

30 July 2019

Re: Restructure and Change of Control of Blue Sky Water Partners Pty Limited

Dear Investor

The Board of Blue Sky Water Partner Pty Limited ('BSWP' or 'the Company') refers to today's announcement made by the receivers and managers of its parent entity, Blue Sky Alternative Investments Limited ACN 136 866 236 ('BSAIL'), in connection with the restructure of the businesses and assets of that company. A copy of that announcement is attached to this letter.

The BSWP directors and management team have worked constructively with the receivers and managers of BSAIL, Mark Korda and Jarrod Villani of KordaMentha, during the receivership process in respect of BSAIL. As outlined in the receivers and managers' announcement of today, that restructure will result in a transfer of the shares in BSWP from BSAIL to Australian Alternative Asset Partners Pte Ltd ("AAAP"), a subsidiary of funds managed by the Special Situations group of Oaktree Capital Management L.P.

Following the completion of that transfer, a new entity, Argyle Capital Partners Pty Limited ('Argyle Capital Partners'), which is majority owned and controlled by Kim Morison, will enter into arrangements with AAAP pursuant to which Mr Morison and his team will continue to oversee investment management operations of BSWP, including, in some cases, pursuant to certain sub-advisory arrangements to be entered into with BSWP.

Those arrangements will include Argyle Capital Partners agreeing to provide management services in relation to a number of investments currently managed by BSWP, including the Water Fund, Agricultural Funds I, II, III, IV, the Premium Beef Development Fund and the Solar Fund. We anticipate this process will be completed by 30 September 2019.

BSWP will be renamed Argyle Investment Management Pty Limited. Kim Morison will remain Managing Director of that entity.

Argyle Capital Partners has been formed to manage investments in Australia's agricultural sector, including continued investments in Australian water entitlements, farmland and supply chain developments in partnership with top quartile agribusiness operators (including family farming enterprises).

Argyle Capital Partners will be majority owned and controlled by its management team. AAAP will hold a minority interest in the business which is expected to provide further avenues for growth by accessing new sources of capital for Australian agricultural investment.

The transfers will not impact the day-to-day operations of BSWP and its underlying business. Indeed, we believe that this restructure will maximise our ability to optimise investment returns for you, our Fund investors.

The business of Argyle Capital Partners will be operated privately, autonomously, and directed by its management team comprising the key personnel whom since 2010 have grown the BSWP business to manage over \$850M in assets in the Australian agricultural sector and delivered weighted average investment returns over 15% per annum on behalf of institutional and sophisticated investors.

BLUE SKY WATER PARTNERS PTY LIMITED

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The team and I wish to acknowledge your patience and support over the past 16 months prior to this necessary restructure. I am very pleased to be returning the company to private ownership led by a team with deep and broad experience in agricultural investment management. We are excited about a range of private market investment opportunities in the on-going development of Australia's agricultural sector. We look forward to your on-going support and to delivering superior risk-adjusted investment returns for our investors.

I will continue to keep you informed of our progress. Should you have any queries, please contact investorservices@argylegroup.com.au or by phone +61 400 002 016.

Yours sincerely



Kim Morison
Managing Director

Kylie Charlton
kylie@australianimpactinvestments.com.au
31/07/2019 01:11 AEST

30 July 2019**MARKET UPDATE**

Following the completion of a strategic and operational review and after considering all options available to Blue Sky Alternative Investments Limited ('Blue Sky') and its subsidiaries in the circumstances, the receivers and managers of Blue Sky, Jarrod Villani and Mark Korda, have commenced a restructuring of Blue Sky and its assets. Given the complex nature of Blue Sky's corporate structure and the independent operating units within the group, the restructuring will be undertaken in phases. After a difficult period over the past 16 months, the restructuring offers a clear path forward for employees and investors in the underlying managed funds.

The restructuring will commence this week with the transfer of Blue Sky's Real Assets business (water and agriculture funds) to Australian Alternative Asset Partners Pte Ltd ('AAP'), a subsidiary of funds managed by the Special Situations group of Oaktree Capital Management L.P.

Consistent with the vital importance of a continuation of the Real Assets business and its investment team to deliver on fund investor outcomes, the receivers and managers understand that AAP will enter into arrangements with Argyle Capital Partners Pty Ltd ('ACP'), an entity majority-owned by Kim Morison, pursuant to which Mr Morison and his team will continue to oversee investment management operations of the Real Assets business, including, in some cases, pursuant to certain sub-advisory arrangements to be entered into with the Real Assets funds. It is intended that ACP will ultimately operate on a standalone basis under the leadership of Mr Morison and his management team.

Subsequent phases of the restructuring will involve the transition of certain assets and subsidiaries from Blue Sky to AAP and, in some cases, will involve partnerships with key existing management of the kind outlined above in respect of the Real Assets business. Other assets will remain in Blue Sky and be realised over time. These various elements of the transaction being in connection with the restructuring of Blue Sky's secured debt. The complex process of restructuring Blue Sky and its assets is expected to take months or years.

With the review completed, a number of positions regrettably are in the process of being made redundant. All entitlements will be met in full for affected employees.

Shares in Blue Sky will remain suspended from trading throughout the restructuring process. A return to shareholders is not anticipated based on current expectations. Accordingly, in the absence of any new material development not otherwise contemplated by this announcement, the receivers and managers do not expect to provide any further market updates in relation to the restructuring process.

MEDIA ENQUIRIES

All media enquiries in relation to this announcement should be directed to Michael Smith of InsidePR on 0411 055 306.

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