

Investment Returns (net of fees)

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	42.37%	8.50%	33.87%
Trailing 3 year return p.a.	7.73%	2.15%	5.58%
Trailing 12 month return	0.94%	1.76%	-0.82%
Trailing 3 month return	-0.39%	0.38%	-0.77%
Trailing 1 month return	0.91%	0.13%	0.78%

* 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

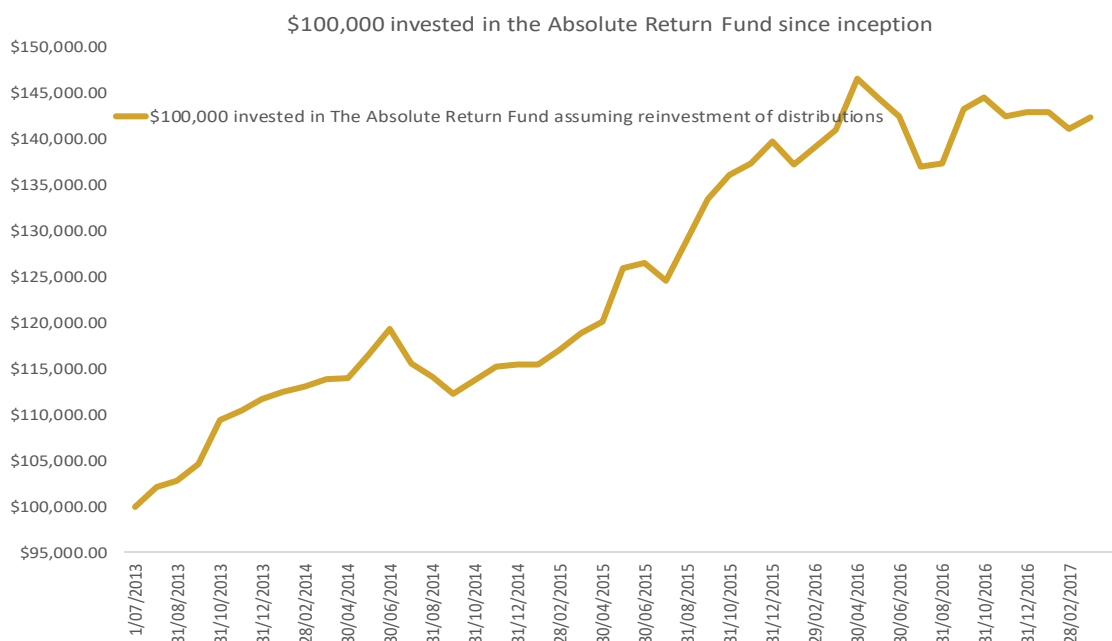
March was a reasonable month for Absolute Return Fund, with an overall gain for the period of 0.91%. This represents the best monthly return generated by the Fund for a while and is hopefully a sign of things to come.

Certainly, if one believes everything they read in the financial media then the Australian share market seems to be on the cusp of an M&A boom. Barely a week goes by now whereby a banker or a lawyer (undoubtedly 'talking their book' to some extent) isn't quoted by in the Australian Financial Review about their pending deal pipeline, and the robust M&A conditions that they expect over the coming 12 months etc. While we don't believe everything we read in the papers, to be fair, these views are currently being reflected in the number of newly announced transactions.

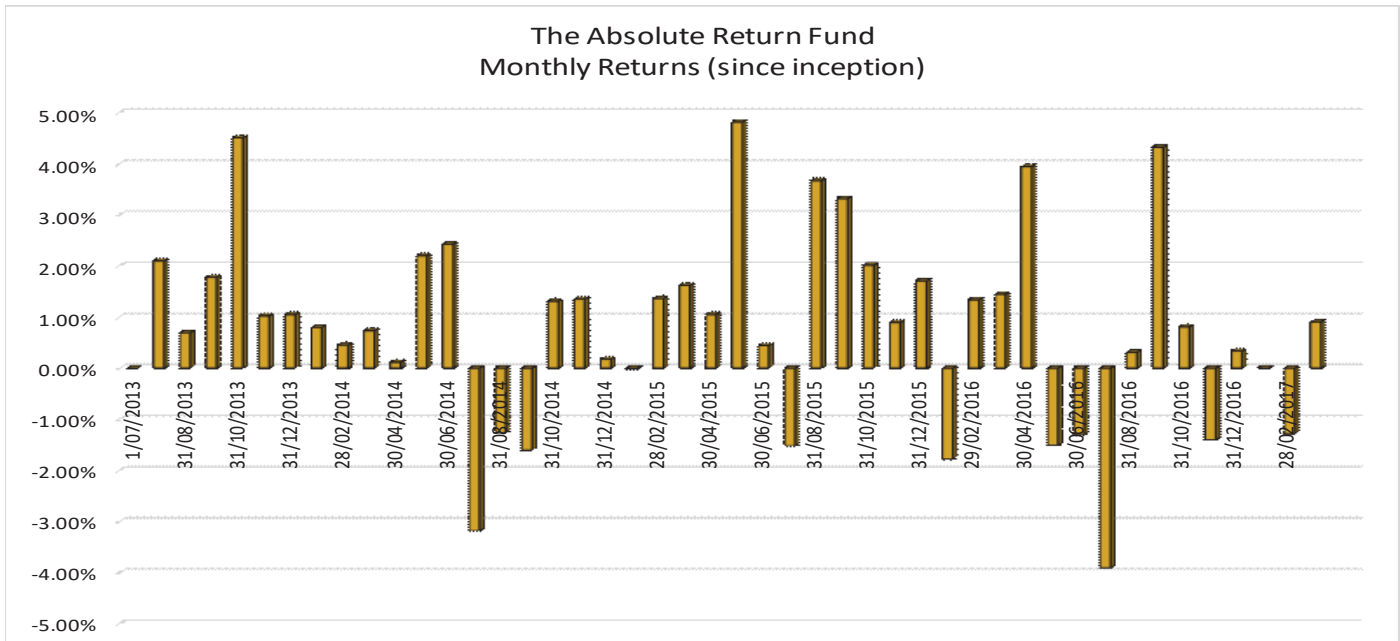
I mentioned briefly in our February letter that we had seen a pickup in deal flow and that continued to be the case in March. Whilst we don't yet view these as 'boomtime' conditions we are pleased to see M&A activity getting a little more attention after a very lean couple of years. In fact, we were interested to read a report that came across our desk in March from Credit Suisse which highlighted M&A as a core activity of corporates that has represented 8% of total market cap each year internationally for the period under consideration. Far from being a fringe strategy, M&A is the largest capital allocation activity of listed companies.

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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)	0.81%
% Positive Months	75.00%
Best Positive Month	4.82%
Worst Negative Month	-3.91%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.67%
Sortino Ratio	2.29
Sharpe Ratio	1.23
Correlation with All Ordinaries	-0.1063
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.

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Manager Commentary Continued

We are continually surprised by the general perception among (potential) investors when it comes to M&A, who are of the frequently of the view that M&A is more or less non-existent in the Australian market. They are usually shocked to find out that we have on average participated in more than 40 M&A transactions annually (and more than 150 in aggregate) since the Fund's inception! Admittedly, most of these companies are not household names and don't make the news, but that is part of the attraction. Returns are easier to harvest (pun very much intended) when you have less competition.

So, with conditions seemingly ripe for M&A and the number of deals announced increasing, the only real ingredient missing from our perspective is competition among bidders for the assets being acquired. I have commented in previous notes about our surprise (and dismay) at how many low-ball bids have succeeded in recent times without the hint of a competing offer. Whilst we like to see deals being completed, we ultimately prefer them to see them complete at prices that are considerably higher than those initially proposed and therefore at much higher prices than we have paid! Undoubtedly, this will come as boards move away from their recent and unusual obsession (in a historical context) of simply distributing capital back to shareholders in the form of dividends and buy-backs.

Turning briefly to the ASX more broadly, March was another strong month for the ASX 200, with the Accumulation Index chalking up a gain of 3.32% and closing at another all-time high. Say what you will about President Trump but he has certainly been good for markets (thus far at least). There are of course still many risks on the horizon (a great many of which

we have highlighted in our previous updates and hence won't do so again here) but markets seem largely content to ignore them for now. That doesn't generally end well but that's not to say that it cannot continue for some time yet.

While the defensive characteristics of the Fund undoubtedly look much less appealing in relative terms at present given the strong performance of the market, we are content to bide our time as we know our own performance will not remain indefinitely subdued. The favourable backdrop and increasing M&A provides us with some confidence that our performance will continue to pick up from here.

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.