

Investment Returns (net of fees)

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	40.50%	9.14%	31.36%
Trailing 3 year return p.a.	6.44%	2.08%	4.36%
Trailing 12 month return	-2.70%	1.67%	-4.37%
Trailing 3 month return	-0.42%	0.38%	-0.79%
Trailing 1 month return	-1.26%	0.13%	-1.38%

* 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 posted a return in May of -1.26%. Once again it was not the case of something bad happening but rather an absence of anything particularly good happening either. In contrast to prior months, the Aussie Market also gave up ground, with the ASX200 posting a poor return of -3.37% for the month, effectively cancelling out most of its gains for the prior 2 months. It was unusual to lose ground in a bad down month for the market (while not our usual result, it can happen.)

There were no meaningful capital raisings that we participated in nor newly announced takeover bids which met our criteria for inclusion in the portfolio. Most frustratingly, there were - once again and surprisingly - no improvements to existing takeover bids for stocks in which we already held positions. A couple of our positions drifted slightly lower over the month in the absence of any news, and that effectively accounted for much of the loss.

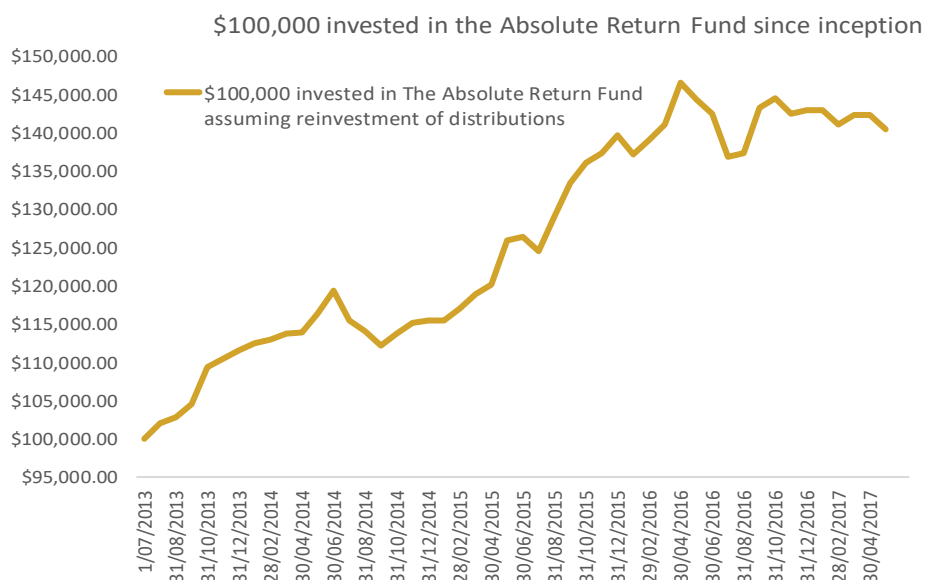
Whilst we know that this absence of beneficial activity cannot continue indefinitely - and is in fact quite unusual - we do wish it

would cease to be the case sooner rather than later. It now seems almost everyone can see why there should be a pick-up in capital markets activity and competition due to plenty of suitable listed targets, and corporates and private equity sitting on a large pool of cash that they are committed to deploy. With a new financial year approaching, we hope that may be the catalyst for a pick-up in activity in those areas that are of most interest to us - namely M&A, and so too suitable secondary market capital raisings.

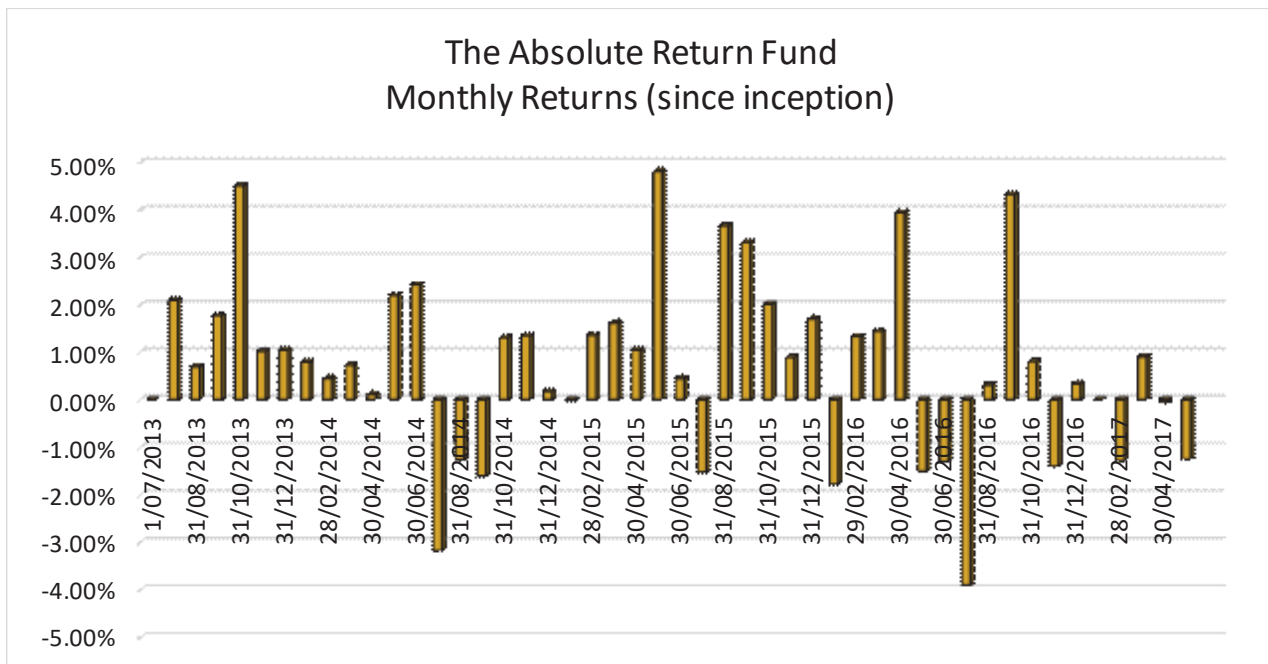
Whether or not the recent bout of market turmoil continues remains to be seen. We still see many risks on the horizon for the broader markets, but that has admittedly been the case for quite some time and the market has largely been content to ignore them to date, with volatility (as measured by the VIX) reaching record lows in recent times.

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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)	0.74%
% Positive Months	71.74%
Best Positive Month	4.82%
Worst Negative Month	-3.91%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.67%
Sortino Ratio	2.09
Sharpe Ratio	1.129
Correlation with All Ordinaries	-0.079
Beta	-0.044

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 - 30/06/2016) and does not include returns for the current year.

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Manager Commentary Continued

Betting on low volatility continuing seems to be a very dangerous trade to us, but one that many are invested in anyway after years of being trained to expect it. A rather obvious potential catalyst for market turmoil is the US Federal Reserve path of increasing (US) interest rates and so too the flagged reduction in the size of their balance sheet. This week saw another FED hike, and it is not too difficult to imagine a situation in which policy error (rising too far too fast?) serves as a catalyst to transform market conditions. It is just hard to know exactly when that might happen.

June is shaping up as an important month for the Absolute Return Fund. There are some key dates in the latter part of the month that have the ability to add some value to the portfolio with a bit of luck (but importantly shouldn't detract much from the portfolio if they don't). This includes a NZCC decision about whether or not to allow Suncorp (via its Vero subsidiary) to acquire the operations of Tower Insurance (TWR) in New Zealand, the

upcoming scheme meetings for Cradle Resources (CXX) and Brookfield Property Fund (BPA) and the soon to be concluded Downer EDI offer for Spotless Group (SPO).

We look forward to updating you further in our next note

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.