

| | |
|-------------------------|--------|
| | NTA |
| Unit Price - 31/08/2017 | 0.9335 |

Investment Returns (net of fees)

| | Harvest Lane Absolute Return Fund | RBA Cash Rate | Outperformance |
|--|-----------------------------------|---------------|----------------|
| Cumulative return (since inception 01/07/2013) | 36.81% | 9.13% | 27.68% |
| Trailing 3 year return p.a. | 6.24% | 1.99% | 4.25% |
| Trailing 12 month return | -0.42% | 1.58% | -2.00% |
| Trailing 3 month return | -2.63% | 0.38% | -3.01% |
| Trailing 1 month return | -0.66% | 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

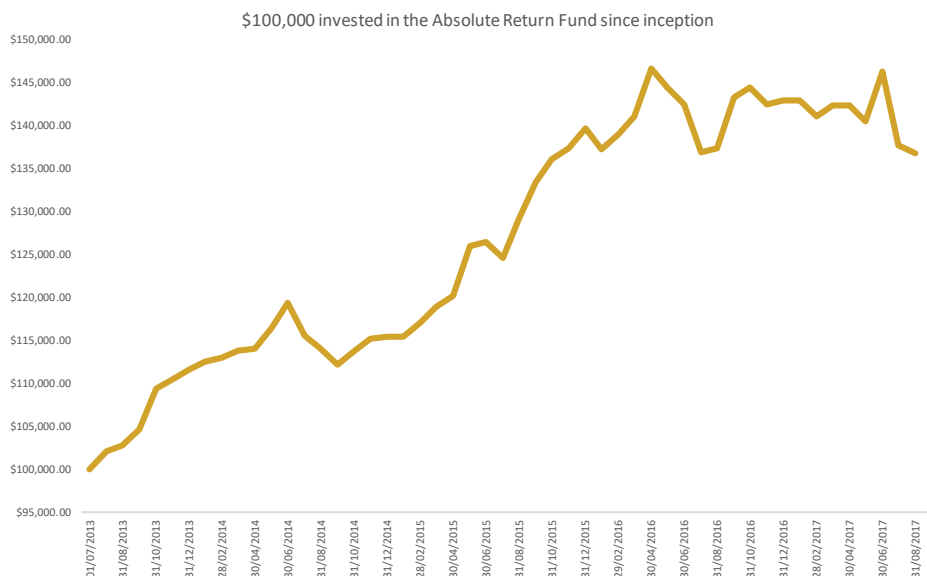
In August, the Fund produced a slight decrease of 0.66%. Importantly, there are some 'green shoots' happening which should result in better performance in September and subsequently. For example, at month end, our position in Asia Pacific Data Centres (ASX: AJD) looked set to become the subject of a possible bidding war with competing acquisition proposals on foot. There have been few contested bidding situations over the last year and we would certainly welcome one in this instance. The portfolio is well positioned to benefit should this occur.

Tower Limited (ASX: TWR), in which we retain a position, announced that they would appeal the NZCC decision that we referenced in our July letter and any success in appealing the decision would also benefit the portfolio. The market is currently pricing little chance of success, so if the decision is upheld it is unlikely to be to our detriment. It may in fact be the catalyst for Fairfax Financial re-engaging with the Tower Board in the event that the Vero proposal is unable to proceed. Whilst not our preferred outcome, this too would be a good outcome for the value of our position.

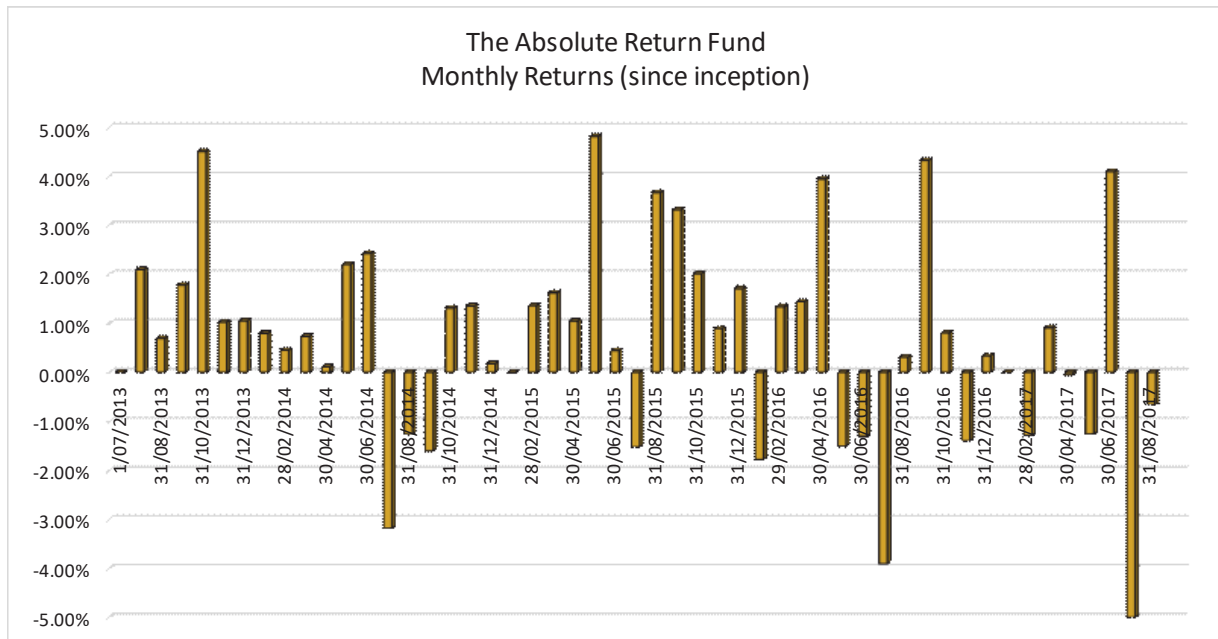
Simonds Group (ASX: SIO), in which we also retain a position, is also the subject of renewed corporate manoeuvring with a large line of stock changing hands late in the month.

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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) | 0.65% |
| % Positive Months | 69.39% |
| Best Positive Month | 4.82% |
| Worst Negative Month | -5.84% |
| Maximum Drawdown | -6.69% |
| Annualised Standard Deviation | 7.40% |
| Sortino Ratio | 1.39 |
| Sharpe Ratio | 0.856 |
| Correlation with All Ordinaries | -0.059 |
| Beta | -0.038 |
| Last distribution paid (July 2017) | 0.099687 |

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

This follows the recent emergence of a new substantial holder and we are interested to see how the situation plays out. A previous bid at \$0.40 per share was rejected by shareholders as too low, so a renewed bid is likely to be at a significant premium to that level should one eventuate. As it stands, the stock is carrying very little if any premium for such a scenario playing out.

Finally, we are eagerly awaiting an update from Universal Coal (ASX: UNV) which also features in the portfolio and who will report their FY16-17 numbers sometime in September. As a reminder, UNV was previously subject to a 3-way contested bid but ultimately remained as a listed entity. We were subsequently able to accumulate stock at as much as a 50% discount to the value of the highest bid tabled at that time and after watching the share price languish for longer than we had anticipated, the share price has recently shown signs of life. There is significant private equity activity occurring in coal stocks currently. We would not be surprised to see renewed corporate interest in the stock in the not too distant future, and believe its FY16-17 results could be the catalyst for such a move.

In summary, we are very much expecting an improved result for September and so too in the months ahead – a scenario that is long overdue.

As far as the broader market is concerned, the ASX200 was also broadly flat for the month (down 0.1%) as reporting season reached full flight. Our observation was that those companies that failed to meet expectations (of which there were several particularly high-profile examples) were dealt with harshly. The equity market remains 'range bound' and it's difficult to see a scenario in which it moves considerably higher in the near term. We could of course be wrong, but market rallies continue to be sold and there are some early stage cracks beginning to appear in US indices, which would almost certainly have a flow on effect to Australia should they begin to sell off in any meaningful way. US/North Korea tensions have also not dissipated (and may in fact be escalating). A US war with Korea would almost certainly be a 'risk off' event for global markets should it come to pass. Risks are of course evident at all times, but there appear to be more on the immediate horizon than the market would generally tolerate. The months ahead will likely be interesting and not supportive of taking significant risk of large capital losses from being long only equities. Our approach provides a complementary exposure that moves to its own beat and – we believe – does not have the same risk of double digit losses.

That concludes our update for this month and I look forward to providing you with a further update for September in the coming weeks. We apologise for our update going out a little later this month than usual. From next month, we are expecting to publish future updates a little earlier than we have done historically.

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. 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.