

	NTA
Unit Price - 28/02/2018	\$1.0137

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	48.56%	9.87%	38.69%
Trailing 3 year return p.a.	8.28%	1.82%	6.46%
Trailing 12 month return	5.29%	1.50%	3.79%
Trailing 3 month return	3.31%	0.38%	2.93%
Trailing 1 month return	-1.52%	0.13%	-1.64%

* 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

February was once again characterised by a large amount of M&A activity and of course, by a sharp mid-month drop in global equity markets (US equity markets in particular) following a large spike in market volatility. The Absolute Return Fund portfolio lost 1.52% for the period, although this followed the Fund's strong performance in January and was within the normal fluctuations of the fund.

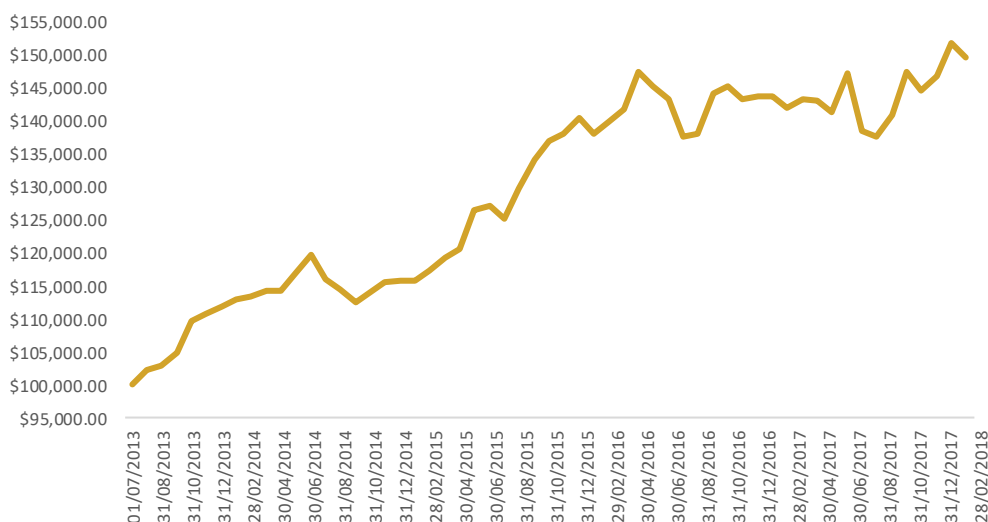
After a sustained period of very little in the way of M&A activity, we have recently witnessed a significant increase in the number of deals being announced, long overdue in our opinion. What is yet to be forthcoming (with one or two notable exceptions) is deals having their terms improved i.e. we are yet to witness much competitive tension in prospective deals. If history is any guide, this phase of the M&A cycle is likely not far away - we are hence extremely optimistic about the outlook for the portfolio in the months ahead.

Additionally, we feel that recent equity market volatility signifies a shift in market conditions. The period of 'get long, stay long' and 'buy the dip' which has been so beneficial to most portfolios has probably seen its best days as interest rates globally come off their lows and volatility increases. It is well known that in recent years markets have produced returns that were well above the long-term average and a period of much leaner returns is likely ahead.

Continued page 3

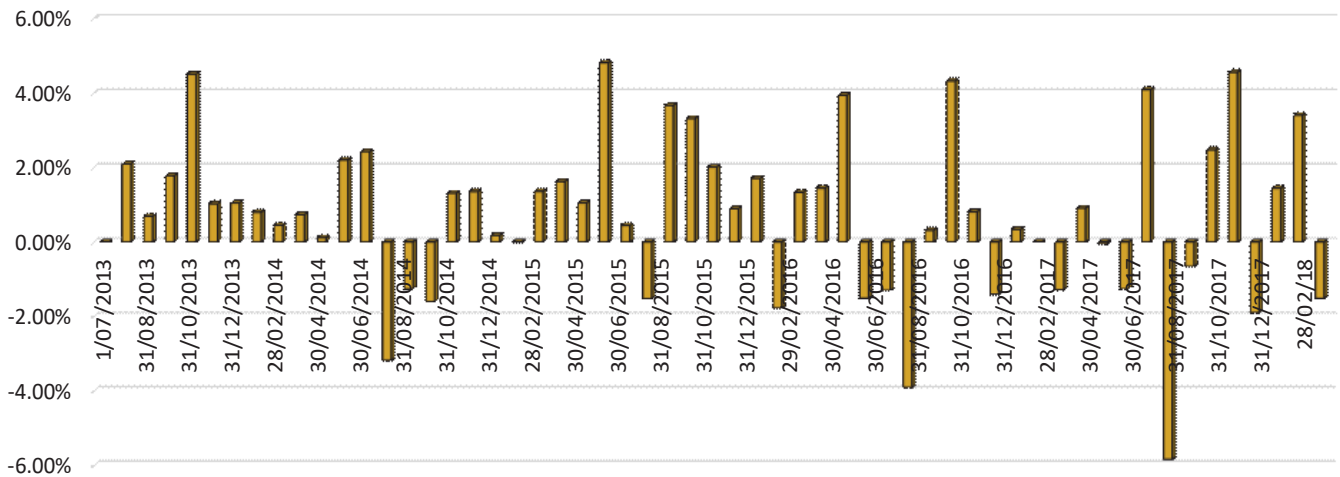
Growth of \$100,000 Since Inception

\$100,000 invested in the Absolute Return Fund since inception



Monthly Returns History*

The Absolute Return Fund
Monthly Returns (since inception)



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)	0.73%
% Positive Months	69.09%
Best Positive Month	4.82%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	7.40%
Sortino Ratio	1.64
Sharpe Ratio	0.969
Correlation with All Ordinaries	-0.035
Beta	-0.024
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.

* 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

Importantly, Harvest Lane has not benefitted from the excessive optimism of times past; in fact, if anything, the opposite has occurred. We have tended to do better when the market is down and are working very hard at ensuring this remains the case. Genuinely defensive market neutral/absolute return strategies (such as ours) have been somewhat out of favour in recent times but are likely becoming relatively more attractive versus their long only 'beta dependent' counterparts. The increase in investor enquiries we have witnessed in recent weeks is supportive of this view. For long term compounding to work for investors, market crashes and bear markets are indeed best avoided, which is in no small part why we manage Fund capital in the way that we do.

Turning our attention to the portfolio of the Absolute Return Fund, five new positions were opened throughout the month. We reduced our cash levels and exited our position in Billabong at a small loss (ASX: BBG) to take advantage of these new and better opportunities, as stocks had to compete for a position in the portfolio.

Consolidation activity in the healthcare sector was a key theme for the month with takeover bids announced for LifeHealthCare Group (ASX: LHC), Viralytics Ltd (ASX: VLA), and RHS Limited (ASX: RHS). Primary Gold Ltd (ASX: PGO) received an offer from its largest shareholder as the company moves towards imminent production, and having considered the assets in their portfolio, we are optimistic that they may not be given up without a fight just yet. A small position was also added in Finders Resources (ASX: FND) at a price slightly above the current unconditional offer to acquire the shares (also by its major shareholder). The unconditional nature of the offer severely limits our downside and given the low level of acceptances to date and so too that the offer price not yet been declared 'best and final', there remains a possibility that the bidder will be forced to lift its offer in order to get the deal across the line.

Our position in AWE Limited (ASX: AWE) shed some of its gains last month as market expectations of a superior bid to Mitsui's \$0.95 per share offer tapered somewhat after Mineral Resources (ASX: MIN) declined its right to match Mitsui's offer. We believe an improved offer remains possible despite the market's pessimism and expect to see whether this occurs over the next few weeks. Our position in Bulletproof Limited (ASX: BPF) attracted a competing proposal to Macquarie Telecom's (ASX: MAQ) offer of \$0.11 per share, entering a scheme implementation deed with AC3 at a consideration of \$0.152 per share. MAQ's strong financial performance of late, particularly due to its hosting division, may mean that it is not yet out of the race - it certainly has sufficient firepower to lift its offer should it wish to do so.

We also took the opportunity to lighten our position in Tower Ltd (ASX: TWR) as the stock approached three-month highs. Tower announced settlement of an outstanding dispute at the end of the month that seems to have weighed on the market's outlook for the company's short to medium term performance. Nonetheless, we look forward to further announcements from Vero Insurance regarding its intentions for its holding (having been previously been blocked by the NZCC from acquiring Tower outright). We would not be surprised to see the stock trade even higher in the weeks ahead.

With a number of current deals expected to be finalised over the coming month or so, alongside heightened market activity, we are confident of continuing to deliver strong returns for the remainder of this financial year and beyond. We look forward to providing further updates in due course.

Kind Regards,

Luke Cummings
Chief Investment Officer and Managing Director

(On behalf of the Harvest Lane Asset Management Team)

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.