged by the Manager or one or more Blue Sky Entities may leave the Manager or one or more of the Blue Sky Entities (as applicable) and such departures may impact on the ability of the Manager or one or more Blue Sky Entities (as applicable) to manage the Investment Portfolio or one or more of the Blue Sky Fund Entities (as applicable); and
- the ability of the Manager to continue managing the Investment Portfolio in accordance with this Prospectus and the Corporations Act, is dependent on the maintenance of BSPE's AFSL and the Manager's AR and the continued solvency of those companies. Maintenance of the AFSL and AR depends, among other things, on BSPE and the Manager continuing to comply with any ASIC imposed licence conditions and the Corporations Act.

### 5.2 Other risks

The operating results and profitability of the Company are sensitive to a number of factors including but not limited to Manager risk, asset risk, specific risks associated with Hedge Fund investments and general risks associated with the Blue Sky Fund Entities.

Risks specific to any investments by the Company in Hedge Funds include:

- potential losses on short positions where the market price of the asset sold rises;
- the use of derivatives (futures, options, exchange-traded options, swaps and forward contracts) having a negative impact due to an adverse movement in the underlying asset or where the position is difficult or costly to reverse or maintain;
- counterparty or credit risk where the Hedge Fund bears the risk of settlement default with regard to parties with whom it trades;
- currency risk where fluctuations in exchange rates may cause the value of investments to decline;
- interdependence risk where an allocation to investment strategies is based on assumptions about observed historical relationships that may not persist into the future;
- leverage risk where gains or losses will be magnified to a greater degree than would occur if the investment exposure was unleveraged;
- margining risk being the risk that positions in future contracts or holdings in underlying funds must be liquidated to meet initial or variation margin requirements set by clearing houses and exchanges;
- pricing risk where a fund's units are unable to be priced within an acceptable time-frame;
- short selling risk where the Investment Portfolio and the Blue Sky Fund Entities are expected to engage in short selling;
- strategy implementation risk where actual returns are lower than the return of the Manager's model portfolio because the Manager has not implemented the trades and transactions as planned due to market closure, illiquidity, unavailability of investments, price changes, a cancelled or disputed trade or transaction or administrative error; and
- systematic risk where a disruptive event causes a change of events to disrupt or compromise the normal functions of a system.

A change in the regulatory environment may lead to increased costs to the Company in order to maintain compliance with such regulations.

You can do some things to reduce the impact of risk. Firstly, get professional advice suited to your investment objectives, financial situation and particular needs. Nothing in this Prospectus can replace or offer that. Secondly, invest for at least the time frame recommended by your professional adviser.

The Company should not be seen as a predictable, low risk investment. The Company's investments will be concentrated in funds and investments managed by Blue Sky Entities and so the Company will be considered to have a higher risk profile than most other types of investments. The Company,

## 5. Risk factors

the Manager and the Joint Lead Managers do not guarantee the return of capital, any rate of return in terms of income or capital or the investment performance of the Company.

It is not possible to identify every risk associated with investing in the Company, however, the following list sets out the significant risks associated with investing in the Company. There may be other risks associated with investing in the Company. The risks set out in the following table, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating the Company and its prospects.

| Type of Risk                            | Description of Risk  |
|---|--|
| <b>Manager risk</b>                     | <p>The success and profitability of the Company in part will depend upon the ability of the Manager to make investments that increase in value over time and the retention of the Manager as manager of the Investment Portfolio (together with the retention of key personnel within the Blue Sky Entities responsible for managing the Blue Sky Fund Entities).</p> <p>While the Manager will seek to mitigate the risks that may adversely affect its investment performance or its investment decisions, through implementation of internal risk management policies and procedures designed to monitor and address these risks, there can be no guarantee the Manager will achieve any particular investment return within the Investment Portfolio or that its future performance will match or exceed Blue Sky's past performance.</p> <p>Blue Sky's subsidiary BSPE is required to hold an AFSL to operate its business. The Manager is an authorised representative of BSPE under its AFSL. The ability of the Manager to continue managing the Investment Portfolio is dependent on the maintenance of BSPE's AFSL. To the extent that BSPE should lose or have restrictions imposed on its AFSL to prevent the Manager from continuing to manage the Company, the Company will need to identify and engage a suitably qualified and experienced manager to implement the Company's investment strategy. Similarly, if the Management Agreement is terminated for any other reason, the Company will need to identify and engage a suitably qualified and experienced investment manager.</p> <p>There can be no guarantee that the Company will be able to identify an appropriately qualified replacement for the Manager or, if such person or entity is appointed, that it will be able to perform its duties as investment manager under the relevant management agreement to the standard required by the Company or to a level that matches or exceeds the performance of the Manager.</p> <p>The Management Agreement is terminable by the Manager on three months' notice after the expiry of the initial term. See Section 10.1 for further details on the Management Agreement terms.</p> |
| <b>Asset risk</b>                       | <p>There is a risk that the value of the assets selected by the Manager may decline in value. The return on the Company's investments may also be affected by government policy and the general health of the sectors in which the subject of the relevant investments operate.</p>  |
| <b>Investment risk</b>                  | <p>There is a risk that the Securities or the Company's investments will fall in value over the short or long term. Investors in the Company are exposed to this risk through both their holding in the Securities and then through the Company's investments.</p>   |
| <b>Risk of Shares trading below NAV</b> | <p>The Shares of the Company may trade on ASX at a discount to the NAV of the Investment Portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of the Investment Portfolio.</p>  |

## 5. Risk factors

| Type of Risk  | Description of Risk  |
|---|--|
| <b>Blue Sky Fund Entities performance risk</b>            | <p>There are risks relating to funds and investments in which the Company proposes to invest including:</p> <ul style="list-style-type: none"><li>• some funds or investments may not perform to the level expected by the Manager and could reduce in size or be terminated;</li><li>• managers of certain funds may be removed by unitholders in those funds;</li><li>• a fund's performance may be adversely affected if BSPE's AFSL was subjected to limitations as a result of misconduct;</li><li>• unfavourable economic movements including any change to government fiscal or monetary policy can impact on the amount invested in a fund and the returns of a fund;</li><li>• taxation laws are often changed and those changes can materially affect funds and investments;</li><li>• the timeframe for the realisation of returns on funds and investments may be longer than expected; and</li><li>• each fund has its own risks and these risks could negatively impact the fund. In addition, there is a risk that deficiencies may exist in disclosure documents relating to one or more of the funds.</li></ul> |
| <b>Insufficient investments risk</b>                      | <p>As set out in this Prospectus, the Manager will invest exclusively in or alongside Blue Sky Fund Entities. Blue Sky may not generate sufficient investment opportunities that satisfy the criteria required for investment by the Company under the Management Agreement in order to maximise the Investment Portfolio.</p>   |
| <b>Personnel risk</b>                                     | <p>The Manager's performance is largely dependent on the skills and efforts of Blue Sky's investment team. There can be no guarantee that Blue Sky will be able to retain its investment team or that Blue Sky will be able to attract and retain management personnel of sufficient experience and expertise to manage the Blue Sky Fund Entities.</p>  |
| <b>Market risk</b>  | <p>Investment returns are influenced by market factors such as changes in economic conditions, the legislative and political environment, investor sentiment, natural disasters and acts of terrorism.</p> <p>The Investment Portfolio will be constructed so as to minimise market risks but those risks cannot be entirely eliminated and the Investment Portfolio may underperform the broader market.</p> <p>As a result no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments.</p>   |
| <b>Liquidity risk</b>                                     | <p>There is a risk that the Investment Portfolio's underlying investments or the Securities may not be easily converted to cash. Even where the Company does have or is able to access a significant cash holding, that cash will not necessarily be available to Shareholders.</p>  |
| <b>No operating or performance history of the Company</b> | <p>The Company is a new entity with no financial, operating or performance history and no track record.</p> <p>The information in this Prospectus about the investment objectives of the Company are not forecasts, projections or the result of any simulation of future performance. There is a risk that the Company's investment objectives will not be achieved.</p>  |

## 5. Risk factors

| Type of Risk                                 | Description of Risk   |
|--|---|
| <b>Financial market volatility</b>           | <p>A fall in global or local equity markets or global or local bond markets may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which the Securities trade on ASX.</p>  |
| <b>Operational costs</b>                     | <p>Operational costs for the Company as a proportion of total assets will be affected by the level of acceptance of this Offer. Operational costs representing a greater proportion of total assets will reduce the operating results of the Company and its ability to make dividend payments.</p>   |
| <b>Dividend risk</b>                         | <p>The ability of the Company to offer fully franked dividends is contingent on it making taxable profits. The Company's taxable profits may be volatile, making the reliable forecasting and payment of dividends difficult and unpredictable.</p> <p>No guarantee can be given concerning the future earnings of the Company, the earnings and capital appreciation of the Company's Investment Portfolio or the return of the capital invested by Shareholders and Optionholders. Specifically, the Manager may make poor investment decisions resulting in the returns being inadequate to pay an annual dividend to Shareholders.</p>  |
| <b>Industry risk</b>                         | <p>There are a number of industry risk factors that may affect the future operation or performance of the Company that are outside its control. These include increased regulatory and compliance costs and variations in legislation and government policies generally.</p>  |
| <b>Regulatory risk</b>                       | <p>The Company is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (for example, ASX and ASIC). The relevant regulatory regimes are complex and are subject to change over time, depending on changes in the laws and the policies of the governments and regulatory authorities.</p> <p>The Company is exposed to: the risk of changes to applicable laws and/or the interpretation of existing laws, which may have a negative effect on the Company, its investments and/or returns to Shareholders and Optionholders; or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against the Company.</p>  |
| <b>Changes in taxation laws and policies</b> | <p>Tax laws are in a continual state of change which may affect the Company and its Shareholders and Optionholders.</p> <p>There may be tax implications arising from ownership of the Securities (and upon exercise of the Options), the receipt of franked and unfranked dividends (if any) from the Company, receiving returns of capital and the disposal of the Securities.</p> <p>Changes to tax laws may adversely affect the Company's financial performance and/or the returns achieved by investors. Dividends paid by the Company to certain investors may not be recognised as frankable by the ATO.</p> <p>The Company is not responsible for either taxation or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.</p> |

## 5. Risk factors

| Type of Risk                                      | Description of Risk  |
|---|--|
| <b>Currency and foreign jurisdiction risk</b>     | <p>In addition to investments in Australian entities, the Manager may invest in entities that have currency exposure. There is a risk that adverse movements in exchange rates will reduce the value of investments in Australian dollar terms.</p> <p>In addition, the Company may be exposed to risks relating to its investments in entities located in foreign jurisdictions, where the laws of those foreign jurisdictions offer less legal rights and protections to holders of securities in such foreign entities as compared with the laws in Australia.</p>  |
| <b>Interest rate risk</b>                         | <p>Changes in short and long-term interest rates can have a positive or negative impact on investment returns.</p>   |
| <b>Accounting policy risk</b>                     | <p>Changes to accounting policies may influence the approach in determining the fair value of investments held by the Company and may have a detrimental impact on the fair value of investments.</p>  |
| <b>Future capital requirements of the Company</b> | <p>There can be no assurance that the Company will not need to raise additional capital to fully exploit business opportunities available to it. There can be no assurance that the Company will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently.</p> <p>If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment activities or forgo an investment opportunity, which could adversely affect its business, financial condition and results of operation.</p> |

### 5.3 Summary

Investors are strongly advised to regard any investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur.

In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities. Therefore, there is no guarantee with respect to the payment of dividends, returns of capital or the market value of the Securities.

You should consider that an investment in the Company is speculative and consult your professional advisers before deciding whether to apply for the Securities.

## 6. Board and governance

### 6.1 Board of directors

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#### **John Kain** Chairman

John Kain was appointed as chairman of the Company on 3 April 2014. He is also the chairman of Blue Sky.

John is a corporate lawyer with over 20 years of experience in corporate advisory, private equity and mergers and acquisitions. John is the managing director of Kain C+C Lawyers, a specialist legal consulting company working exclusively in corporate, commercial and mergers and acquisition law.

John is currently chairman of a widely held private investment company and a member of the Financial Council of the Roman Catholic Archdiocese of Adelaide. He has also served on a number of boards, including as a director of public charitable trusts, as chairman of a Commonwealth government advisory panel and as director of a number of private companies. He is also a fellow of the Australian Institute of Company Directors.

John graduated from Adelaide University and was admitted to legal practice in South Australia in 1990. He was subsequently admitted to practice in England and in New South Wales.

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#### **Paul Masi** Independent non-executive director

Paul Masi has over 30 years of experience in financial services and investment banking.

Paul was appointed to the board of Shaw Stockbroking in July 2012 as an independent non-executive director. Prior to that appointment Paul was chief executive officer of Austock Group Ltd from March 2010 to May 2012. Prior to joining Austock, Paul was at Merrill Lynch which he joined in October 2000 as head of Australian sales before being promoted to co country head in 2002. In 2003, Paul transferred to Hong Kong to become head of equities and equity trading Asia Pacific for Merrill Lynch and in 2006 he returned to Australia as chief executive officer.

Paul holds a Bachelor of Economics from Macquarie University and has completed the AGSM Accelerated Management Program. Paul is a non-executive director of the Cerebral Palsy Alliance and the Girls and Boys Brigade.

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#### **Philip Hennessy** Independent non-executive director

Philip Hennessy stood down as Queensland chairman of KPMG in February 2013 after 12 years in the role and retired from the partnership in July 2013.

Over the past 30 years Philip has been involved in corporate insolvency and reconstruction across a variety of industries including construction, real estate, mining, manufacturing, professional services, hospitality, tourism, agriculture and financial services.

He has served as a chairman and director on a number of government owned corporations focussed on water storage, treatment and transport services to industrial and mining customers and for household use, and also involving the construction of pipelines, dams and other infrastructure. Philip has also been a director of various not-for-profit organisations serving intellectually disabled women, children with chronic health issues, hospitals and education.

Philip is currently an independent company director and adviser to public, private and not for profit organisations.

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## 6. Board and governance

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### **Andrew Champion** Director

See Section 4.5 above.

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### **Alexander McNab** Director

See Section 4.5 above.

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### **Jane Prior** Company Secretary

Jane Prior is performing the company secretarial function for the Company.

Jane was previously based at a London law firm where she advised on fund establishments and investments as well as a range of joint venture, venture capital, private equity and mergers and acquisitions transactions. Prior to her time in London, Jane worked at Brisbane-based law firm McCullough Robertson Lawyers.

Jane has also worked as a judge's associate in the Supreme Court of Queensland.

Jane has a Bachelor of Arts/Law from the University of Queensland and was admitted as a solicitor in 2005. Jane is also company secretary and in-house legal counsel of Blue Sky.

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## 6.2 Management team

The key investment personnel referred to in Section 4.5 are employed by Blue Sky Entities. As these persons are not employees of the Company they will not be entitled to be paid any fees by the Company.

## 6.3 The Board and Corporate Governance

The Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests and that the Company, its Directors and officers operate in an appropriate governance environment. The Board is responsible for the overall governance of the Company.

Issues of substance affecting the Company are considered by the Board with advice from external advisors as required. Each Director must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as Director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

Issues of substance affecting the Company are considered by the Board with advice from external advisors as required. Each Director must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as Director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

## 6.4 Board charter

The board charter formalises the functions and responsibilities of the Board. The Board is ultimately responsible for the financial and operating policies of the Company.



## 6. Board and governance

### 6.5 Code of conduct

The code of conduct addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. This policy outlines its requirements with respect to relationships, compliance with laws and ethics, conflicts of interest, confidentiality, use of the Company's assets and competition.

### 6.6 Securities trading policy

The securities trading policy sets out the Company's policy with regard to trading in the Company's securities. This policy applies to all Directors and their associates. The policy sets out the general prohibition on insider trading, restrictions on trading and required notification of proposed trading in the Company's securities.

### 6.7 Shareholder communications policy

The shareholder communications policy has been adopted with a view to ensuring that the Company complies with the protocol requirements of the Listing Rules. This policy highlights: the requirements for immediate notification; the procedure for disclosing the information; those responsible for disclosing the information; and policy review details.

The policy also outlines responsibilities for Shareholder communications including reports issued to Shareholders; ASX announcements; annual general meetings; maintenance of the Company website; requests for information; and review of Shareholder communications.

### 6.8 Continuous disclosure policy

The continuous disclosure policy has been adopted with a view to ensuring that the Company complies with the protocol requirements of the Listing Rules. The policy highlights the requirements for immediate notification; the procedure for disclosing the information; those responsible for disclosing the information; and policy review details.

### 6.9 Risk management policy

This policy is designed to assist the Company to identify, monitor and manage the risks affecting the Company's business.

### 6.10 Audit and risk committee charter

The audit and risk committee charter outlines: the composition of the audit and risk committee; its authority and responsibilities; meeting requirements; reporting procedures; and oversight of the risk management system.

As at the date of this Prospectus, the members of the Company's audit and risk committee are Philip Hennessy (as chairperson), John Kain, Paul Masi and Alexander McNab.

### 6.11 Nomination and remuneration committee charter

The nomination and remuneration committee charter outlines the composition of the committee, its responsibilities and its meeting requirements.

As at the date of this Prospectus, the members of the Company's nomination and remuneration committee are Paul Masi (as chairperson), John Kain, Philip Hennessy and Andrew Champion.

### 6.12 Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has implemented initiatives (as set out in this Section) to achieve this objective. The Company's corporate governance policies are intended to institutionalise good corporate governance and build a culture of best practice both in the Company's own internal practices and in its dealings with others.

The Company has considered the ASX Corporate Governance Principles to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines. The Company will seek to follow these recommendations and, as required under the Listing Rules, where the Company determines it would be inappropriate to follow the principles because of its circumstances, the Company will provide reasons for not doing so in its annual report.

The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company's nature of operations and size. The Board has determined, given the size of the Board and the Company, that it is not appropriate to disclose the process for performance evaluation of the Board, its committees and individual Directors. Rather than a formal review procedure, the Board has adopted a self-evaluation process to measure its own performance, which is overseen by the nomination and remuneration committee.

The majority of the Board is not considered independent when considered in accordance with the criteria set out in recommendation 2.1 of the recommendations in the ASX Corporate Governance Principles. The chairman of the Board is also not considered independent. Notwithstanding these factors, the Board believes that the individuals on the Board can make quality, independent judgement in the best interests of the Company and other stakeholders.

## 6. Board and governance

The Board has determined, given the current nature and size of the Company, that it is not appropriate to adopt a policy concerning diversity and the Board does not consider the departure to be materially detrimental to the Company. The Board values and embraces diversity and recognises the value contributed to the Company by appointing to the Board people with varying skills and experience.

Other than these two instances, the Board does not anticipate that it will depart from the recommendations in the ASX Corporate Governance Principles.

### 6.13 Independence

Having regard to the indicators set out in Box 2.1 of the ASX Corporate Governance Principles, Philip Hennessy and Paul Masi are independent Directors, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and each is able to fulfil the role of an independent for the purposes of the ASX Corporate Governance Principles.

Having regard to the indicators set out in Box 2.1 of the ASX Corporate Governance Principles, John Kain, Andrew Champion and Alexander McNab are not currently considered independent. John Kain is not considered independent given his position as chairman of Blue Sky. Alexander McNab is not considered independent given his position as director and employee of Blue Sky and as a director of the Manager. Andrew Champion is not considered independent given his position as director of the Manager and employee of Blue Sky.

### 6.14 Independent professional advice

To fulfil his or her duties and responsibilities as Directors, each Director (with the prior approval of the chairman) may seek independent legal or other professional advice about any aspect of the Company's operations. The chairman's approval may not be unreasonably withheld or delayed. The cost of the advice is borne by the Company.

## 7. Financial Information

### 7.1 Use of proceeds

The Company intends to use the funds raised from the Offer for investment consistent with the objectives, investment strategy, investment parameters and Authorised Investments set out in Section 3 and to pay the costs of the Offer.

### 7.2 Unaudited statements of financial position

The unaudited historical statement of financial position of the Company as at 4 April 2014 (**Historical Financial Information**) has been extracted from the unaudited trial balance of the Company as at 4 April 2014.

The unaudited pro-forma statements of financial position being:

- the unaudited pro forma statement of financial position as at 6 May 2014 based on the raising of a minimum subscription of \$50 million worth of ordinary shares; and
- the unaudited pro forma statement of financial position as at 6 May 2014 based on the raising of a maximum subscription of \$100 million worth of ordinary shares,

collectively the **Pro Forma Financial Information** and set out in the table on the following page, have been prepared to illustrate the effects of the adjustments for the different subscription amounts as if they had occurred on 6 May 2014. The adjustments are:

- completion of the Offer based on either \$50 million or \$100 million being raised; and
- payment of costs (which have been deducted from the cash amount) which consist of the Offer related costs in accordance with Section 7.5.

Collectively the Historical Financial Information and Pro Forma Financial Information are referred to in this Prospectus as the **Financial Information**.

The Pro Forma Financial Information has been prepared on the basis of the following assumptions:

- 50% of the Offer is taken up by Applicants who are eligible to pay, and have consented to the payment of, the Service Fee;
- no Options are exercised as at 6 May 2014;
- no management or performance fees have been incurred as at 6 May 2014;
- no ongoing operating expenses have been incurred as at 6 May 2014;
- the Company will derive future income of a sufficient nature and amount to enable recognition of a deferred tax asset for the fund raising costs;

- the costs incurred by the Company in respect of the Offer referred to in this Section are net of the deferred tax asset ('DTA'), in accordance with accounting standards and the accounting policy note in Section 7.6. This means that the tax benefit (a 30% tax deduction) is applied to these costs to reduce them by 30%. The cash outlay of these costs is gross of this tax benefit. For example, an outlay described in this Section as \$70 (net of tax) is a cash outlay of \$100 less the tax benefit of a \$30 income tax deduction. The costs described at Sections 2.6, 11.8 and 11.9 show the gross cash cost (excluding GST), before applying the deferred tax asset benefit; and
- the Service Fee of 1.65 cents per Share (inclusive of GST) payable by Applicants who are eligible to pay, and consent to the payment of, a Service Fee will be collected by the Company (via the Share Registry) on behalf of the Brokers and will be held on trust pending the Share Allotment Date. On the Share Allotment Date, Service Fees attributable to Institutional Applicants who consent to the payment of such Service Fee will be transferred into a separate service fee trust account and paid to Brokers. The Service Fee in respect of Retail Applicants who provide consent to the payment of the Service Fee will also be transferred into the service fee trust account on the Share Allotment Date and paid to the Brokers.

Retail Applicants who do not provide their consent to the Service Fee being paid to their Broker will nevertheless pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.

As the Service Fee is collected by the Company (via the Share Registry) on behalf of the Brokers and held on trust pending on-payment to the Brokers, the Service Fee does not form a part of the Company's proceeds of the Offer. Accordingly, the statements of financial position on the following pages are exclusive of the Service Fee.

If you do not fully understand any aspect of the Pro Forma Financial Information or the Historical Financial Information you should seek professional guidance from your accountant or other professional adviser before deciding whether to invest in the Securities.

The table on the following page sets out the unaudited historical statement of financial position as at 4 April 2014 and unaudited pro forma statements of financial position as at 6 May 2014.

## 7. Financial Information

|                           | Unaudited Pro Forma Statements of Financial Position as at 6 May 2014   |                                   |                                    |
|---------------------------|---|-----------------------------------|------------------------------------|
|                           | Unaudited Historical Statement of Financial Position as at 4 April 2014 | Minimum Subscription \$50,000,000 | Maximum Subscription \$100,000,000 |
| <b>Assets</b>             |   |                                   |                                    |
| Cash                      | \$1   | \$48,959,012                      | \$98,378,982                       |
| GST receivable            | \$-   | \$70,977                          | \$110,524                          |
| Prepayments               | \$-   | \$87,053                          | \$87,053                           |
| Deferred Tax Asset        | \$-   | \$264,887                         | \$427,033                          |
| <b>Total Assets</b>       | <b>\$1</b>  | <b>\$49,381,929</b>               | <b>\$99,003,592</b>                |
| <b>Liabilities</b>        |   |                                   |                                    |
|                           | \$-   | \$-                               | \$-                                |
| <b>Net Assets</b>         | <b>\$1</b>  | <b>\$49,381,929</b>               | <b>\$99,003,592</b>                |
| <b>Equity</b>             |   |                                   |                                    |
| Issued Shares and Options | \$1   | \$50,000,001                      | \$100,000,001                      |
| Less costs of fundraising | \$-   | -\$618,072                        | -\$996,409                         |
| Retained earnings         | \$-   | \$-                               | \$-                                |
| <b>Total Equity</b>       | <b>\$1</b>  | <b>\$49,381,929</b>               | <b>\$99,003,592</b>                |
| <b>NAV per Share</b>      | <b>\$1.0000</b>   | <b>\$0.9794</b>                   | <b>\$0.9818</b>                    |

Note: The figures in the above table are calculated before the exercise of Options and assume 50% of the Offer is taken up by Applicants who are eligible to pay, and have consented to the payment of, the Service Fee. To the extent that the percentage of Applicants who are eligible to pay, and have consented to the payment of, the Service Fee increases or diminishes it will respectively diminish or increase the NAV per Share in the unaudited pro forma statements of financial position. By way of example, if 100% of Applicants are eligible to pay, and have consented to the payment of, the Service Fee, then the NAV per Share (based on the Minimum Subscription) will be \$0.9713 and if no Applicants consent to payment of a Service Fee, then the NAV per Share (based on the Minimum Subscription) will be \$0.9876.

### 7.3 Capital structure

The anticipated capital structure of the Company on completion of the Offer is set out below:

|                   | Opening Position as at 4 April 2014 | Minimum Subscription \$50,000,000 | Minimum Subscription \$100,000,000 |
|-------------------|-------------------------------------|-----------------------------------|------------------------------------|
| Number of Shares  | 1                                   | 50,419,422                        | 100,838,842                        |
| Number of Options | -                                   | 50,419,421                        | 100,838,841                        |

Note: The figures in the above table are calculated before the exercise of Options assuming 50% of the Offer is taken up by Applicants who are eligible to pay, and have consented to the payment of, the Service Fee. To the extent that the percentage of Applicants who are eligible to pay, and have consented to the payment of, the Service Fee is greater than or less than 50% it will respectively increase or diminish the number of Shares and Options on issue. By way of example, if 100% of the Offer is taken up by Applicants who are eligible to pay, and have consented to the payment of, the Service Fee, then the number of Shares and Options (based on the Minimum Subscription) will be 50,838,842 Shares and 50,838,841 Options and if no Applicants consent to payment of a Service Fee, then the number of Shares and Options (based on the Minimum Subscription) will be 50,000,001 Shares and 50,000,000 Options.

## 7. Financial Information

### 7.4 Cash

A reconciliation of the unaudited historical statement of financial position and unaudited pro forma statements of financial position for cash is set out below.

|   | Unaudited Historical<br>Statement of Financial<br>Position as at 4 April 2014 | Unaudited Pro Forma Statements of Financial<br>Position as at 6 May 2014 |  |
|---|---|--|--|
|   |   | Minimum<br>Subscription<br>\$50,000,000                                  | Maximum<br>Subscription<br>\$100,000,000 |
| Initial subscriber share                | \$1   | \$1  | \$1                                      |
| Proceeds of the Offer                   | \$-   | \$50,000,000   | \$100,000,000                            |
| Costs of the Offer (net of GST and DTA) | \$-   | -\$618,072   | -\$996,409                               |
| GST receivable                          | \$-   | -\$70,977  | -\$110,524                               |
| Prepayments                             | \$-   | -\$87,053  | -\$87,053                                |
| Deferred Tax Asset ('DTA')              | \$-   | -\$264,887   | -\$427,033                               |
| <b>Estimated net cash position</b>      | <b>\$1</b>  | <b>\$48,959,012</b>  | <b>\$98,378,982</b>                      |

### 7.5 Costs of the Offer

The Company will pay the majority of the costs of the Offer including lead manager fees, legal and investigating accountant's fees, printing and initial ASX listing fees. The costs to be paid by the Company have been estimated at \$618,072 (net of tax) assuming the Minimum Subscription is achieved, and \$996,409 (net of tax) assuming the Maximum Subscription is achieved. A breakdown of these costs (net of claimable GST and net of tax), for both the Minimum Subscription of \$50,000,000 and the Maximum Subscription of \$100,000,000 is provided below:

|   | Minimum<br>Subscription<br>\$50,000,000 | Maximum<br>Subscription<br>\$100,000,000 |
|---|---|--|
| Joint lead manager fees                   | \$358,750                               | \$717,500                                |
| Legal fees                                | \$60,270                                | \$60,270                                 |
| Investigating Accountant and Tax fees     | \$72,468                                | \$72,468                                 |
| ASX fees                                  | \$70,215                                | \$89,802                                 |
| ASIC lodgement fees                       | \$1,016                                 | \$1,016                                  |
| Other costs                               | \$55,353                                | \$55,353                                 |
| <b>Total estimated costs of the Offer</b> | <b>\$618,072</b>                        | <b>\$996,409</b>                         |

The costs of the Offer set out in the above tables do not include the costs associated with the Service Fee.

## 7. Financial Information

### 7.6 Significant accounting policies and notes to accounts

A summary of significant accounting policies that have been adopted in the preparation of the unaudited pro forma statements of financial position set out in Section 7.2, or that will be adopted and applied in preparation of the financial statements of the Company for the period ending 30 June 2014 and subsequent periods, is set out as follows:

#### a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards.

The Pro Forma Financial Information has been prepared in a manner which is consistent with the recognition and measurement principles of Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The Financial Information presented in the Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The Pro Forma Financial Information has been prepared on the basis of assumptions outlined in Section 7.2.

#### b) Investments

Investments held at fair value through profit or loss will initially be recognised at fair value including any transaction costs related to their acquisition. Subsequent to initial recognition, all financial instruments held at fair value through profit or loss will be accounted for at fair value, with changes to such values recognised in profit or loss.

#### Fair value in an inactive or unquoted market

The fair value of investments that are not traded in an active market will be determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

Investments will be recognised on a trade date basis.

#### c) Income tax

Under current legislation, the Company is subject to income tax at 30% on taxable income. A capital gains tax concession may be available to Shareholders where certain requirements are met. Refer to Section 9 for further information.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities will be recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates will be applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability will be recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets will be recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity will also be recognised directly in equity.

#### d) Goods and Services Tax (GST)

The Company is registered for GST and under current regulations will claim the maximum entitlement available in relation to GST incurred in respect of particular expenses. The un-claimable portion will be written off as an expense and included in the tax assets as appropriate or capitalised.

#### e) Revenue and expenses

Revenue and expenses will be brought to account on the accrual basis. Changes in the net fair value of investments will be recognised in profit or loss and will be determined as the difference between the net fair value at year end or consideration received (if sold during the year) and the carrying value of the investment.

#### f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts will be shown within interest bearing liabilities in current liabilities in the statement of financial position.

## 7. Financial Information

### **g) Receivables**

Receivables may include amounts for dividends, interest and securities sold. Dividends will be receivable when they have been declared and are legally payable. Interest will be accrued at the balance date from the time of last payment. Amounts receivable for securities sold will be recorded when a sale has occurred.

### **h) Payables**

These amounts will represent liabilities for amounts owing by the Company at year end which are unpaid. The amounts will be unsecured and will usually be paid within 30 days of recognition.

### **i) Derivative financial instruments**

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of net gains/(losses) on investments.

### **j) Prepayments**

The Company will recognise as a prepayment costs incurred from which a benefit is expected to be derived in the future. The period over which the prepayment will be expensed will be determined by the period of benefit covered by the prepayment.

### **k) Share Capital**

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

### **l) Share option reserve**

The share option reserve will be measured at the fair value of the Options at the date of issue. This reserve is adjusted, with a corresponding entry to share capital, on exercise of the Options. At the expiration of the Option period, the portion of the reserve relating to unexercised Options will be transferred to a capital reserve.

## 8. Independent Limited Assurance Report



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5 May 2014

The Directors  
Blue Sky Alternative Investments Limited  
Level 2, Port Office Suites, 40 Edward Street  
Brisbane QLD 4000

Dear Directors

### **Independent Limited Assurance Report on Blue Sky Alternatives Access Fund's Historical and Pro Forma Financial Information**

#### **1. Introduction**

We have been engaged by Blue Sky Alternative Investment Limited to report on the historical and pro forma financial information of Blue Sky Alternatives Access Fund ("BSAAF") for inclusion in the initial public offer of shares under a prospectus ('Prospectus') to be dated on or about 6 May 2014, and to be issued by BSAAF, in respect of the initial public offer of shares ('the Offer').

Expressions and terms defined in the Prospectus have the same meaning in this report.

#### **2. Scope**

##### ***Historical Financial Information of BSAAF***

You have requested Ernst & Young to review the following historical financial information of BSAAF included in Section 7.2 of the Prospectus, being the unaudited historical statement of financial position as at 4 April 2014.

(Hereafter the 'Historical Financial Information'.)

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board. The Historical Financial Information has been extracted from the unaudited trial balance of BSAAF as at 4 April 2014.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

##### ***Pro Forma Financial Information of BSAAF***

You have requested Ernst & Young to review the following pro forma financial information of BSAAF included in Section 7.2 the Prospectus:



## 8. Independent Limited Assurance Report



1. the unaudited pro forma statement of financial position as at 6 May 2014 as disclosed in Section 7.2 based on the raising of a minimum subscription of \$50 million ordinary shares.
2. the unaudited pro forma statement of financial position as at 6 May 2014 as disclosed in Section 7.2 based on the raising of a maximum subscription of \$100 million ordinary shares.

(Hereafter the 'Pro Forma Financial Information')

(Collectively, the 'Financial Information').

The Pro Forma Financial Information has been derived from the Historical Financial Information of BSAAF after adjusting for the effects of pro forma transactions described in Section 7.2 of the Prospectus. The stated basis of preparation is in a manner consistent with the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board applied to the events or transactions to which the pro forma adjustments relate, as described in Section 7.2 of the Prospectus, as if those events or transactions had occurred as at 6 May 2014. Due to its nature, the Pro Forma Financial Information does not represent BSAAF's actual or prospective financial position.

The Pro Forma Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

### 3. Directors' Responsibility

The directors of BSAAF are responsible for the preparation and presentation of the Historical and Pro Forma Financial Information, including the selection and determination of pro forma transactions included in the Pro Forma Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical and Pro Forma Financial Information that are free from material misstatement, whether due to fraud or error.

### 4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Historical and Pro Forma Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. It is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance report on any financial information used as a source of the Financial Information.

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## 8. Independent Limited Assurance Report



### 5. Conclusions

#### **Historical Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 7.2 of the Prospectus and comprising the unaudited historical statement of financial position as at 4 April 2014 is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 7.6(a) of the Prospectus.

#### **Pro Forma Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information, as described in Section 7.2 of the Prospectus and comprising:

1. the unaudited pro forma statement of financial position as at 6 May 2014 based on the raising of a minimum subscription of \$50 million ordinary shares.
2. The unaudited pro forma statement of financial position as at 6 May 2014 based on the raising of a maximum subscription of \$100 million ordinary shares.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 7.6(a) of the Prospectus.

### 6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 7.2 of the Prospectus which describes the purpose of the Historical and Pro Forma Financial Information. As a result, the Historical and Pro Forma Financial Information may not be suitable for use for another purpose.

### 7. Consent

Ernst & Young has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

### 8. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

A handwritten signature in blue ink that reads 'Ernst &amp; Young'.

Ernst & Young

## 9. Taxation

### 9.1 Summary of Australian taxation implications

The following is a summary of the Australian tax implications of the Offer for investors who are residents of Australia for tax purposes and who hold their Shares and Options as capital assets. This summary is based on the law in effect as at the date of this Prospectus, is general in nature and should not be relied on by potential investors as tax advice. Potential investors should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

This Section does not consider the Australian tax consequences for particular types of investors, including those:

- whose Shares or Options are held as trading stock or otherwise on revenue account; or
- that may be subject to special tax rules, such as insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated), or temporary residents; or
- who are tax resident of any jurisdiction other than Australia (except where expressly stated); or
- who are subject to the Australian Taxation of Financial Arrangement rules under Division 230 of the *Income Tax Assessment Act 1997* (Cth).

#### a) Status as a listed investment company

Where the Company qualifies as a LIC, certain types of Shareholders may qualify for income tax deductions in respect of dividends paid out of certain profits which represent capital gains on the disposal of a permitted investment that the Company has held for over 12 months (referred to as a 'LIC capital gain').

Specifically, where the capital profit would have qualified as a discounted capital gain if the underlying asset had been held directly by a Shareholder, the benefit of the discounted capital gain flows through to the Shareholder such that the dividends paid out of those profits are effectively taxed in the hands of the Shareholder at the same rate as a discounted capital gain.

On the basis of the current investment strategy, it is anticipated that the Company will generally not generate LIC capital gains as a consequence of the investment mandate proposed to be adopted. As such, Shareholders will generally not be able to obtain taxation benefits under the LIC regime.

For this reason, it is recommended that investors do not make a decision to apply for Securities under this Prospectus solely on the basis of potential taxation benefits that may result from the Company being treated as a LIC.

However the Company may hold certain investments on capital account and may be able to pass through LIC taxation benefits to Shareholders that qualify for these concessions.

#### b) Income tax implications in relation to Shares

##### i. Dividends received by Shareholders

Dividends will be required to be included in an Australian resident Shareholder's assessable income in the income year in which the dividend is received. As discussed in Section 9.1, where a component of a dividend is attributable to a LIC capital gain, Australian resident Shareholders that are:

- Individuals, partnerships or trusts should be allowed a deduction equal to 50% of that component; or
- Complying superannuation funds or life insurance companies (where the dividend is in respect of Shares that are complying superannuation or First Home Saver Account assets) should be allowed a deduction equal to 33⅓% of that component.

The ability of a beneficiary of a trust or a partner in partnership to obtain the concession should depend on the nature of that particular beneficiary or partner. Corporate Shareholders do not benefit from any tax deduction.

##### ii. Franking credits received by Shareholders

To the extent that franking credits are attached to the dividend, Australian resident Shareholders should also include the franking credits in their assessable income. Where Shareholders include franking credits in their assessable income, Shareholders should be entitled to a corresponding tax offset against their tax payable for the relevant income year.

In order for Shareholders to qualify for franking credits and the corresponding tax offset, Shareholders must satisfy the 'holding period' rules which require Shareholders to hold their Shares 'at risk' for a period of not less than 45 days, not counting the day of acquisition or disposal. The 'holding period' rules do not apply to Shareholders who are individuals who are entitled to tax offsets (for all franked distributions received by the particular Shareholder in the relevant income year) of not greater than \$5,000 for the relevant income year.

Where the holding period rule is satisfied:

- Shareholders that are individuals or complying superannuation funds should be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Where these Shareholders have franking credits in excess of their income tax liability they may be entitled to a refund equal to the excess.
- Shareholders that are companies should be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Accordingly, these Shareholders

## 9. Taxation

should not pay any additional tax on the dividend to the extent that it is franked. Any excess tax offset may be able to be converted to a carry forward tax loss. A credit should arise in the franking account of these Shareholders equal to the amount of the franking credits attached to the dividend.

Where Shares are held by Australian resident trusts or partnerships, and the dividend is passed through to Australian resident beneficiaries or partners, the benefit of the franking credit attached to the dividend may also pass through to those Australian resident beneficiaries or partners. The income tax treatment of the dividends and any franking credits in the hands of those beneficiaries or partners should depend upon the tax status of the beneficiaries or partners.

### iii. Disposal of Shares

The disposal of Shares should give rise to a CGT event for Shareholders. Shareholders should:

- make a capital gain if the capital proceeds received on the disposal of their Shares are greater than the cost base of those Shares; or
- make a capital loss if the capital proceeds received on the disposal of their Shares are less than the reduced cost base of those Shares.

The capital proceeds received on disposal of Shares should generally be equal to the money received in respect of the disposal.

The cost base of Shares subscribed for under the Offer should generally be equal to the Issue Price plus any incidental costs. The reduced cost base should be the same as the cost base, subject to some modifications.

To the extent Shareholders derive a capital gain on disposal of the Shares in the Company, Shareholders that are individuals, trusts or complying superannuation funds that have held their Shares for more than 12 months should be eligible to a CGT discount in respect of the capital gain of 50% for individuals and trusts and 33⅓% for complying superannuation funds. Prior to applying the CGT discount, Shareholders may offset their capital gain against any available capital losses incurred in the relevant income year or any carry forward net capital losses. The net capital gain (after applying any losses and the CGT discount) should be included in their assessable income in the relevant income year.

To the extent Shareholders incur a capital loss on disposal of the Shares in the Company, Shareholders may offset their capital loss against any capital gains derived in the relevant income year. Where the capital losses incurred in the relevant income year exceed the capital gains derived in the relevant income year, Shareholders may be entitled to carry forward the excess (referred to as a 'net capital loss') to future income years subject to the application of the loss recoupment rules in certain cases. Shareholders cannot offset their net capital losses against their ordinary income.

### iv. Returns of capital

If a return of capital is made by the Company, the cost base and reduced cost base of a Shareholder's Shares for CGT purposes should be reduced by the amount of the return of capital, with any excess over the cost base resulting in a capital gain.

## c) Income tax implications in relation to Options

### i. Issue of Options

The issue of Options under the Offer should not result in any amount being included in the assessable income of an investor.

### ii. Exercise of Options

Optionholders who exercise their Options and are issued with Shares should acquire those Shares with a cost base for CGT purposes equal to the exercise price of the Option plus any incidental costs they incur in acquiring the Shares. Optionholders should not make any capital gain or loss, or derive assessable income, from exercising the Options.

### iii. Sale or transfer of Options

The sale or transfer of Options should give rise to a CGT event on the date of sale or transfer. As the Optionholders should provide no consideration for their Options, an Optionholder's cost base in the Options should be limited to any incidental costs. An Optionholders reduced cost base should be limited to non-deductible incidental costs.

An Optionholder should:

- make a capital gain if the capital proceeds received (or deemed to be received) on the sale or transfer of their Options are greater than the cost base of those Options; or
- make a capital loss if the capital proceeds received (or deemed to be received) on the disposal of their Options are less than the reduced cost base of those Options.

Where the Options have been held for at least 12 months before their sale or transfer, Optionholders that are individuals, trusts or complying superannuation funds may be entitled to the benefit of the CGT discount on any capital gains they derive.

## 9. Taxation

### iv. Lapse of Options

On the basis that no proceeds should be received by Optionholders who allow their Options to lapse, Optionholders should not make a capital gain on the lapse of an Option. If an Optionholder has a reduced cost base in the Options greater than nil, a capital loss should arise on the lapse of an Option.

### v. Goods and Services Tax

No GST is payable in respect of the acquisition of Shares or the issue or exercise of Options, nor should there be any GST liability arising from the receipt of dividends in respect of the Shares. An Australian resident that is registered or required to be registered for GST seeking to claim input tax credits on related transaction costs should seek their own independent tax advice in this regard.

### vi. Stamp duty

No Australian stamp duty should be payable in respect of the subscription for the Shares and Options under this Prospectus.

### vii. Tax File Number ('TFN') Withholding Tax

Shareholders and Optionholders are not required to quote their TFN to the Company. If Shareholders and Optionholders do not quote their TFN or other relevant exemption details, tax may be required to be withheld by the Company from certain distributions at the top marginal rate plus the Medicare levy.

## 9.2 Summary of New Zealand taxation implications

The following summary relates only to New Zealand tax, applies to prospective investors who are New Zealand tax residents, and who hold their Shares and Options on capital account. The statements are based on the law in effect at the date of this Prospectus. This summary is of a general nature and should not be relied upon by prospective investors as taxation advice. The statements below are not intended to deal with all relevant considerations or possible circumstances, and the individual circumstances of each New Zealand investor may affect the taxation outcomes. Prospective New Zealand investors should seek their own taxation advice in relation to their own taxation position prior to investing in the Company.

This summary does not consider the New Zealand tax consequences for particular types of investors including those:

- who hold their Shares and Options for the purpose of resale, or as part of a profit-making undertaking or scheme, or as part of a business, or as trading stock;

- who may be subject to specialist tax regimes – such as portfolio investment entities, life insurance companies, tax exempt organisations, superannuation funds and temporary New Zealand residents;
- who are tax resident otherwise than solely in New Zealand; or
- who are:
  - employees of the Company;
  - associates of employees of the Company, or
  - employees of an associate of the Company.

This summary also assumes that the Company will not be a controlled foreign company for New Zealand taxation purposes i.e. that (i) no single New Zealand investor will hold a control interest in the Company of 40% or more, and (ii) a group of five or fewer New Zealand investors will not hold control interests of 50% or more in the Company, and (iii) a group of five or fewer New Zealand investors will not be able to exercise shareholder decision-making rights in the Company. Based on that assumption, the controlled foreign company regime has not been considered further.

### Income tax implications in relation to Shares and Options

#### New Zealand foreign investment fund (FIF) rules and the Shares and Options

New Zealand investors will need to consider whether the Shares and Options are attributing interests in a FIF and give rise to FIF income for New Zealand tax purposes. It should be noted that in the case of the Options, until they are exercised and Shares are issued, they should not in and of themselves be an attributing interest in a FIF because they should not meet the definition of being an income interest as defined in the FIF rules. Under the FIF rules, unless an exemption is applicable, the Shares are likely to be an attributing interest in a FIF.

There is an exemption from the FIF rules for Australian resident companies which are not treated as resident in any other jurisdiction (including under a double tax agreement), which are required to maintain a franking account for Australian tax purposes, and which have shares included in an approved index under the ASX Operating Rules.<sup>1</sup>

1. As at the date of the Prospectus the New Zealand Inland Revenue Department list of approved Australian indices is: ASX All Ordinaries; ASX 200; ASX Listed Investment Companies; and ASX 50.

## 9. Taxation

For the Shares to fall within that exemption, the listing of Shares in the Company is required when the New Zealand investor acquires the Shares (if the Shares are acquired during an income year), or at the beginning of an income year (for New Zealand tax purposes that is a 1 April to 31 March year, unless the New Zealand Commissioner of Inland Revenue has approved an alternate year).

This exemption may apply to the Shares in the Company, and the Shares may not be an attributing interest in a FIF.

An alternative exemption from the FIF rules may be applicable for particular New Zealand investors who hold a 10% or greater income interest in the Company (which is solely Australian tax resident). This summary assumes that New Zealand investors are likely to hold income interests of less than 10%, and that particular exemption has not been considered further. A further exemption applies to New Zealand investors who are natural persons or certain kinds of trusts if their total FIF interests have a total cost of less than NZ\$50,000, unless the New Zealand investors in that category specifically elect for the FIF rules to apply.

If no exemptions from the FIF rules are applicable and the Shares are an attributing interest in a FIF, New Zealand investors should be liable for New Zealand income tax on attributed income calculated under a method set out in the FIF rules. If the FIF rules are applicable, New Zealand investors should seek specific advice about the applicable method to apply. In general terms, the fair dividend rate (FDR) method is the primary method applicable to income interests of less than 10%. Under the FDR method, the FIF income would be 5% x the opening market value of the Shares (adjusted for any interests bought and sold during the income year). If the FIF rules are applicable, dividends are not taxed separately. This is further outlined below.

### Taxation of dividends from the Company on the Shares

If the FIF rules mentioned above are applicable, dividends derived by that New Zealand investor on the Shares should not be subject to New Zealand tax. If the FIF rules are not applicable (due, for example, to an exemption from the FIF rules being applicable), New Zealand investors should be liable for New Zealand tax at their applicable marginal tax rate on dividends from the Company. It should be noted that dividends may also arise for New Zealand tax purposes if the Shares are redeemed or repurchased by the Company, and also, in some cases, if there is a return of capital by the Company (tax advice should be sought in those circumstances). If the New Zealand investor is a New Zealand company, it is unlikely that the exemption for New Zealand tax for dividends from foreign companies should be applicable, if the exclusion from the FIF rules is due to one of the FIF exemptions outlined above. Where Australian withholding tax has been deducted from a dividend distribution received by a New Zealand investor,

a New Zealand tax credit should be available up to the amount of the New Zealand tax applicable to the dividend. It should be noted that New Zealand investors are not able to utilise any Australian franking credits attached to dividend distributions against their New Zealand income tax liability on the dividend distributions. Those Australian franking credits are also not required to be included in New Zealand investors' assessable income for New Zealand tax purposes. In respect of the Options, until they are exercised and Shares are issued, Optionholders should not derive distributions in respect of the Options.

### Disposal of the Shares or disposal of the Options

Assuming the FIF rules do not apply, New Zealand income tax should not arise to a New Zealand investor on any profits from the disposal of the Shares or Options, assuming the New Zealand investor has not acquired the Shares or Options for the purpose of disposal, as part of a profit-making undertaking or scheme or as part of a business (for example, a dealing business). Also on the basis of that latter assumption, payments made by retail Applicants under the Broker Firm Offer should not have a tax cost base implication for New Zealand tax purposes (whether or not they provide consent to and authorisation of the payment of the applicable Service Fee to their Broker). If the FIF rules apply, depending on the calculation method adopted under those rules, adjustments to the calculation of income attributable under the FIF rules can arise to reflect the disposal of Shares during the income year.

### Issue and exercise of the Options

The issue and exercise of the Options should not lead to a New Zealand tax consequence for New Zealand investors. The Options are options to acquire Shares, and should be excluded from New Zealand's financial arrangements rules as a consequence.

### Foreign currency gains and losses

The issue of the Shares and the exercise of the Options in Australian dollars should not lead to New Zealand tax consequences for New Zealand investors, as any gains or losses attributable to the difference between New Zealand dollars and Australian dollars are attributable to the Shares and Options - specifically excluded from New Zealand's financial arrangements rules.

### Goods and services tax and stamp duty

No New Zealand goods and services tax should be applicable to any dividends from the Company, any disposal of the Shares or Options, the initial subscription for the Shares or the Options nor to the exercise of the Options. In addition, there is no stamp duty regime in New Zealand.

## 10. Material agreements

The material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

### 10.1 Management Agreement

The Company has entered into the Management Agreement with the Manager on 6 May 2014 with respect to the management of the Investment Portfolio. A summary of the material terms of the Management Agreement are set out below.

#### Services

Under the Management Agreement, the Manager has been appointed as the exclusive manager of the Investment Portfolio for the term of the Management Agreement and must manage the Investment Portfolio and manage and supervise all investments in accordance with the terms of the Management Agreement.

The Manager will also provide or procure the provision of administrative support services reasonably required by the Company to conduct its business. These services include assisting the Company in respect of the following:

- (a) maintenance of the corporate, tax and statutory records of the Company;
- (b) compliance with the Company's obligations under the Corporations Act and the Listing Rules;
- (c) liaison with the Share Registry;
- (d) preparation of the Company's monthly net tangible asset backing reports and arranging for the lodgement of such reports in a timely manner to enable the Company to comply with its reporting requirements under the Listing Rules;
- (e) preparation of the Company's half-year reports and annual reports, and arranging for the printing and distribution of such reports; and
- (f) the provision of information necessary for the maintenance of financial accounts of the Company to be completed.

#### Powers and discretions of Manager

Subject to applicable laws (including the Listing Rules and the Corporations Act) and the proper and reasonable directions of the Board required for the Board to meet working capital requirements, pay dividends to Shareholders, carry out capital management strategies, maintain solvency, comply with

applicable laws and the Manager managing the Investment Portfolio by investing in Authorised Investments in accordance with the investment parameters set out in Sections 3.5 and 3.6, the Manager has absolute and unfettered discretion to manage the Investment Portfolio and to do all things considered necessary or desirable in relation to the Investment Portfolio, including, without limitation:

- (a) investigation of, negotiation for, acquisition of, or disposal of the Company's investments;
- (b) management of the Investment Portfolio, including keeping it under review;
- (c) selling, realising or dealing with all or any of the Company's investments or varying, converting, exchanging or adding other investments in lieu of those investments;
- (d) if any investments in the Investment Portfolio are redeemed or the capital paid on the investment is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into a new investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and invest such monies in other investments;
- (e) retaining or selling any shares, debentures or other property received by the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company; and
- (f) selling all or some of the rights to subscribe for new securities in the Company's investments, using all or part of the proceeds of such sale for the subscription of new securities or to subscribe for securities pursuant to those rights.

#### Investment parameters

Please refer to Sections 3.5 and 3.6 of this Prospectus for a description of the investment parameters set out in the Management Agreement.

#### Delegation

The Manager may appoint any related body corporate of the Manager, to be a sub-contractor for the Manager to perform secondary duties and obligations imposed on the Manager by the Management Agreement.

#### Valuations

The Manager must arrange for calculation of the value of the Investment Portfolio and the net tangible asset backing of each Share in each class of Shares in accordance with the Listing Rules at least monthly and provide such calculations to the Company.

## 10. Material agreements

The value of the Portfolio shall be determined by aggregating the value of each investment forming part of or comprised in the Portfolio and each investment shall be valued in accordance with the following methodology:

- (a) cash (including income) – the amount of such cash;
- (b) securities – the market value of such securities determined in accordance with generally accepted valuation principles consistently applied; and
- (c) other investments – if any investment is not included in (a) or (b) above, the value of that investment determined in accordance with generally accepted valuation principles consistently applied.

The Company at its own cost may request that the value of an investment be determined by a duly qualified valuer independent of both the Company and the Manager (**Approved Valuer**), having regard to the particular type or types of investment which are the subject of the valuation.

The Manager must appoint an Approved Valuer to calculate the value of the Portfolio as at 30 June each year (other than 2014) at the Manager's cost.

### Fees

#### Management fee

The Manager is entitled to be paid a management fee equal to 1.2% p.a. (plus GST) of the Portfolio Net Asset Value (as defined in (e) below). The management fee is calculated and accrued on the last day of each month and paid at the end of each month in arrears.

#### Performance Fee

At the end of each financial year, the Manager will be entitled to receive a performance fee (**Performance Fee**) from the Company. The terms of the Performance Fee are outlined below:

- (a) The Performance Fee is calculated and accrued monthly using the following formula:

$$P = 17.5\% \times (A - B) \times C,$$

where:

P is the Performance Fee for the relevant month;

A is the Investment Return of the Portfolio for the relevant month;

B is the Hurdle Return for the relevant month; and

C is the Portfolio Net Asset Value at the end of the last day of the relevant month.

- (b) The Performance Fee for each month in a Financial Year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate Performance Fee for that Financial Year (including any negative amounts carried forward) is a positive amount provided that:
  - i. if the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fee shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be carried forward to the following Financial Year; and
  - ii. any negative aggregate Performance Fee amounts from previous Financial Years that are not recouped in a Financial Year shall be carried forward to the following Financial Year.
- (c) 'Investment Return' means the percentage by which the Portfolio Net Asset Value at the end of the last day of the relevant month exceeds or is less than the Portfolio Net Asset Value at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in the Company during the relevant month including dividend reinvestments, new issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax.
- (d) 'Hurdle Return' means, in respect of the relevant month, 8.0% on a per annum basis.
- (e) 'Portfolio Net Asset Value' means the Portfolio Market Value reduced by any accrued but unpaid expenses of the Company, but not provisions for tax payable, and after subtracting any borrowings drawn down and adding back any borrowings repaid.
- (f) 'Portfolio Market Value' means the market value of the assets of the Portfolio.
- (g) 'Financial Year' means the period from 1 July in one year until 30 June in the following year except that the first financial year is from the commencement date until the following 30 June, and the final financial year is from the 1 July immediately preceding the date of termination of the Agreement until that date of termination.

#### Payment of Performance Fees

If a Performance Fee is payable for a Financial Year, the Company must pay the Performance Fee to the Manager 10 business days after the end of the completion of the Net Asset Value calculation (which for avoidance of doubt will be based on results of valuation by the Approved Valuer) is completed in respect of the Financial Year (**Payment Date**) as follows:



## 10. Material agreements

- (a) if the Manager notifies in writing not less than five business days prior to the Payment Date that an amount being all or part of the Performance Fee (**Relevant Amount**) is to be paid to the Manager by the issue of Shares, the Company must, if permitted by the Corporations Act and Listing Rules without receiving any approvals from the Shareholders, issue to the Manager or its nominee the number of Shares calculated as follows:

$$N = \text{Relevant Amount} / \text{Issue Price}$$

where:

**N** = the number of Shares; and

**Issue Price** = the volume weighted average price of Shares traded on ASX during the period of 30 calendar days up to but excluding the Payment Date; and

- (b) the Company must pay in cash to the Manager the amount (if any) calculated when the value of consideration actually paid in shares is deducted from the Performance Fee.

The management fee and Performance Fee are exclusive of GST.

### No fee duplication

While the Management Agreement remains in force, the Company will not be required to pay any management or performance fees to any Blue Sky Entities in respect of investments in Blue Sky Fund Entities other than the fees payable to the Manager under the Management Agreement. To the extent any such fees are paid by the Company they will be rebated to the Company.

### Expenses

- (a) Subject to (b) below, the Manager must procure that the trustee, responsible entity or controlling entity (as applicable) of each Blue Sky Fund Entity in which an Authorised Investment by the Company on behalf of the Manager is made does not charge the Company any fees (whether management fees, performance fees or otherwise) in respect of the Authorised Investment.
- (b) The Company will be required to fund its pro-rata share of any transaction costs and establishment fees charged by a Blue Sky Entity to investors (excluding any capital raising and marketing fees) in a Blue Sky Fund Entity in which an Authorised Investment is made by the Manager on behalf of the Company.

### Term

The initial term of the Management Agreement is five years unless ASX relief is granted in which case it will be ten years (or such other term as determined by ASX) unless terminated earlier in accordance with the Management Agreement (see below).

The Management Agreement will automatically extend for a further five year period at the end of the initial term.

### Termination

#### Shareholder termination

After the expiry of the initial term, the Management Agreement will automatically terminate three months after an ordinary resolution of the Company is passed to end the Management Agreement.

The Management Agreement will also automatically terminate immediately where either party:

- (a) ceases to carry on business;
- (b) enters into liquidation or administration;
- (c) passes a resolution by shareholders for voluntary winding-up; or
- (d) appoints a receiver.

#### Termination by the Company

The Management Agreement gives the Company the right to immediately terminate the Management Agreement and remove the Manager by written notice on the occurrence of any one of the following events:

- (a) the Manager materially and substantially breaches the Management agreement and the Manager has failed to remedy the breach within 30 days following written notice to it by the Company specifying the breach and requiring it to be remedied; or
- (b) the Manager persistently fails to manage the Portfolio and supervise investments in accordance with applicable regulations and the Investment Policy (as defined under the Management Agreement); or
- (c) BSPE's AFSL is suspended for a period of no less than one month or cancelled at any time in accordance with Subdivision C, Division 4 of Part 7.6 of the Corporations Act and the Manager fails to obtain an authorisation enabling it to perform its obligations under the Management Agreement from a third party holder of an AFSL.

#### Termination by the Manager

The Manager is entitled to terminate the Management Agreement on one month's written notice to the Company in the event of any material and substantial breach of this agreement by the Company, where the Company has failed to remedy the breach within 30 days following written notice to it specifying the breach and requiring it to be remedied.

After the initial term, the Manager is entitled to terminate the Management Agreement by providing three months' written notice.

## 10. Material agreements

### Termination payment

After the initial term, if the Management Agreement is terminated by the Company without cause and other than as a result of an insolvency event occurring in respect of the Manager:

- (a) the Company will be required to pay each Blue Sky Fund Entity in which the Company has invested, all fees (whether management fees, performance fees or otherwise) payable by other investors on the same basis as the other investors, from the date of termination of the Management Agreement; and
- (b) unless ASX has agreed to waive Listing Rule 15.16 so that the Manager has a 10 year initial term, the Manager will be entitled to a termination payment at the termination date equal to 5%, reduced by 1/60 for each whole calendar month that has elapsed between the commencement of the extended term and the termination date, of the net tangible asset value of the Investment Portfolio.

### Amendment

The Management Agreement may only be altered by the agreement of the parties. The Company will provide an undertaking to ASX prior to the Share Allotment Date that it will not make any material changes to the Management Agreement without first obtaining Shareholder approval.

### Related party protocols

Where the Company acquires assets from or disposes of assets to a related party of the Company, the shareholders of the Company must approve the acquisition or disposal of the asset to the extent required by the Corporations Act or the Listing Rules.

### Change of control provisions

The Manager has no right to terminate the Management Agreement in the event of a change of control of the Company. Similarly, the Company has no right to terminate the Management Agreement in the event of a change of control of the Manager.

The Management Agreement does not contain any pre-emptive rights over the Investment Portfolio which are exercisable by either the Company, the Manager or a related entity of the Manager in the event of a change of control of either the Company or the Manager.

### Company indemnity

The Company must indemnify the Manager against any losses, liabilities, costs, charges and expenses reasonably incurred by the Manager (including without limitation, all reasonable legal costs incurred on a solicitor and own client basis) arising out of, or in connection with the Manager, its officers or any supervised agents which it has properly appointed in accordance with its authority under this agreement acting under, or on account of any bona fide investment decision made by the Manager or its officers or agents, and in accordance with, this agreement, except insofar as any loss, liability, cost, charge or expense is caused by the gross negligence, wilful default, bad faith, recklessness, wilful misconduct, fraud or dishonesty of the Manager or its officers or supervised agents or material breach of this agreement by the Manager. This obligation continues after the termination of the Management Agreement.

### Manager indemnity

The Manager must indemnify the Company against any losses, liabilities, costs, charges or expenses reasonably incurred by the Company (including without limitation all reasonable legal costs incurred on a solicitor and own client basis) arising out of, or in connection with any negligence, default, fraud or dishonesty of the Manager or its officers or employees or supervised agents or any breach of this agreement by the Manager. This obligation continues after the termination of the Management Agreement.

## 10.2 Offer Management Agreement

The Company entered into an Offer Management Agreement with the Joint Lead Managers on 6 May 2014 with respect to the management of the Offer. Under the Offer Management Agreement, the Joint Lead Managers have agreed to use their reasonable endeavours to procure Applications under the Offer. A summary of the key terms of the Offer Management Agreement is set out below.

### Commission, fees and expenses

The Company must pay the Joint Lead Managers in their respective proportions a management fee of 1.0% plus GST of the total proceeds of the Offer received by the Company. Any amount of the management fee to be paid to the Co-Lead Manager will be paid by the Joint Lead Managers out of this amount.

The Company has also agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

### Warranties

The Offer Management Agreement contains certain standard representations, warranties and undertakings provided by the Company to the Joint Lead Managers. The warranties relate

## 10. Material agreements

to matters such as the conduct of the parties and information provided by the parties in relation to the Prospectus and the Offer. The Company's undertakings include that it will not, during the period following the date of the Offer Management Agreement until 90 days after the allotment of Securities under the Offer, allot or agree to allot any equity securities or securities that are convertible into equity, or that represent the right to receive equity without the consent of the Joint Lead Managers.

### Indemnity

Subject to certain exclusions relating to, amongst other things, fraud, recklessness, wilful misconduct or negligence or a material breach of the Offer Management Agreement by an indemnified party, the Company agrees to keep the Joint Lead Managers and their respective associated parties indemnified against losses suffered in connection with the Offer.

Subject to certain exclusions relating to, amongst other things, fraud, recklessness, wilful misconduct, negligence or a material breach of the Offer Management Agreement by an indemnified party, the Manager agrees to keep the Joint Lead Managers and their respective associated parties indemnified against losses suffered in connection with the Offer including a breach by the Manager of its obligations under the Offer Management Agreement.

### Termination events

If any of the termination events included in the Offer Management Agreement (including those set out below) occur at any time before the Share Allotment Date or such other time as specified below, then each Joint Lead Manager may at any time by written notice to the Company and the other Joint Lead Managers without any cost or liability, terminate all further obligations of that Joint Lead Manager under the Offer Management Agreement.

- The S&P/ASX All Ordinaries Index at any time falls to a level which is 90% or less than the level at the close of trading on the date of the Offer Management Agreement and remains below that level for a period of two consecutive business days or closes below that level on the business day prior to the Share Allotment Date.
- The Company withdraws the Offer or:
  - the Prospectus, any Application Form and any supplementary or replacement prospectus required to be lodged with ASIC under Section 719 of the Corporations Act in connection with the Offer;
  - any cover email or letter sent to eligible Institutional Investors in Australia, New Zealand and any other agreed foreign jurisdictions with a link to or attaching the Prospectus; or
  - any investor presentation or marketing presentation and/or ASX announcement used in connection with the Offer (including any addendum to those presentations

and any draft of such documents used for roadshow purposes prior to the lodgement date), together the Offer documents.

- ASX approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - the Company's admission to the Official List on or before the date prior to the Share Allotment Date; or
  - the quotation of the Securities on ASX or for the Securities to be cleared through the clearing house subregister system on or before the quotation date; or
  - if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld.
- Any of the 'Offer Documents', the 'Public Information' (as defined in the Offer Management Agreement) or any aspect of the Offer does not comply with the Corporations Act (including if a statement in any of the 'Offer Documents' or 'Public Information' is or becomes materially misleading or deceptive, or a matter required to be included is omitted from an 'Offer Document' or the 'Public Information'), the Listing Rules, the *New Zealand Securities Act 1978*, the *New Zealand Securities Regulations 2009* or any other applicable law or regulation.
- Any of the following notifications are made:
  - ASIC issues an order (including an interim order) under section 739;
  - ASIC holds a hearing under section 739(2);
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities & Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than the Joint Lead Manager seeking to terminate) who has previously consented to the inclusion of its name in any offer document withdraws that consent; or
  - any person gives a notice under section 730 in relation to the Offer Documents.
- Any person makes an application for an order under Part 9.5, or to any government agency, in relation to the Prospectus or the Offer or ASIC commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Offer or the Prospectus or any government agency commences or gives notice of an intention to hold, any enquiry.
- The Company issues or, in the reasonable opinion of the Joint Lead Manager seeking to terminate, becomes required to issue a supplementary prospectus to comply with section 719 of the Corporations Act; or the Company

## 10. Material agreements

lodges a supplementary prospectus with ASIC in a form that has not been approved by the Joint Lead Managers.

- The Company or the Manager is or becomes insolvent or there is an act or omission which may result in the Company or Manager becoming insolvent.

### Termination events subject to materiality

If any of the following events occur at any time before the Share Allotment Date or such other time as specified below, and such event:

- has had or is likely to have a materially adverse effect on:
  - the marketing, outcome, success or settlement of the Offer or the ability of the Joint Lead Managers to market, promote or settle the Offer;
  - the willingness of investors to subscribe for the Securities; or
  - the likely price at which the Securities will trade on ASX; or
- has given or would be likely to give rise to a liability for the Joint Lead Manager under, or a contravention by the Joint Lead Manager, of the Corporations Act or any applicable laws,

then each Joint Lead Manager may at any time by notice in writing to the Company and the other Joint Lead Managers, terminate all further obligations of that Joint Lead Manager under the Offer Management Agreement without cost or liability.

- The due diligence report or verification material or any other information supplied by or on behalf of the Company or the Manager to the Joint Lead Managers in relation to the Company or the Offer is or becomes false or misleading or deceptive or likely to mislead or deceive, including by way of omission.
- There is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement).
- If any contract summarised in Section 10 is varied, terminated, rescinded or altered or amended without the prior consent of the Joint Lead Managers or any contract summarised in Section 10 is breached or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal, a default by the Company in the performance of any of its obligations under the Offer Management Agreement occurs.

- A warranty or representation contained in the Offer Management Agreement on the part of the Company is breached, becomes not true or correct or is not performed.
- Any of the following occur:
  - a director or officer of the Company or the Manager is charged with an indictable offence;
  - any government agency commences any public action against the Company or the Manager or any of its directors or officers or announces that it intends to take such action;
  - any director or officer of the Company or the Manager is disqualified from managing a corporation under Part 2D.6; or
  - the Company or the Manager or any of its directors or officers engage, or are alleged to have been engaged in, any fraudulent conduct or activity, whether or not in connection with the Offer.
- There is an outbreak of hostilities not presently existing (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, the People's Republic of China, South Korea, Israel, Singapore, Malaysia, Cambodia, the United Arab Emirates or any member state of the European Union or any diplomatic, military, commercial or political establishment of any of those countries or a major terrorist act is perpetrated anywhere in the world.
- There is a change in senior management or the board of Directors (other than in relation to the chairman, chief executive officer or chief financial officer) of the Company or the Manager.
- There is:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the United States, the United Kingdom, Hong Kong or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, New Zealand, the United States, the United Kingdom, Hong Kong or any member state of the European Union or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, the New Zealand Exchange, the New York Stock Exchange, the London Stock Exchange or the Hong Kong Stock Exchange is suspended or limited in a material respect.

## 11. Additional information

### 11.1 Incorporation

The Company was incorporated on 4 April 2014.

### 11.2 Balance date and company tax status

The accounts for the Company will be made up to 30 June annually.

The Company will be taxed as a public company.

### 11.3 Current capital structure

The issued capital of the Company as at the date of this Prospectus is set out in the table below:

| Class of Security | Number of Securities |
|-------------------|----------------------|
| Shares            | 1 ordinary share     |
| Options           | N/A                  |

### 11.4 Capital structure following the Offer

As at the Option Allotment Date, the issued share capital of the Company will comprise the following:

| Class of Security | Number of Securities based on Minimum Subscription <sup>1</sup> | Fully diluted <sup>2</sup> | Number of Securities based on Maximum Subscription <sup>1</sup> | Fully diluted <sup>2</sup> |
|-------------------|---|----------------------------|---|----------------------------|
| Shares            | 50,419,422  | 100,838,843                | 100,838,842   | 201,677,683                |
| Options           | 50,419,421  | Nil                        | 100,838,841   | Nil                        |

Notes:

1. Assuming that Applicants for 50% of the Offer are eligible to pay, and consent to the payment of, the Service Fee.
2. The fully diluted number of Securities on issue immediately following the Offer assumes that all Options have been exercised for the maximum number of Shares that can be issued under those Options.

### 11.5 Rights attaching to the Shares

Immediately after issue and allotment, the Shares will be fully paid Shares and the Shares will rank pari passu with the Share currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Constitution, free of charge.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below:

Each Share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Company's Constitution and the Corporations Act;
- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- the right to receive dividends, according to the amount paid up on the Share;

## 11. Additional information

- the right to receive, in kind, the whole or any part of the Company's property on a winding up, subject to priority given to holders of Shares that have not been classified by ASX as 'restricted securities' and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

### 11.6 Rights attaching to the Options

As summary of the terms and conditions of the Options are as follows and are set out in more detail in Section 12:

#### Register

The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.

#### Transfer/transmission

An Option may be transferred or transmitted in any manner approved by ASX.

#### Exercise

An Option may be exercised by delivery to the Company of a duly completed notice of exercise of Options, signed by the registered holder of the Option, together with payment to the Company of \$1.00 per Option being exercised and the relevant option certificate.

An Option may be exercised on any business day from the date of grant to the exercise date (currently anticipated to be on or about 16 December 2015) (inclusive) but not thereafter. A notice of exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

#### Dividend entitlement

Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of Options rank equally with other issued Shares of the Company from their date of issue.

#### Participating rights

For determining entitlements to new issues of securities in the Company, an Optionholder may only participate in the new issue if the Option has been exercised and Shares allotted in respect of the Option before the record date. The Company must give at least six business days' notice to Optionholders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

If between the date of issue and the date of exercise of an Option the Company makes one or more rights issues (being a pro rata issue of Shares in the capital of the Company that is not a bonus issue) in accordance with the Listing Rules, the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E[P-(S + D)]}{(N + I)}$$

where:

NE is the new exercise price of the Option;

OE is the old exercise price of the Option;

E is the number of underlying Shares into which one Option is exercisable;

P is the average closing sale price per Share (weighted by reference to volume) during the five trading days ending on the day before the ex-rights date or ex-entitlements date (excluding special crossings and overnight sales);

S is the subscription price for a Share under the rights issue;

D is the dividend due but not yet paid on each Share at the relevant time; and

N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus issue to the holders of Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

#### Reconstructions and alteration of capital

Any adjustment to the number of outstanding Options and the exercise price under a reorganisation of the Company's share capital must be made in accordance with the Listing Rules at the time of the reorganisation.

#### ASX listing

The Company must make an application for quotation of Shares issued on exercise of the Options on ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

## 11. Additional information

### 11.7 Interests of Directors

Other than as set out below or elsewhere in the Prospectus, no Director or proposed Director:

- has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

#### Remuneration of Directors

The Directors have agreed that the independent Directors will initially receive \$40,000 per annum, with the exception of the chairman of the Company who will receive \$60,000 per annum. The other Directors who are not independent will not receive any remuneration.

Under the Constitution, each Director may be paid remuneration for ordinary services performed as a Director.

Under the Listing Rules the maximum fees payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

John Kain is the chairman of Blue Sky and Alexander McNab is a director of Blue Sky, of which the Manager is a wholly owned subsidiary. Andrew Champion is an employee of Blue Sky. John Kain, Alexander McNab and Andrew Champion each hold Blue Sky securities. As directors, employees and shareholders of Blue Sky, each of Kain, McNab and Champion (in their respective capacities) will benefit from the entry by the Manager into the Management Agreement with the Company through the payment of fees under the Management Agreement. The Company believes that the Management Agreement has been entered on arm's length terms and that the remuneration payable to the Manager is reasonable. Accordingly, the Company has not obtained Shareholder approval to the execution of the Management Agreement. Details of the Management Agreement are set out in Section 10.1 of this Prospectus.

#### Blue Sky's interest in Shares and Options

Blue Sky intends to apply under the Offer for \$5 million worth of Securities.

#### Directors interests in Shares and Options

Each of the Directors has expressed an intention to apply for Shares under the Offer.

#### Indemnification of Directors and officers

The Company has entered into deeds of indemnity, access and insurance with each Director which confirm each Director's right of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

#### Related party interests

Other than:

- the compensation arrangements with Directors, which are described in this Section 11.7;
- the indemnification arrangements with the Directors which are described in this Section 11.7; and
- as set out below or elsewhere in this Prospectus,

there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.

#### Policy for approval of related party transactions

The Company's Audit Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 10% of the Company's Shares, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

## 11. Additional information

The Audit Committee or its Chairperson, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit Committee or the Chairperson determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the Listing Rules or the Corporations Act.

### 11.8 Interests of experts and advisers

Other than as set out below, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Ord Minnett and Morgans have acted as Joint Lead Managers of the Offer and Ord Minnett has agreed to act as Authorised Intermediary. Shaw has agreed to act as Co-Lead Manager of the Offer.

The Company has paid or agreed to pay a minimum amount of \$358,750 (net of tax) in respect of these services (based on the Minimum Subscription being achieved) and a maximum amount of \$717,500 (net of tax) (based on the Maximum Subscription being achieved).

Ernst & Young has acted as the Australian Investigating Accountant and Australian tax adviser to the Company and provided the Independent Limited Assurance Report in Section 8. The Company has paid or agreed to pay an amount of approximately \$72,468 (plus disbursements and net of tax) in respect of these and other services provided.

Talbot Sayer Lawyers has acted as legal adviser to the Company and performed work in relation to due diligence enquiries on Australian legal matters. The Company has paid or agreed to pay an amount of approximately \$42,333 (plus disbursements and net of tax) in respect of these services.

BDO has provided valuation services to Blue Sky in connection with the Offer. Blue Sky has or will pay between \$55,000 and \$73,000 (excluding GST) to BDO in respect of these services. This is not a cost of the Company.

### 11.9 Offer costs

The Company will pay all of the costs associated with the Offer. The total estimated costs (net of tax) in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other costs) are estimated to be approximately \$618,072 assuming the Minimum Subscription is reached, and \$996,409 assuming the Maximum Subscription is reached.

### 11.10 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- Ord Minnett has consented to being named as Joint Lead Manager of the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Ord Minnett;
- Morgans has consented to being named as Joint Lead Manager of the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Morgans;
- Shaw has consented to being named as Co-Lead Manager of the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Shaw;
- Beaglemoat Nominees Pty Limited ACN 000 773 722 has consented to being named in the Prospectus, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by it;
- BSAAF Management Pty Ltd, the Manager, has consented to being named as Manager and the inclusion of the statements attributed to it in the Prospectus in the context in which those statements appear;
- Blue Sky, Blue Sky Private Equity, Blue Sky Private Real Estate, Blue Sky Water Partners, Blue Sky Investment Science and BSPE have each consented to being named in the Prospectus and inclusion of the statements respectively attributed to them in the Prospectus in the context in which those statements appear;
- Ernst & Young has consented to being named in the corporate directory of this Prospectus and to the inclusion



## 11. Additional information

of its Independent Limited Assurance Report in Section 8 in the form and context in which it appears;

- BDO has consented to being referred to in this Prospectus in the form and context in which it has been referenced. BDO has had no involvement in the preparation of any part of the Prospectus. BDO has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.
- Talbot Sayer Lawyers has consented to being named in the corporate directory of this Prospectus as legal adviser, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Talbot Sayer Lawyers; and
- Link Market Services Limited has consented to being named in the corporate directory and elsewhere in this Prospectus as the Share Registry for the Company. Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

### 11.11 Legal proceedings

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved.

### 11.12 Investor considerations

Before deciding to participate in this Offer, you should consider whether the Securities to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Securities listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

### 11.13 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in Queensland, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Queensland, Australia.

### 11.14 Statement of directors

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

## 12. Option terms

### 12.1 Defined terms

Unless otherwise defined, capitalised terms used in this Section have the meanings given to them in the glossary to this Prospectus.

**Business Day** has the same meaning as in the Listing Rules.

**Exercise Notice** means the notice specified in Section 12.12 below.

**Exercise Price** in relation to an Option, is the exercise price specified in Section 12.4 below, as adjusted from time to time in accordance with Section 12.11 below.

### 12.2 Entitlement

Each Option entitles the relevant Optionholder, on exercise of the Option, to subscribe for one Share.

### 12.3 Issue price

No amount is payable on issue of an Option.

### 12.4 Exercise Price

Each Option has an exercise price of \$1.00.

### 12.5 Option period

Each Option may be exercised at any time prior to the expiry date by delivery to the Company of an Exercise Notice accompanied by payment of the Exercise Price.

### 12.6 Expiry date

Unless exercised, the Option expires at 5:00 p.m. (AEST) on the date being 18 months from the date of allotment of the Options (this expiry date is currently anticipated to occur on or about 16 December 2015).

### 12.7 Dividends

An Option does not confer any right to dividends.

### 12.8 No voting rights

An Option will confer the right to attend general meetings of the Company and to receive reports to Shareholders, but will not confer any right to vote or speak at any meeting.

### 12.9 Transfer

Each Option may be freely transferred at any time, in accordance with the Corporations Act, the ASX Operating Rules and the Listing Rules.

### 12.10 Holding statement

The Company must give each Optionholder either an issuer sponsored or CHESS holding statement which sets out:

- (a) the number of Options issued to the Optionholder;
- (b) the Exercise Price of the Options; and
- (c) the date of issue of the Options.

### 12.11 Participation rights, bonus issues, rights issues and reorganisations

- (a) Participation

An Optionholder is not entitled to participate in any new issue to existing Shareholders of securities in the Company unless they have exercised their Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.

- (b) Notice of new issue

The Company must give an Optionholder, in accordance with the Listing Rules, notice of:

- i. the proposed terms of the issue or offer proposed; and
- ii. the right to exercise their Options.

- (c) Bonus issues

If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for determining entitlements to the issue.

- (d) Pro rata issues

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option is reduced in accordance with the Listing Rules.

- (e) Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of Options to which each Optionholder is entitled and/or the Exercise Price) is changed to the extent necessary to comply with the

## 12. Option terms

Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(f) Calculations and adjustments

Any calculations or adjustments which are required to be made will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

(g) Notice of change

The Company must within a reasonable period give to each Optionholder notice of any change to the Exercise Price of any Options held by an Optionholder or the number of Shares which the Optionholder is entitled to subscribe for on exercise of an Option.

### 12.12 Method of exercise of Options

(a) Method and payment

To exercise Options, the Optionholder must give the Company or the Share Registry, at the same time:

- i. a written exercise notice (in the form approved by the Board from time to time) (**Exercise Notice**) specifying the number of Options being exercised and Shares to be issued; and
- ii. payment of the Exercise Price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

(b) Exercise all or some Options

- i. An Optionholder may only exercise Options in multiples of 500 unless the Optionholder exercises all Options held by the Optionholder.
- ii. Options will be deemed to have been exercised on the last day of the month in which the application is lodged with the Company. In the event the application for an exercise of Options is received after 1 December 2015 but before 31 December 2015, the Options will be deemed to have been exercised on the Expiry Date.

(c) Amended Option holding statement

If an Optionholder exercises less than the total number of Options registered in the Optionholder's name, the Company must give the Optionholder an amended CHESS issuer sponsored holding statement stating the remaining Options held by the Optionholder.

(d) Issue of Shares

After receiving an application for exercise of Options and payment by an Optionholder of the Exercise Price, the Company must within 15 business days after the deemed exercise date, issue the Optionholder the number of Shares specified in the application.

### 12.13 Ranking of Shares issued on exercise of Options

Subject to the Company's constitution, all Shares issued on the exercise of Options rank in all respects pari passu with the existing ordinary Shares of the Company at the date of issue and only carry an entitlement to receive dividends that have a record date after the Shares were issued.

### 12.14 Quotation

Subject to the terms set out in the Prospectus and the Listing Rules, the Company will apply to ASX for official quotation of:

- (a) the Options; and
- (b) the Shares issued on exercise of the Options (unless at the time of exercise, it is not admitted to the Official List).

### 12.15 Duties and taxes

The Company is not responsible for any duties or taxes that may become payable in connection with the issue of Shares following exercise of, or in connection with any other dealing with, the Options.

### 12.16 Notices

- (a) All notices, requests and statements given or made under these terms must be in writing.
- (b) The Company must send any notice, request or other document relating to the Options to be sent to an Optionholder under these terms to the Optionholder's registered address as recorded in the Company's register of Optionholders.
- (c) An Optionholder must send any notice, request or other document relating to the Options to be sent to the Company under these terms to the Company's registered office or as the Company otherwise specifies by notice to the Optionholder.
- (d) At any time, an Optionholder may request the Company to give the Optionholder a blank Exercise Notice. The Company must give the Optionholder a blank Exercise Notice promptly on receiving the request.

### 12.17 Governing law

These terms and the rights and obligations of Optionholders are governed by the laws of Queensland. Each Optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Queensland.

## 13. Authorised Intermediary – Financial Services Guide

# ORD MINNETT

### The issuer of this Financial Services Guide

This Financial Services Guide (FSG) is issued by Ord Minnett Limited (AFSL 237 121) (Ord Minnett, our, we). Ord Minnett is a member of the Ord Minnett Group of companies; a Market Participant of ASX Limited (ASX) operator of the Australian Securities Exchange market; and a Broker Participant in the CHESS system operated by ASX Settlement Pty Limited (a group company of ASX). Ord Minnett is also a participant of Chi-X Australia Pty Limited (Chi-X) and is authorised to trade in the Chi-X market.

### Issue of shares and options by Blue Sky Alternatives Access Fund Limited

Ord Minnett has entered into an arrangement with Blue Sky Alternatives Access Fund Limited (Company) to make offers and to arrange for the issue of shares and options in the Company being offered pursuant to the Corporations Act.

### Purpose of this FSG

This FSG has been produced to inform you about our products and services and the fees that we charge.

### Date of this FSG

This FSG is dated 6 May 2014.

### This FSG also sets out:

- Your privacy and how we use your personal information;
- How we handle complaints if they arise;
- The significant relationships and associations that we have;
- The remuneration that may be paid to us or to other relevant persons associated with the provision of our services; and
- How to contact us.

### Privacy

We recognise the importance of protecting your privacy. Your personal information will be handled in accordance with our privacy policy, which outlines how the information we collect from you is used, stored and disclosed.

We will collect your personal information from the client information questionnaire you complete with your financial adviser. As a financial service provider, we are obligated to verify your identity and the source of any funds. Accordingly, we will ask you to present identification documents, such as, your passport and driver's licence, which will be held on file.

The main reason we collect, use and/or disclose your personal information, is to provide you with the products and services that you request. This may also include the following related purposes:

- To help your financial adviser provide you with financial advice and ongoing services in relation to your account with us.
- To facilitate internal administration, accounting, research, risk management, compliance and evaluation of our products and services.
- To provide you with information about other products and services that we or our associates offer which may be of interest to you.

We may also disclose your information to external parties some of whom act on your or our behalf. These parties may include:

- Your financial adviser;
- Banks or other financial institutions;
- Insurers and reinsurers and their claims agents and assessors;
- Product providers; and
- Mail houses.

We are also permitted to collect and disclose your personal information when required or authorised to do so by law.

By signing the client information questionnaire, you agree to us collecting, storing, using and disclosing your personal information. If you do not provide all the information requested in your application form, we may not be able to provide you with financial advice.

If you have concerns about the accuracy and completeness of the information we hold, you may request access to your personal information by contacting the Privacy Officer:

**By mail:** Privacy Officer  
Ord Minnett Limited  
Level 8, NAB House  
255 George Street  
Sydney NSW 2000

**By email:** [privacyofficer@dords.com.au](mailto:privacyofficer@dords.com.au)

**By phone:** (02) 8216 6300

Depending upon the nature of the request, we may have the right to impose a reasonable charge.

## 13. Authorised Intermediary – Financial Services Guide

# ORD MINNETT

To obtain a copy of our privacy policy please contact our client services team on 1300 221 697 or download from our website at [www.ords.com.au/privacy-security](http://www.ords.com.au/privacy-security)

### Telephone calls

Telephone calls to and from our offices may be recorded and monitored to assist in resolving disputes.

### Complaints handling and procedures

We want to hear all your comments, whether they are favourable or not, because it is in our interests to promptly address any concerns you may have. Ord Minnett has implemented internal complaint handling procedures consistent with Australian Standard ISO 10002, Quality Management – Customer Satisfaction – Guidelines for complaints handling in organisations.

You should firstly contact your Ord Minnett adviser and discuss your concerns. If your concerns are not resolved to your satisfaction, then please write to:

The Compliance Manager  
Ord Minnett  
Level 8, NAB House  
255 George Street  
Sydney NSW 2000

If you are still dissatisfied you may write to:

#### Financial Ombudsman Service

Telephone: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Website: [www.fos.org.au](http://www.fos.org.au)  
Email: [info@fos.org.au](mailto:info@fos.org.au)  
Mail: GPO Box 3  
Melbourne VIC 3001

Ord Minnett Limited is covered by a Professional Indemnity Insurance Policy which satisfies the requirements for compensation arrangements under section 912B of the Corporations Act.

### Relationships and associations

The Ord Minnett Group of companies includes;

- Ord Minnett Limited
- Ord Minnett Financial Planning Pty Limited
- Ord Minnett Hong Kong Limited
- Ord Minnett Management Limited – which acts as a responsible entity for managed investments such as the Ord Minnett Cash Management Trust.

The Ord Minnett Group is 70% owned by Australian Wealth Management Limited (AWM). In April 2009, AWM merged with IOOF Holdings Limited (IOOF). IOOF is listed on the Australian Securities Exchange (ASX code IFL).

JPMorgan Chase & Co., a world leader in financial services, own 30% of the Ord Minnett Group. Through our close relationship with JPMorgan, we have the ability to access JPMorgan's Australian capital raisings in the form of Initial Public Offerings, placements and underwritings.

### Ord Minnett and Pershing

Ord Minnett has entered into an agreement with Pershing Securities Australia Pty Ltd AFSL 338 264 and ABN 60 136 184 962 (Pershing) to settle and clear all ASX transactions executed by Ord Minnett.

### Remuneration

Ord Minnett will not be paid a separate fee for the offers it is making to you to arrange for the issue of the Shares and Options by the Company. Ord Minnett with the other Joint Lead Managers who are managing the issue of Shares and Options by the Company will be paid a management fee of 1.0% (exclusive of GST) of the amount raised under the Offer. If the Offer is fully subscribed raising \$100,000,000, Ord Minnett's share of the management fee will be \$500,000.

## 14. Glossary

In this document:

| Term                                       | Meaning   |
|--|---|
| <b>AEST</b>                                | means Australian Eastern Standard Time.   |
| <b>AFSL</b>                                | means Australian Financial Services Licence.  |
| <b>Alternatives or Alternative Assets</b>  | means those asset classes that display different risk and return characteristics to traditional asset classes such as cash, listed equities and bonds. Examples of asset classes that are commonly referred to as 'alternative asset classes' include Private Equity, Private Real Estate, Hedge Funds and Real Assets. |
| <b>Apeiron Funds</b>                       | has the meaning given to it in Section 4.4.   |
| <b>Applicant</b>                           | means a person who submits a valid Application Form and required Application Monies pursuant to this Prospectus.  |
| <b>Application</b>                         | means an application for Shares and Options under this Prospectus.  |
| <b>Application Amount</b>                  | means the amount required to be submitted with an Application, being the Issue Price multiplied by the number of Shares (and Options) applied for.  |
| <b>Application Form</b>                    | means the Broker Firm Offer Application Form, the General Offer Application Form or the Priority Offer Application Form (as applicable).  |
| <b>Application Monies</b>                  | means money submitted by Applicants pursuant to their Application.  |
| <b>AR</b>                                  | means authorised representation under an AFSL.  |
| <b>ASIC</b>                                | means the Australian Securities and Investments Commission.   |
| <b>Associate</b>                           | has the meaning ascribed to that term in the Corporations Act.  |
| <b>ASX</b>                                 | ASX Limited (ABN 98 008 624 691) or the market it operates, as the context requires.  |
| <b>ASX Corporate Governance Principles</b> | means the corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus.  |
| <b>ASX Operating Rules</b>                 | means the operating rules of ASX Settlement Pty Limited as amended from time to time, except to the extent of any express written waiver from ASX Settlement Pty Limited.   |
| <b>ATO</b>                                 | means the Australian Taxation Office.   |
| <b>Australian Accounting Standards</b>     | means the accounting standards issued by the Australian Accounting Standards Board.   |
| <b>Authorised Intermediary</b>             | means Ord Minnett Limited (AFSL 237 121).   |

## 14. Glossary

| Term                                | Meaning  |
|-------------------------------------|--|
| <b>Authorised Investments</b>       | means: <ul style="list-style-type: none"><li>(a) any security, right, title or interest of whatsoever nature in a Blue Sky Fund Entity or co-investment vehicle and without limiting the generality of this includes shares, units or notes which are redeemable, preference or deferred, fully or partly paid, with or without a par value and any right, title or interest thereto or therein (including a right to subscribe for or convert to any such security whether listed on ASX or not);</li><li>(b) the taking and/or giving of options to purchase any investment and the taking and/or giving of options to sell any investment which is an authorised investment outlined in paragraph (a) above; and</li><li>(c) any investment which ceases to be an authorised investment as a result of an exit event occurring in respect of the investment (for example the relevant Blue Sky Fund Entity is required to hold escrowed shares in an entity in which it has invested that has ceased to be a Blue Sky Fund Entity as the result of an initial public offering).</li></ul> |
| <b>BDO</b>                          | means BDO Corporate Finance (QLD) Limited.   |
| <b>Board</b>                        | means the board of Directors of the Company.   |
| <b>Blue Sky</b>                     | means Blue Sky Alternative Investments Limited ACN 136 86 236.   |
| <b>Blue Sky Fund Entity</b>         | means any trust, company, partnership or joint venture other than a Co-Investment Vehicle which is owned (directly or indirectly, wholly or partially) or managed by a Blue Sky Entity or in respect of which a Blue Sky Entity is an Associate, trustee or responsible entity, and which trust, company, partnership or joint venture is within a Mandated Asset Class or holds or invests in assets which fall within one or more of the Mandated Asset Classes.   |
| <b>Blue Sky Entity</b>              | means Blue Sky and any entity: <ul style="list-style-type: none"><li>(a) which is Controlled by Blue Sky or an Associate of Blue Sky; or</li><li>(b) an entity which is Controlled by an entity described in (a).</li></ul>  |
| <b>Blue Sky Investment Science</b>  | means Blue Sky Investment Science ACN 115 217 108  |
| <b>Blue Sky Private Equity</b>      | means BSPE Pty Ltd ACN 122 065 516.  |
| <b>Blue Sky Private Real Estate</b> | means Blue Sky Private Real Estate Pty Ltd ACN 126 394 625.  |
| <b>Blue Sky Water Fund</b>          | means the fund by that name managed by Blue Sky Water Partners.  |
| <b>Blue Sky Water Partners</b>      | means Blue Sky Water Partners Pty Ltd ACN 127 513 099.   |
| <b>Blue Sky Venture Capital</b>     | means BSVC Pty Ltd ACN 158 540 820   |
| <b>Broker</b>                       | means any ASX participating organisation selected by the Joint Lead Managers in consultation with the Company to act as a broker to the Offer and any Financial Intermediary (as that term is defined in the Offer Management Agreement).  |
| <b>Broker Firm Offer</b>            | has the meaning ascribed to that term in Section 2.1.  |

## 14. Glossary

| Term                                      | Meaning   |
|---|---|
| <b>Broker Firm Offer Application Form</b> | means the application form attached to or accompanying this Prospectus for investors to apply for Shares and Options under the Broker Firm Offer.   |
| <b>BSPE</b>                               | Blue Sky Private Equity Limited ACN 125 223 958 (a wholly owned subsidiary of Blue Sky).  |
| <b>CGT</b>                                | means capital gains tax.  |
| <b>Closing Date</b>                       | means the date that the Offer closes, which is at 5:00pm (AEST) on 4 June 2014.   |
| <b>Company</b>                            | means Blue Sky Alternatives Access Fund Limited ACN 168 941 704.  |
| <b>Co-Investment Vehicle</b>              | means an intermediate entity established by the Manager for the sole purpose of investing in or alongside one or more Blue Sky Fund Entities.   |
| <b>Co-Lead Manager</b>                    | means Shaw.   |
| <b>Constitution</b>                       | means the constitution of the Company.  |
| <b>Corporations Act</b>                   | means the <i>Corporations Act 2001</i> (Cth).   |
| <b>CRN</b>                                | means customer reference number.  |
| <b>Directors</b>                          | means the directors of the Company as at the date of this Prospectus.   |
| <b>Existing Holder</b>                    | means Beaglemoat Nominees Pty Limited ACN 000 773 722 as the sole holder of securities of the Company as at the date of this Prospectus.  |
| <b>Exposure Period</b>                    | means the seven day period after the date of lodgement of the Prospectus with ASIC (as extended by ASIC (if applicable)).   |
| <b>Financial Information</b>              | has the meaning given to in Section 7.2.  |
| <b>General Offer</b>                      | has the meaning ascribed to that term in Section 2.1.   |
| <b>General Offer Application Form</b>     | means the application form attached to or accompanying this Prospectus for investors to apply for Shares and Options under the General Offer.   |
| <b>GST</b>                                | has the meaning given to that term in Section 195 – 1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> as amended.  |
| <b>Hedge Funds</b>                        | includes funds which seek to generate positive returns under a wide variety of market conditions. They differ from traditional asset management vehicles such as mutual funds either by the more heterogeneous asset classes in which they may invest or the more varied strategies they employ, including arbitrage, asset-based lending, distressed securities, equity long-short, global macro and other quantitative and non-quantitative strategies. |



## 14. Glossary

| Term                                     | Meaning  |
|--|--|
| <b>Historical Financial Information</b>  | has the meaning given to it in Section 7.2.  |
| <b>Hurdle</b>                            | means a fixed interest rate of 8.0% per annum.   |
| <b>Institutional Applicant</b>           | means an Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA). |
| <b>Investment Portfolio or Portfolio</b> | means the portfolio of investments held by the Company from time-to-time, to be managed in accordance with the Management Agreement by the Manager pursuant to the investment mandate and strategy set out in this Prospectus.   |
| <b>Issue Price</b>                       | means the price per Share (being \$1.00).  |
| <b>Joint Lead Managers</b>               | means Ord Minnett and Morgans.   |
| <b>LIC</b>                               | means listed investment company.   |
| <b>Listing Rules</b>                     | means the official Listing Rules of ASX as amended or waived from time to time.  |
| <b>Management Agreement</b>              | means the agreement between the Company and the Manager dated 6 May 2014, a summary of which is included in Section 10.1.  |
| <b>Manager</b>                           | means BSAAF Management Pty Ltd ACN 168 923 279.  |
| <b>Mandated Asset Class</b>              | means any class of Alternatives Assets including (but not limited to) each of the following: <ul style="list-style-type: none"><li>(a) Private Equity;</li><li>(b) Private Real Estate;</li><li>(c) Hedge Funds; and</li><li>(d) Real Assets.</li></ul>  |
| <b>Maximum Subscription</b>              | means the maximum amount being sought by the Company under the Offer, being \$100,000,000.   |
| <b>Minimum Subscription</b>              | means the minimum amount being sought by the Company under the Offer, being \$50,000,000.  |
| <b>Morgans</b>                           | means Morgans Corporate Limited ABN 32 010 539 607 (AFSL 235 407).   |
| <b>NAV</b>                               | means net asset value.   |
| <b>Offer</b>                             | means the offer of Shares to raise between \$50 million and \$100 million, together with an entitlement to one Option for every one Share allotted.  |

## 14. Glossary

| Term                                   | Meaning  |
|--|--|
| <b>Offer Management Agreement</b>      | means the agreement between the Company, the Manager, Blue Sky and the Joint Lead Managers in respect of the Offer dated 6 May 2014, a summary of which is included in Section 10.2.   |
| <b>Offer Period</b>                    | means the period during which investors may subscribe for Securities under the Offer.  |
| <b>Official List</b>                   | means the official list of the ASX.  |
| <b>Option</b>                          | means an option to acquire one Share for every one Share allotted under the Offer. The Options are proposed to be listed separately from the Shares (under the proposed code 'BAFO') and therefore may be traded separately from the Shares. The Options are exercisable at \$1.00 per Option on or before 16 December 2015. |
| <b>Option Allotment Date</b>           | means the date on which the Options are allotted under the Offer.  |
| <b>Optionholder</b>                    | means the holder of an Option.   |
| <b>Ord Minnett</b>                     | means Ord Minnett Limited ABN 86 002 733 048 (AFSL 237 121).   |
| <b>Performance Fee</b>                 | means the Performance Fee which is payable to the Manager the details of which are set out in Section 10.1.  |
| <b>Portfolio Net Asset Value</b>       | has the meaning ascribed to that term in Section 10.1  |
| <b>Priority Offer</b>                  | has the meaning ascribed to that term in Section 2.1.  |
| <b>Priority Offer Application Form</b> | means the personalised application form that will be available for download by Qualifying Applicants at blueskyfunds.com.au/accessfund, for Qualifying Applicants to apply for Shares and Options under the Priority Offer.  |
| <b>Priority Offer Record Date</b>      | means as at 5:00pm (AEST) on Wednesday 14 May 2014.  |
| <b>Private Equity</b>                  | includes non-public, non-actively traded common equity, preferred stock or mezzanine debt securities.  |
| <b>Private Real Estate</b>             | includes unlisted equity, fixed income, preferred stock or loan securities of real estate companies, unlisted mortgage-backed securities or direct investments in real estate properties.  |
| <b>Pro Forma Financial Information</b> | has the meaning given to it in Section 7.2.  |
| <b>Prospectus</b>                      | means this Prospectus, dated 6 May 2014, for the issue of Shares and Options to raise between \$50 million and \$100 million.  |
| <b>Qualifying Applicants</b>           | means a shareholder in Blue Sky and/or an investor in any existing Blue Sky Fund Entity as at the Priority Offer Record Date and who has a registered address in Australia or New Zealand.   |

## 14. Glossary

| Term                        | Meaning  |
|-----------------------------|--|
| <b>Real Assets</b>          | means physical or tangible assets that have value due to their substance and properties, including but not limited to, water, infrastructure, commodities, agricultural land and oil.  |
| <b>Retail Applicant</b>     | means an Applicant who is not an Institutional Applicant.  |
| <b>Section</b>              | means a section of this Prospectus.  |
| <b>Securities</b>           | means the Shares and Options the subject of the Offer.   |
| <b>Service Fee</b>          | means a one off fee of 1.65 cents per Share (inclusive of GST) payable by Applicants under the Broker Firm Offer and under the Priority Offer (where a valid claim has been submitted by the Applicant's Broker), to the Applicant's Broker in respect of the services provided by their Broker (and any specified adviser or individual broker) in introducing the Applicant to the Offer, giving advice in respect of the Offer and dealing in respect of the Offer. |
| <b>Share</b>                | means a fully paid ordinary share in the capital of the Company (to be listed under the proposed code 'BAF').  |
| <b>Share Allotment Date</b> | means a date on which the Shares are allotted under the Offer.   |
| <b>Shareholder</b>          | means a registered holder of a Share.  |
| <b>Share Registry</b>       | means Link Market Services Limited ACN 083 214 537.  |
| <b>Shaw</b>                 | means Shaw Corporate Finance Pty Ltd ACN 101 193 971 (AR under AFSL 236 048).  |
| <b>Subscription Price</b>   | means the amount payable by Applicants to the Company for the issue of Shares under the Offer.   |
| <b>Subsidiaries</b>         | has the meaning given to it in the Corporations Act.   |
| <b>US Securities Act</b>    | <i>Securities Act of 1933</i> (as amended).  |

## Company

### **Blue Sky Alternatives Access Fund Limited**

Suite 1808, Level 18 Australia Square

264-278 George Street

Sydney NSW 2000

[blueskyfunds.com.au/accessfund](http://blueskyfunds.com.au/accessfund)

## Directors

John Kain

Philip Hennessy

Paul Masi

Andrew Champion

Alexander McNab

## Company Secretary

Jane Prior

## Share Registry

### **Link Market Services Limited**

Level 15

324 Queen Street

Brisbane QLD 4000

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Joint Lead Manager and Authorised Intermediary

### **Ord Minnett**

Level 31, 10 Eagle Street

Brisbane QLD 4000

[www.ords.com.au](http://www.ords.com.au)

## Joint Lead Manager

### **Morgans Corporate Limited**

Level 29, 123 Eagle Street

Brisbane QLD 4000

[www.morgans.com](http://www.morgans.com)

## Co-Lead Manager

### **Shaw Corporate Finance Pty Ltd**

Level 15, 60 Castlereagh Street

Sydney NSW 2000

[www.shawstock.com.au](http://www.shawstock.com.au)

## Investigating Accountant

### **Ernst & Young**

Level 51, 111 Eagle Street

Brisbane QLD 4000

[www.ey.com.au](http://www.ey.com.au)

## Legal Adviser

### **Talbot Sayer Lawyers**

Level 4, 293 Queen Street

Brisbane QLD 4000

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