

	NTA
Unit Price - 31/12/2017	\$0.9954

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	45.88%	9.63%	36.25%
Trailing 3 year return p.a.	8.11%	1.88%	6.23%
Trailing 12 month return	2.06%	1.50%	0.56%
Trailing 3 month return	4.06%	0.38%	3.68%
Trailing 1 month return	1.45%	0.13%	1.32%

* 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 Fund added 1.45% in the month of December resulting in a gain for the quarter of a little over 4%.

Most surprising to the investment team was the large number of positions that were added to the portfolio intra-month during what would generally be a time of very little activity.

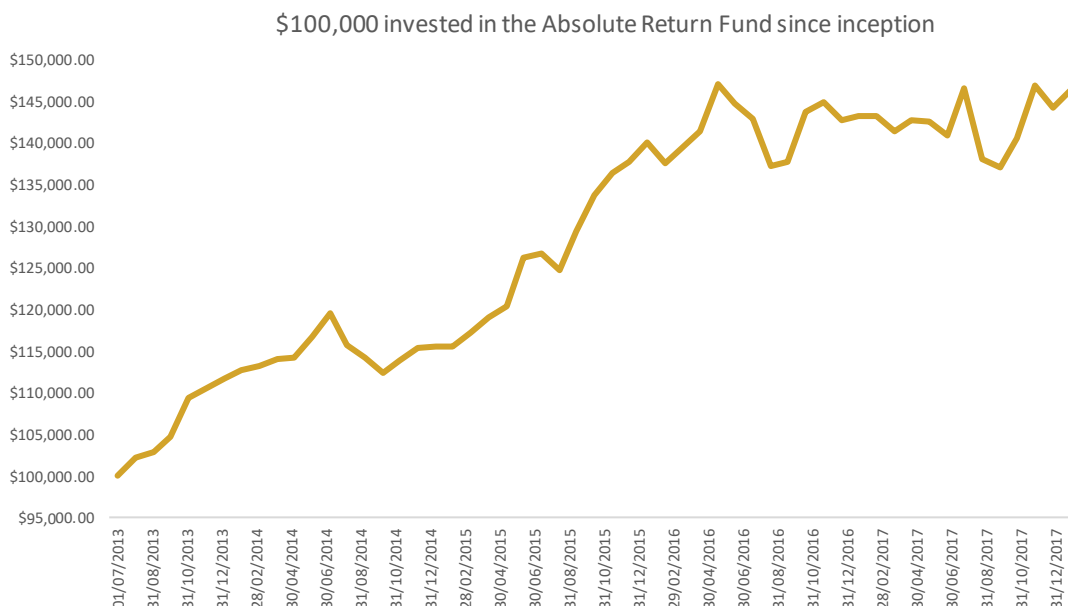
It is our belief that the long awaited and thus far elusive 'animal spirits' may finally be stirring and if that's the case, we would expect this to be reflected in considerably improved performance in the months ahead.

Positions added throughout the month included:

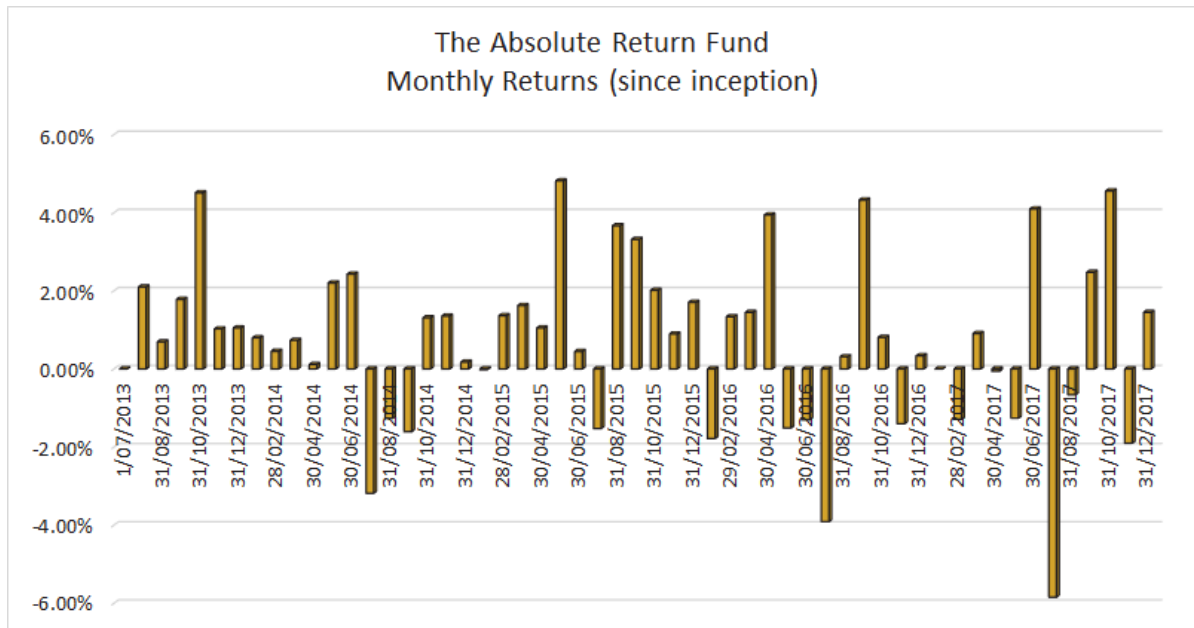
- Tox Free Solutions (ASX: TOX) – who announced that they had entered into a binding SOA with ASX listed Cleanaway Waste (ASX: CWY) with the transaction to include a large fully franked dividend. It is our view that a counter offer is not completely out of the question and in the event that one is not forthcoming, the large amount of franking credits on offer via the currently agreed scheme will be more than sufficient consolation.

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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 ¹	Capped at 1.25%
Manager Performance Fee ²	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 ³	10.16%
Average Monthly Return (since inception)	0.72%
% Positive Months	69.81%
Best Positive Month	4.82%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	7.40%
Sortino Ratio	1.61
Sharpe Ratio	0.961
Correlation with All Ordinaries	-0.03
Beta	-0.02
Last distribution paid (July 2017)	\$0.09969

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 Fund's performance exceeds its benchmark (RBA Cash Rate).

³ Return is calculated as the average of all full financial years since inception (01/07/2013 - 30/06/2017) and does not include returns for the current year.

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Manager Commentary Continued

- AWE (ASX: AWE) – who having already been subject to a non-binding takeover approach from Chinese company China Energy Reserve and Chemicals Group (CERCG) announced 2 subsequent offers from Mineral Resources (ASX: MIN). Whilst CERCG may yet return with a higher offer of their own, a competing offer from a third party is certainly not out of the question with ASX listed Beach Energy (ASX: BPT) also rumoured as a suitor.
- Bulletproof Group (ASX: BPF) – currently the subject of a hostile bid by ASX listed Macquarie Telecom (ASX: MAQ) which the board appointed 'Independent Expert' has assessed as being too low and which the board has thus rejected. The company has opened a data room for other interested parties and we note that a major shareholder and possible counter bidder (Brennan IT) has added to its stake continuously since the Macquarie Telecom offer was announced.
- Aconex (ASX: ACX) – who entered into an SOA with Oracle Corporation earlier in the month and for whom we also believe a competing bid may not be out of the question.

We were also interested to observe a (thus far) unexplained spike in the Simonds Group (ASX: SIO) share price late in the month and are curious to see if that increase is further extended in the month ahead. Investors may recall that SIO is an existing position that was established following a failed privatisation bid from the Simonds family in expectation of an improved proposal being put to shareholders in the year ahead. Recent robust turnover in the stock along with the recent increase in price suggests that may occur sooner rather than later.

We continue to believe that the portfolio is well positioned for further success in the months ahead with some 19 open positions at the time of writing (the most we have had in quite some time) and we look forward to providing a further update in due course.

Kind Regards,

Luke Cummings

Chief Investment Officer and 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. The investment 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.