

Investment Returns (net of fees)

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	41.09%	8.37%	32.71%
Trailing 3 year return p.a.	7.67%	2.19%	5.48%
Trailing 12 month return	1.48%	1.80%	-0.32%
Trailing 3 month return	-0.95%	0.40%	-1.35%
Trailing 1 month return	-1.29%	0.13%	-1.41%

* Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed. Returns are based on the mid-point of unit prices and are net of all fees and charges. Unless otherwise stated, all figures are in Australian dollars and include GST. Return calculations covering a period greater than 12 months assume the reinvestment of distributions.

Manager Commentary

The Absolute Return posted a return for February of -1.29% for the period. This was not due to anything (or any one thing) going wrong but an absence of anything wonderful happening, and to some extent an absence of 'things' altogether.

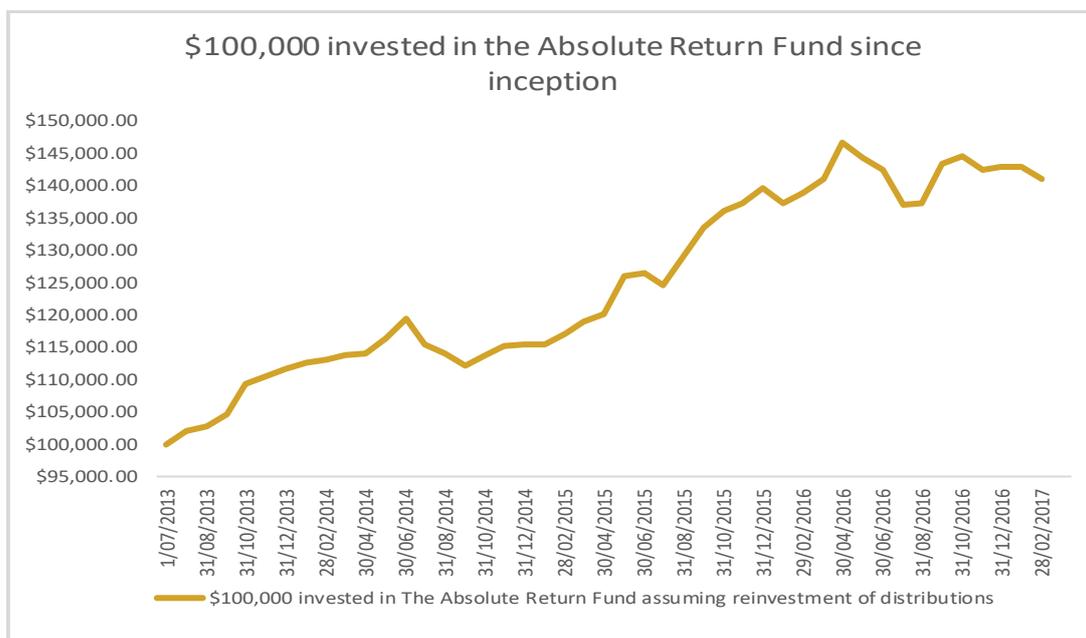
We have had a very strong market in recent months and in such circumstances, many 'investors' have allocated funds to what they perceive to be better short term opportunities elsewhere – this has been the large banking and resources stocks. These stocks have not provided any return opportunity for our disciplined process, and like many active investors we wonder if this is simply the last somewhat typical final leg up of a bull market rally that will subsequently and unpredictably roll over soon – we've certainly seen movies like this before. Outside these very concentrated areas of performance which have been driving index returns higher, stock returns have

been ordinary and opportunities scarce for active managers of various stripes to make money.

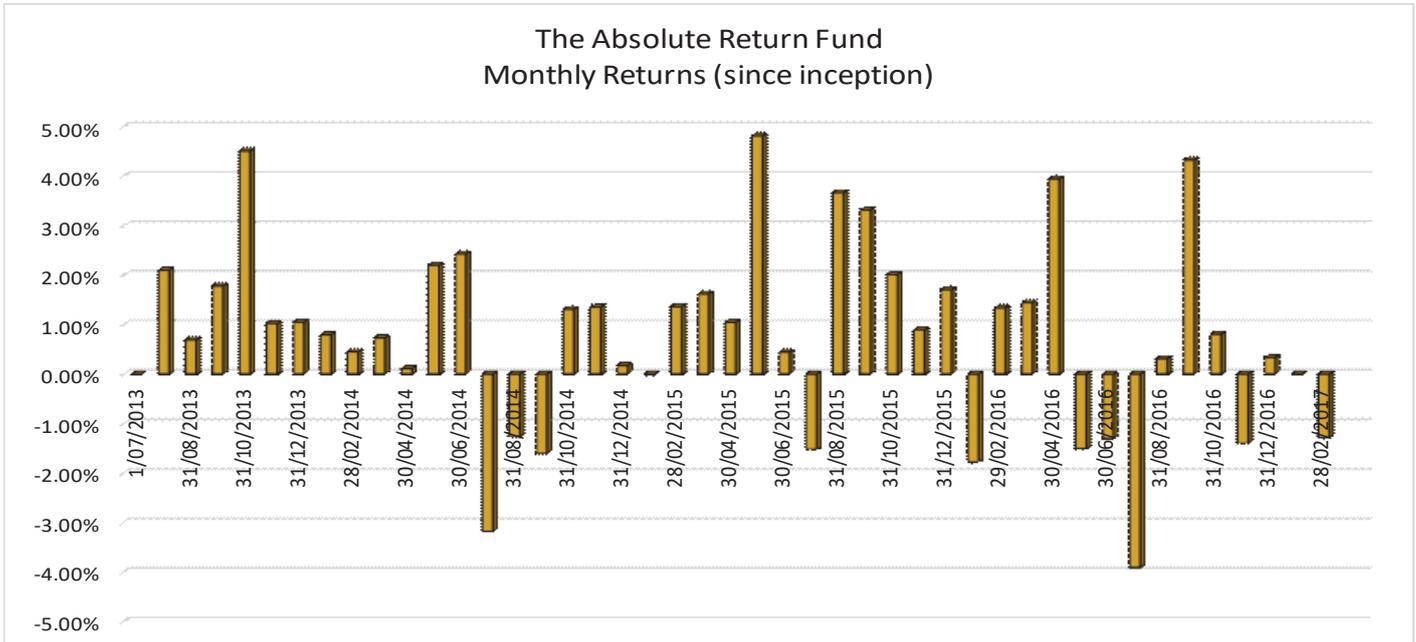
This recently very strange market reminds us of certain popular politicians – long on rhetoric but short on reality or the ability to support their rhetoric. Does anyone thoughtful really think iron ore can maintain its high price, well above the cost of production? Or that credit growth pushing up Australian property and banking stocks is sustainable and will go on forever? Maybe some do, but most of the market is simply "dancing in certain places because that is where the music is playing", leading to a (temporary) distortion of capital flows. This type of speculation is not what where we place our client's money (or our own) and unfortunately that means that sometimes we're not sexy.

Continued page 3

Growth of \$100,000 since inception



Monthly returns history



Fund Facts

Name	Absolute Return Fund
Structure	Retail daily priced unit trust
Inception	Monday 1 July 2013
Investment Objective	10% p.a (over 3 year period)
Manager Base Fee	Capped at 1.25%
Manager Performance Fee	25% (incl GST) of returns above RBA Cash
High Water Mark	Yes
Applications/Redemptions	Daily
Distributions	Annual
Administrator	Fundhost
Auditor	Ernst & Young
Custodian	NAB

Portfolio Analytics

Average Full Financial Year Return	12.67%
Average Monthly Return (since inception)	0.80%
% Positive Months	74.42%
Best Positive Month	4.82%
Worst Negative Month	-3.91%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.67%
Sortino Ratio	2.26
Sharpe Ratio	1.3
Correlation with All Ordinaries	-0.1078
Beta	-0.06

¹ Harvest Lane Asset management does not receive any part of the management fee. Instead this is paid to the Fund's service providers and to recover all expenses.

² Performance fee is charged when the funds performance exceeds its benchmark (RBA Cash Rate).

³ Return is calculated as the average of all full financial years since inception (01/07/2013 - 30/06/2016) and does not include returns for the current year.

* Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed. Returns are based on the mid-point of unit prices and are net of all fees and charges. Unless otherwise stated, all figures are in Australian dollars and include GST. Return calculations covering a period greater than 12 months assume the reinvestment of distributions.

Manager Commentary Continued

But we'd rather be boring and not lose capital permanently, than sexy and make a lot before losing it all and then some. While many investors are good at investing in "what has performed recently", we like to remind them that if it was that easy, everyone would make lots of money. Unsurprisingly, that is not what happens.

So what we do is very different and is not speculative. We find new opportunities that fit our disciplined process, we consider them thoughtfully, and we position ourselves accordingly. We then have to play the waiting and monitoring game for positions which we know are full of potential and have historically been rewarding over time. Sometimes these opportunities pay off; other times – as has been the case recently - not much happens.

A market like this can be as frustrating for the investment team as it is for our investors. However, we would do well to remember that returns of all active disciplined processes tend to be somewhat cyclical in nature with periods of stronger returns and periods of little, no or even modestly negative returns, no matter what one does. For us, just when you think you may never see a counter-bid again, we will get a bunch of them all at once and it will seem strange that anyone could doubt that the historic and expected experience would not play out once again.

Given enough time, the odds are on our side - eventually a weighted coin toss leads to the expected results. You just need to have another tosses and that is why our 10% return target applies for a 3 year period and not a 6 month period. Although we report monthly, we remind investors that 3 or more years is the appropriate period over which to consider our performance and which reflects our objectives.

Pleasingly, there are some promising signs that the pick-up in M&A activity that many have predicted and reasonably expect to occur may finally be underway, with the last few days of the month seeing a significant change in activity, forcing us to step up our workload considerably. Three new stocks that were suitable for inclusion in the portfolio after becoming the subject of bids have been added, and at the time of writing the portfolio appears set to benefit from a modest counter-bid (finally!) for one of our existing positions. As the majority of these were announced very late in the month of February they are yet to meaningfully impact our returns but we expect that they soon will.

We are pleased to see a pickup in transactions as we know that - given enough opportunities - several should be good, and that a couple will eventually be exceptional. Significantly more activity than we have seen in a few months is highly encouraging. We continue to think it is reasonable to expect increased M&A and corporate activity. M&A is a normal and significant activity of corporate life and there are legions of people involved in it and making sure it happens – they can't and don't sit on their hands for long. Conditions for M&A are also currently very positive. Bring it on.

Kind Regards,

Luke Cummings
Chief Investment Officer & Managing Director

(on behalf of the team at Harvest Lane Asset Management)

Harvest Lane Asset Management Overview

Harvest Lane Asset Management Absolute Return Fund (Fund) is a high conviction absolute return fund which aims to produce high absolute returns using a conservative yet nimble investment approach. The Fund has a strong focus on preservation of capital and its trades have almost no dependence on traditional asset class returns.

The Fund invests very selectively in stocks subject to special circumstances, which the manager believes have limited risk of capital loss and a skew towards positive returns. In practice, the Fund takes advantage of merger arbitrage opportunities and capital raisings in a highly selective manner – and only when its assessment is that these represent a strong risk/return trade-off.

Given its low correlation with other investments and a focus on absolute returns, the Fund may be used in conjunction with other investments as part of a defensive portfolio allocation. Alternatively, it can be used as a standalone lower risk alternative to growth investments.

Considering the Funds strategy identifies a large number of opportunities that include fully franked dividends, the Fund may also suit self managed superfunds and other low tax paying entities depending on their investment objectives.

The manager only charges a performance fee on returns above cash and in the event that the Fund underperforms its benchmark, Harvest Lane Asset Management receives no other payment from investors in the Fund. Management fees go to pay costs and service providers such as Fundhost. The principals of the Fund, and their friends and family are also heavily invested in the Fund which further aligns the interests of its staff with that of its investors.

Disclaimer

This information refers to investments in the Harvest Lane Asset Management Absolute Return Fund (ARSN 614 662 627) (Fund).

Any person seeking to make an investment should review the Product Disclosure Statement (PDS) for the Fund dated 20 September 2016 issued by the responsible entity of the Fund, Fundhost Ltd (ABN 69 092 517 087, AFSL No. 233045) (Fundhost). Before making any decision to make or hold any investment in the Fund you should consider the PDS in full. A copy of the PDS is available here www.harvestlaneam.com.au.

This information has been prepared without taking into account your individual objectives, financial situation or needs. You will need to consider whether an investment in the Fund is appropriate for you, having regard to those matters. You should seek legal, financial and taxation advice before investing. manager of the Fund is Harvest Lane Asset Management Pty Ltd (ACN 158 314 697, Corporate Authorised Representative No.433046 of Harvest Lane Capital Pty Ltd AFSL No.425334). Investment returns are not guaranteed.