6 January 2017

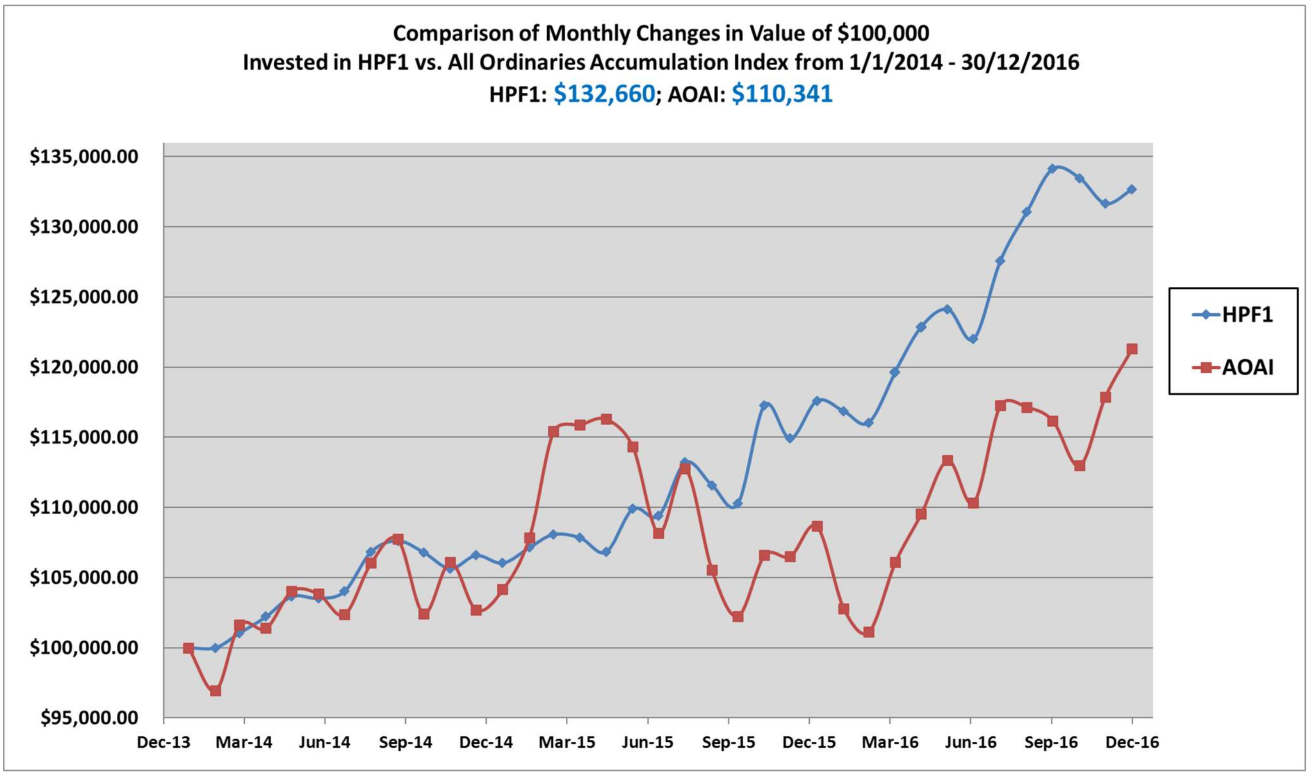
Dear Partners,

The unit price for Harrington Partners Fund 1 (HPF1, the Fund) finished the calender year 2016 at **$1.2150**, equating to a return of **9.64%** for the first half of Financial Year 2017 (FY17), before taking into account fees and charges. The Fund does not try to match any index or benchmark, however, it is necessary to test performance against a pre-determined and relevant reference point. For this purpose, the All Ordinaries Accumulation Index (AOAI) is suitable given it includes reinvested dividends and provides a sound comparison to what an investor could achieve in a low-cost broad-based index fund. Over the past 6 months an investment in the AOAI would have returned 9.94%. With distributions reinvested and net of all fees, HPF1 has returned **32.66%** since inception, this compares to a return for the AOAI of 21.31% over the same period.

Please note: Although the accrued performance fee has been accounted for in the net return below, no performance fee is payable (if any) until the end of FY17.

	HPF1 Net* Return	Distribution Per Unit	AOAI Return	Relative Performance
6 Months to 30/06/2014	**3.71%**	**$0.00494**	**2.36%**	**1.35%**
30/06/2015	**5.51%**	**$0.01693**	**5.67%**	**-0.16%**
30/06/2016	**11.50%**	**$0.09448**	**2.01%**	**9.49%**
6 Months to 30/12/2016	**8.73%**	**-**	**9.94%**	**-1.21%**
CAGR	**9.88%**		**6.65%**	
Cumulative Performance	**32.66%**	**$0.11635**	**21.31%**	**11.35%**

Data source for AOAI Returns: S&P Dow Jones Indices LLC. *Net Return to investors which is less fees and charges but includes reinvested distributions.



The Harrington Partners Approach

Harrington Partners' primary objective is to protect partners' capital whilst achieving performance that is superior to the market average over the medium to long term. We are patient value orientated investors with a fundamental approach that is thorough, creative and flexible. Our investment universe is not pre-determined by size, industry, or geography, providing us with the ability to operate in areas that are out of favour or not as widely researched by the broader investment community.

We do not follow any rigid formulas or complex rules and avoid the need for overly optimistic long term predictions, complex financial products, or elaborate modeling. We do not trade price movement, trends, or macro-economic theories.

Our process has a core emphasis on minimising error. We proactively work to mitigate the possible impacts of psychological and cognitive biases on our decision making and have intentionally built an operating structure that supports this.

We see ourselves as business owners and although the bulk of what we do is numbers driven, we focus intently on both the tangible and intangible qualitative elements which are necessary for a successful investment. We view the management teams of the businesses in which we invest as our partners and therefore demand high levels of integrity, skill and alignment with shareholder interests.

Our first preference is to pay sensible prices for well managed businesses that are conservatively financed, possess durable competitive advantages and have the ability to grow their franchise over time. Opportunities to buy these businesses at prices below our appraised intrinsic value are rare. When we do find opportunities that meet these criteria, we are willing to own them indefinitely, providing the fundamental investment hypothesis remains sound.

If our first preference cannot be met, we are confident to scour the market in search of situations where the probabilities of achieving superior returns are in our favour.

Resources are concentrated on our best investment ideas; this has the potential to lead to volatility relative to the market average. We do not consider this type of volatility to be a relevant measure of risk for the long term investor. Rather, our primary determinant of risk is the probability of permanent loss of capital. Ultimately, if we are unable to find opportunities that meet our investment criteria, then we hold cash.

We only get paid for positive performance and all of our investable net worth is in the Fund, this ensures a strong alignment of interests with partners. Investing is our passion and we continually strive for improvement, both professionally and personally.

Our goal is to establish mutually beneficial long term relationships with partners who align with this philosophy and appreciate that meaningful wealth creation requires time and persistence. Achieving our economic objectives is crucial to HPF1s enduring success, however, building a business that all partners are proud to be part of, and appreciating the journey, are equally important.

Avid readers will notice that this letter is very brief compared to previous editions. As always, our aim is to inform you of any details we ourselves would expect were the roles reversed and, whilst we thoroughly enjoy writing to you, we felt at this time there wasn't anything necessary or of sufficient value to reflect on. The Fund is performing well and we are optimistic that it will achieve its performance objectives as we continue to patiently implement the Harrington Partners Approach (as outlined above). Our aim is to do more of the same, just better, with a particular focus on continual learning and improvement through persistently compounding the fundamentals.

We encourage you to contact us if there is anything, specific or general, that you would like to discuss as we are always happy to talk.

Thank you for your continued partnership with us. We wish yourself and your loved ones an exciting, prosperous and safe 2017.

Yours Sincerely,

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The opinions and estimates offered constitute our judgment and are subject to change without notice. Under no circumstances does the information contained within represent a recommendation to buy, hold or sell any security, and it should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable. There are risks associated with purchasing and selling securities, including the risk that you could lose money. Harrington Partners Pty Ltd and Harrington Partners Fund 1 Pty Ltd nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

The All Ordinaries Accumulation Index represents an unmanaged, broad-based basket of stocks. Index returns assume that dividends are reinvested and do not include the effect of management fees or expenses. You cannot invest directly in an index.