

Investment Returns (net of fees)

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	42.93%	8.26%	34.67%
Trailing 3 year return p.a.	8.30%	2.22%	6.08%
Trailing 12 month return	4.18%	1.84%	2.34%
Trailing 3 month return	-1.07%	0.42%	-1.51%
Trailing 1 month return	0.00%	0.13%	-0.13%

* 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

Financial markets have a way of turning up things one has never witnessed previously and so it was in January when the Absolute Return Fund produced a return for the month of exactly zero (!). We would generally expect a quiet month to yield either a marginal gain or loss but it is unusual to see the Fund's unit price remain at exactly the same level of a month earlier. This is certainly consistent with the type of market we are in currently – it is producing all sorts of strange and unpredictable results for managers (many of them much more negative than our own!).

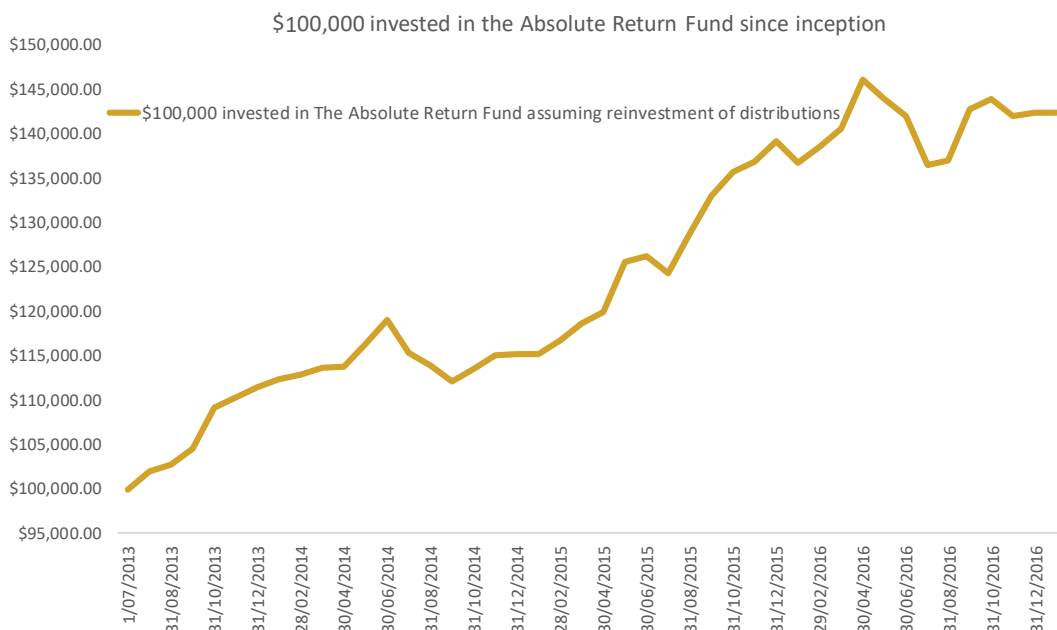
There was very subdued corporate activity that we first observed in December, and which continued throughout most of January. This is not unprecedented given that many market participants are on leave throughout this period, with many returning only at the conclusion of school holidays (or following the Australian Open tennis) late in the month.

Against this backdrop of lower activity, the ASX200 Accumulation index produced a negative return for the month of 0.79% as market participants re-considered (temporarily at least) the merits of the 'Trump Trade'. POTUS himself assisted in this regard by immediately going on the offensive against just about everyone immediately following his inauguration, giving traders and investors pause for thought regarding just how positive a Trump Presidency is actually going to be. We are fairly sure that countries like Iran, China and others would view his twitter tirades as insulting and harmful to good international and trade relations.

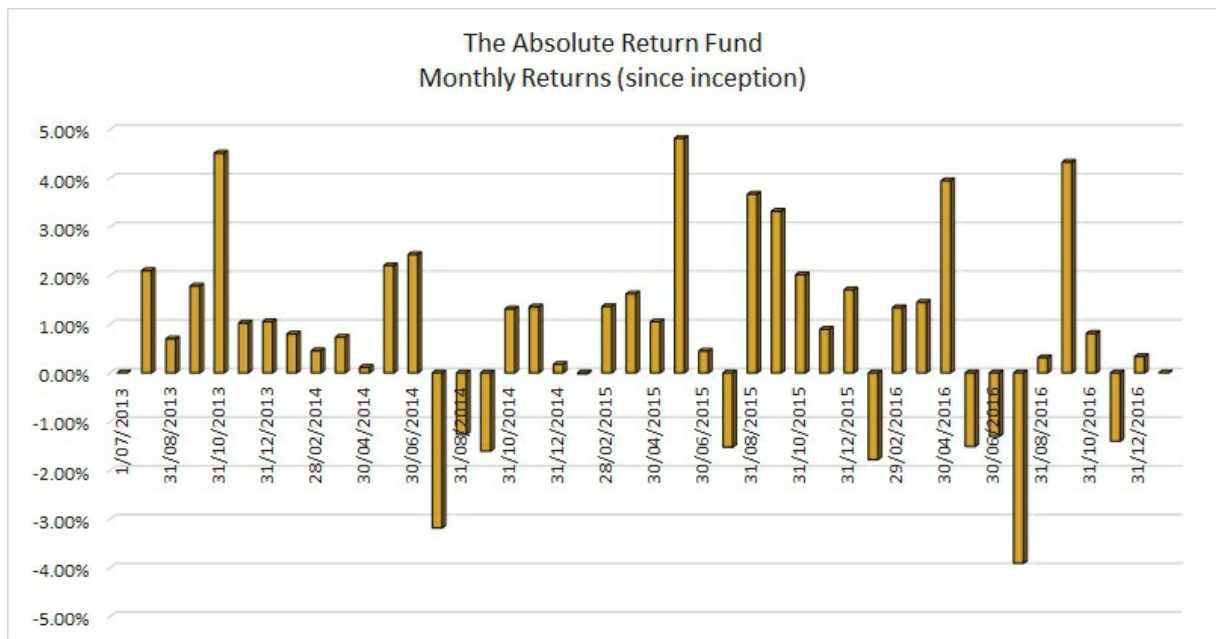
Most importantly, a Trump presidency highlights a change in regime to more populist politics and hence a higher risk of tail events. Geopolitical and event risk has certainly risen given the

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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)	0.85%
% Positive Months	76.19%
Best Positive Month	4.82%
Worst Negative Month	-3.91%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.67%
Sortino Ratio	2.45
Sharpe Ratio	1.3
Correlation with All Ordinaries	-0.09
Beta	-0.05

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.

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Manager Commentary Continued

stated views of Trump and those he has put in place as his advisers, even before considering the heightened risk of populist policies and politicians in Europe and elsewhere. Even if investors are bullish on markets – which is long term difficult given the higher starting valuations – heightened risks of inflation and geopolitical and trade frictions should logically and necessarily result in a reduction of market exposures to bonds and equities, and an urgent need to better diversify and protect portfolios against market risks and the risks of large falls in prices. Certainly when considering portfolio position sizes, we always consider the risk of worse case outcomes - we suggest all investors do the same with their asset class and manager exposures.

We certainly expect to be able to assist investors by giving them an option to invest in a diversifying and market independent source of returns in a relatively conservative and aligned way in the coming year and years. Unlike many managers, we hope our transparent and understandable process results in confidence that a positive return will be achieved over time. This is important because in the current

world one can't be so sure that many funds management processes will result in positive outcomes. In the long run, compounding returns relies upon avoiding large price falls, a risk which is ever present with market dependent managers.

The portfolio remains well positioned to benefit from improved activity levels when they eventuate. We currently have at least a couple of positions which we expect will attract improved bids prior to the conclusion of their offers. Pleasingly, there were also a number of new deals announced towards the very end of the month, and we are optimistic that this will continue into February and beyond.

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.