

Dear Shareholder,

I write to let you know that, effective from 30 September 2016, our founder and Managing Director Mark Sowerby will retire from Blue Sky and that our Chief Operating Officer, Rob Shand, will be appointed as Managing Director. After ten years in the business, there has never been a more appropriate time for Mark to step back to spend time with his family. Mark and his family have sacrificed much over the last ten years and as his two boys enter their teens it is time that they had their father around more. It is the right thing for Mark and it is the right thing for his family.

It is also the right thing for Blue Sky's investors, its shareholders and its team.

One of the wonderful things about Blue Sky is how jealously the team guards the hard earned money entrusted to us by our investors. Some investors have been trusting us for a decade. To manage money for long periods of time – through generations - we must be an inter-generational business. Mark has always known this and, to his great credit, he has built an extraordinary team – a team with multiple layers of talent and experience. A team which can renew itself and continue to repay our investors' trust through the decades ahead. This will help enhance investors' returns over the long term. And as always, if we do well by our investors, our shareholders and our team also prosper.

Whilst Mark, as founder and the initial visionary of the business, has driven much of the early strategy and growth of the business, it is the Blue Sky team, and in particular our leadership team or 'Partners Group', which has driven growth over the last three years. Our FY16 results show continuing strong growth on all key metrics:

- Returns to our fund investors of 16.7% (up from 15.4% at 30 June 2015 and 14.9% at 30 June 2014);
- Fee earning assets under management of \$2.1b (up from \$1.35b at June 2015 and \$0.7b at June 2014);
- NPAT of \$16.3m (up from \$10.4 m in FY15 and \$6.9m in FY14).

Led by Rob and our 'Partners Group', Blue Sky expects not just to continue, but to accelerate this growth over the medium term.

This generational change has been three years in planning. Through that time, both Mark and I have worked closely with Rob Shand to help him develop the skills to enable him to one day lead the business. That day is now upon us.

Many of our investors and shareholders will already know Rob Shand. Rob joined Blue Sky from Bain & Co in 2010 and has served as COO of Blue Sky since 2013. He has discharged this role with great distinction. His years in that position give him an unparalleled understanding of what makes our business tick. It was this experience which, when Mark moved abroad in April 2015 to prepare for his Channel Swim, allowed Rob to seamlessly assume responsibility for the day to day operations of Blue Sky – a responsibility which he has continued to discharge since Mark's return. That experience together with Rob's leadership, vision, drive and clarity of decision making ideally qualify him to lead Blue Sky and build on the foundations of our first 10 years.

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While Mark will also step down as a director, he will continue to work as an advisor from Blue Sky's offices and be on hand to provide support to the team where it is needed.

On behalf of the Blue Sky team, our investors and shareholders of Blue Sky, I would like to thank Mark for his vision and drive which has helped to make Blue Sky what it is today.

I have had the privilege and pleasure of being intimately involved with Blue Sky since its formation: initially as legal adviser; subsequently in 2007 as co-founder of our water business; and since 2011 as Chairman. In that ten years, never have I seen the business in such outstanding health. I look forward to continuing to work with Rob, our 'Partners Group' and the team as they continue to grow Blue Sky as Australia's leading alternative asset manager.

Yours faithfully,



John Kain
Chairman

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Dear Blue Sky friends and associates,

Ten years is a long time to lead a business, especially as the founder. It is now time for me to quietly retire and spend time with my two boys Lachlan and Patrick and wife Heidi. I will remain to help the team as an advisor, and increase my involvement in things that provide for social good.

As you can see from today's results, Blue Sky is in superb condition. This is in large part a function of our evolution from dictatorship to partnership. By diluting my own impact and increasing that of others across our team, we have all created a business which is more than just sustainable – it is fast growing, scalable and defensive - a unique combination reflected in our ten year track record and position as one of Australia's best performing listed companies over the past four and a half years.

The Blue Sky team has now unquestionably earned the right to take over the business. They are hard working, intelligent, empathetic and ethical. They understand why we are different, and the rules that made us who we are. They have lived it, experienced it, and now they own it.

A famous investor once said to me "remember Mark, as the founder you are the most dangerous person in the room". Almost every organisation reaches a point where the collective talent of the group is far greater than the limited abilities of the person who started it. Blue Sky has been at that point for some time, and the financial results this year are a reflection of their teamwork and endeavour. I am proud to have assembled and worked with such an impressive group of people.

The reason I can retire from the business at this ten year juncture is not a function of time. It reflects the ongoing growth and performance we see in the business and team, the foundations of a strong balance sheet and investments, and the incredible structural tailwinds in the sector. The last few years we have grown at 50% per annum, and we see no reason for that to slow down.

I used the word "retire" with intent. Blue Sky is my last real job. I love what this business does, the people in it, and the positive impact we have across everything we do.

Next week I am on our national roadshow and look forward to seeing many of our supporters. For those of you that have helped me along the way, I will most certainly be in direct contact to express my gratitude. For anyone I miss, I hope to see you at our Investor Day on 1 December 2016.

Many thanks,



Mark

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