

Harbour Long Short Fund Fund Update

for the quarter ended 31 December 2019

Harbour Investment Funds

This fund update was first made publicly available on 30 January 2020

What is the purpose of this update?

This document tells you how the Harbour Long Short Fund has performed and what fees were charged. The document will help you compare the Fund with other funds. Harbour Asset Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Fund is an actively managed, high conviction portfolio investing principally in 'long' and 'short' listed Australasian equities.

The focus is on delivering positive returns through the market cycle by investing in long and short-sold equity positions with no particular attention to an equity benchmark.

The fund is expected to have lower volatility than equity benchmarks.

We can actively allocate investments between Australasian listed equities, fixed interest and cash. The Fund may also use derivatives to hedge currency and equity risk.

Investment Objective: To deliver positive absolute returns through the economic cycle with low volatility and low correlation of returns with equity markets.

Total value of the Fund (NZD)

\$1,565,031

The date the Fund started

3 January 2019

What are the risks of investing?

LOWER RISK

HIGHER RISK



Potentially lower returns

Potentially higher returns

A combination of actual Fund returns and market index returns have been used to determine the risk indicator for the Harbour Long Short Fund (inception 3 January 2019), as the Fund has not been operational for the required 5 years. The risk indicator may therefore provide a less reliable indicator of potential future volatility of this Fund.

The risk indicator is rated from **1 (low) to 7 (high)**. The rating reflects how much the value of the Fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the 5 years to 31 December 2019. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this Fund.

How has the Fund performed?

	Past Year
Annual Return¹ (after deductions for charges and tax)	6.26%
Annual Return¹ (after deductions for charges but before tax)	5.97%
Market index annual return¹ (reflects no deduction for charges and tax)	8.81%

The market index annual return is based on the weighted average return of the market indices used to measure performance of the underlying fund. In this case the Market Index is the 15% S&P NZX50 Index: 15% S&P/ASX 200 Index & 70% S&P/NZX Bank Bills 90-Day Index. Additional information about the market index is available on the offer register at www.business.govt.nz/disclose.

What fees are investors charged?

Investors in the Fund are charged fund charges. This Fund has not been open for a year to 30 June 2019. As such, below are estimates of fees to 31 December 2019:

	% of net asset value
Total fund charges (Inc. GST)	1.43%
Which are made up of:	
Total management and administration	1.43%
Including-	
Manager's basic fee	1.25%
Other management and administration charges ²	0.18%
Total Performance-based fees	0.00%

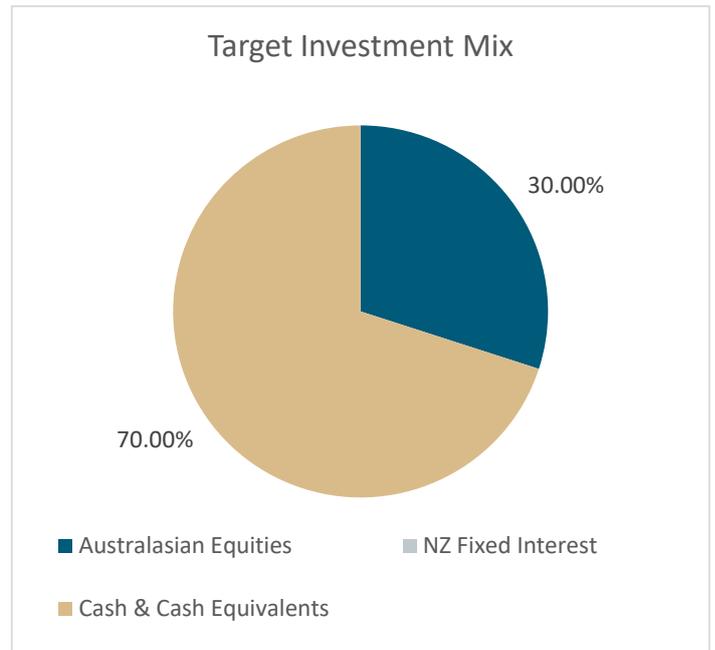
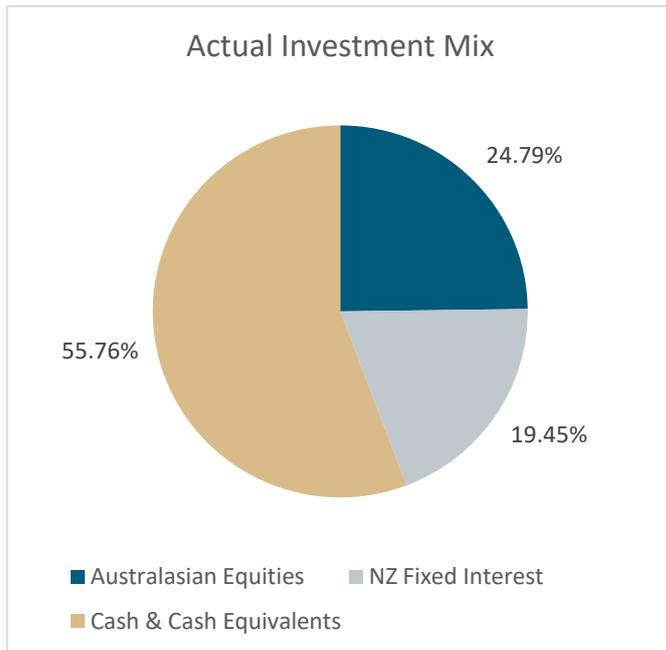
Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS and Other Material Information Document OMI for more information about fees. Also see the product disclosure statement for more information about the basis on which performance fees are charged.

Example of how this applies to an investor

Small differences in fees and charges can have a big impact on your investment over the long term. Jenny had \$10,000 in the Harbour Long Short Fund at the start of the year and did not make any further contributions. At the end of 31 December 2019, Jenny received a return after fund charges were deducted of \$597. This gives Jenny a total return after tax of \$626 for the year.

What does the Fund invest in?

This shows the types of assets that the fund invests in.



Actual asset allocation to 31 December 2019. Actual asset allocation will vary from the target asset allocation as market conditions change and if we pursue tactical investment opportunities.

Top 10 investments

Name	% of Fund net assets	Type	Country
Cash Collateral (AUD)	29.35%	Cash and cash equivalents	AU
Cash	26.44%	Cash and cash equivalents	NZ
Harbour Short Duration Fund	19.45%	New Zealand fixed interest	NZ
Ebos Group	4.24%	Australasian equities	NZ
Summerset Group Holdings	3.36%	Australasian equities	NZ
Ryman Healthcare	3.15%	Australasian equities	NZ
Mainfreight	3.00%	Australasian equities	NZ
A2 Milk	2.76%	Australasian equities	NZ
Contact Energy	2.52%	Australasian equities	NZ
Serko Ltd	2.50%	Australasian equities	NZ

The top 10 investments make up **96.8%** of the net asset value of the Fund.

Key Personnel

Name	Current Position	Time in current position	Previous position	Time in previous position
 Craig Stent	Executive Director, Head of Equities	10 years & 0 months	Research Analyst, Alliance Bernstein	7 years & 3 months
 Oyvinn Rimer	Director, Senior Research Analyst	10 years & 0 months	Research Analyst, Alliance Bernstein	2 years & 3 months

Further information

You can also obtain this information, the PDS for the Harbour Long Short Fund, and some additional information from the offer register at www.business.govt.nz/disclose.

Notes:

1. Returns to 31 December 2019.
2. Other fees: these charges cover the general management of the Fund e.g. administration, Supervisor, legal, and audit fees and costs required to comply with relevant legislation. These charges are based on estimates 31 December 2019 and exclude any applicable GST.
More information on these charges can be found in the PDS and the other material information document (OMI) on the Disclose Register.
4. The Fund currently has 24.79% of assets invested in Australian equities. Of this exposure, we have a 48.87% hedge on these Australian dollar denominated assets.

Hyperlinks to Harbour documents:

Links to the latest PDS, SIPO & OMI for the Harbour Investment Funds can be found on the Harbour website: <https://www.harbourasset.co.nz/our-funds/investor-documents/>