

Investment Returns (net of fees)

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	42.29%	9.00%	33.28%
Trailing 3 year return p.a.	7.67%	2.12%	5.55%
Trailing 12 month return	-2.95%	1.72%	-4.66%
Trailing 3 month return	-0.45%	0.38%	-0.82%
Trailing 1 month return	-0.06%	0.13%	-0.18%

* 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

April was a relatively subdued month for the Fund, with a flat return of - 0.06%. This was again in contrast to another strong month for the Australian market, with the ASX S&P 200 index posting a gain of 1% for the period.

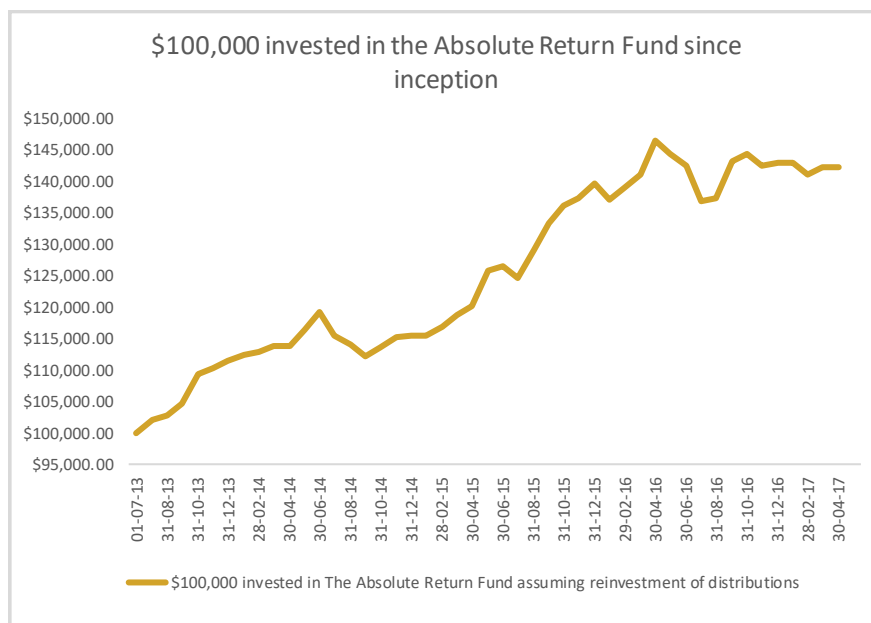
Given that we are essentially paid to focus on risk, it could be argued that we are more attuned to risks than most. Nonetheless, when we look around, we detect lots of risks that a complacent market seemingly isn't pricing (at least not yet). The fact that the VIX ("fear index") is at record lows defies belief! Many well respected and better known identities than us have expressed concern about everything from the situation in North Korea, US governance issues and valuations, house prices in countries such as Canada, Norway and of course Australia, plus the effect of outsized inflows to passive ETFs which don't do due diligence on anything they invest in (at the expense of active managers, at least some of which do in fact roll up their sleeves!).

We recently and with some concern for retail 'investors' noted the launch of a 4 times leveraged ETF that seeks to replicate the daily performance of the S&P500 at a multiple of 4 to 1! Could this be a classic "ring the bell" signal of an impending market top along with peak sentiment towards passive investing and ETF products? It's too soon to tell but we would argue that buying a product that is 4 times more volatile than the market itself at a time of record low volatility and high asset prices is a bit like driving along a freeway at 300 km/hour. You move quickly for a short time until you hit a corner, when all of a sudden you're no longer able to drive at all.

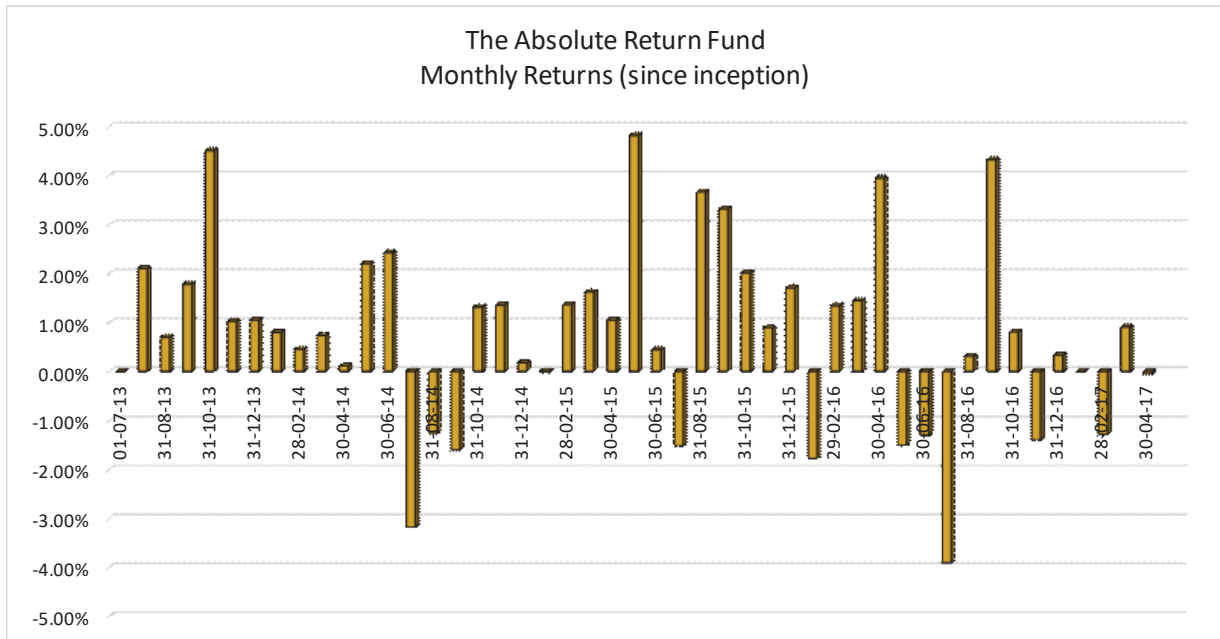
We can't help but think the massive inflows in to indices are simply in part a cyclical reflection of an extremely prolonged bull market. After all, when everything is going well, due diligence and risk management and a market neutral strategy like ours can't compete with taking lots of market risk.

Continued page 3

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)	0.79%
% Positive Months	73.33%
Best Positive Month	4.82%
Worst Negative Month	-3.91%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.67%
Sortino Ratio	2.25
Sharpe Ratio	1.211
Correlation with All Ordinaries	-0.106
Beta	-0.059

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

However, all cycles come and go and we know the results will be very different during a full market cycle when managing risk judiciously will be crucial.

Our portfolio is pregnant with possibility but not yet delivering (as it were). The portfolio has been surprisingly fully invested of late despite the absence (thus far) of meaningfully improved returns. We have a number of deals scheduled for completion in May which will return some cash to the portfolio and quite a few more opportunities that remain active, and where we are optimistic that at least one or two of these will attract improved offer terms prior to their completion. In the interim, these positions – along with our portfolio - largely do very little and are not correlated to the market, while the market has been rewarding riskier positions elsewhere.

We genuinely believe that a sustained improvement in returns is not far away. Put simply, the portfolio contains too much

optionality (at attractive prices) to continue to tread water. In addition, this has been the longest period of sideways performance that the Fund has endured since its inception but so too that your investment team has experienced over the duration of their careers (spanning all the way back to the start of 2000). For us, our flat performance is an irritating anomaly (just one of many in the current market); we don't believe it is a reasonable expectation of what to expect from the fund 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.