Absolute Return Fund
April 2020 Update

	NTA
Unit Price - 30/04/2020	0.8957

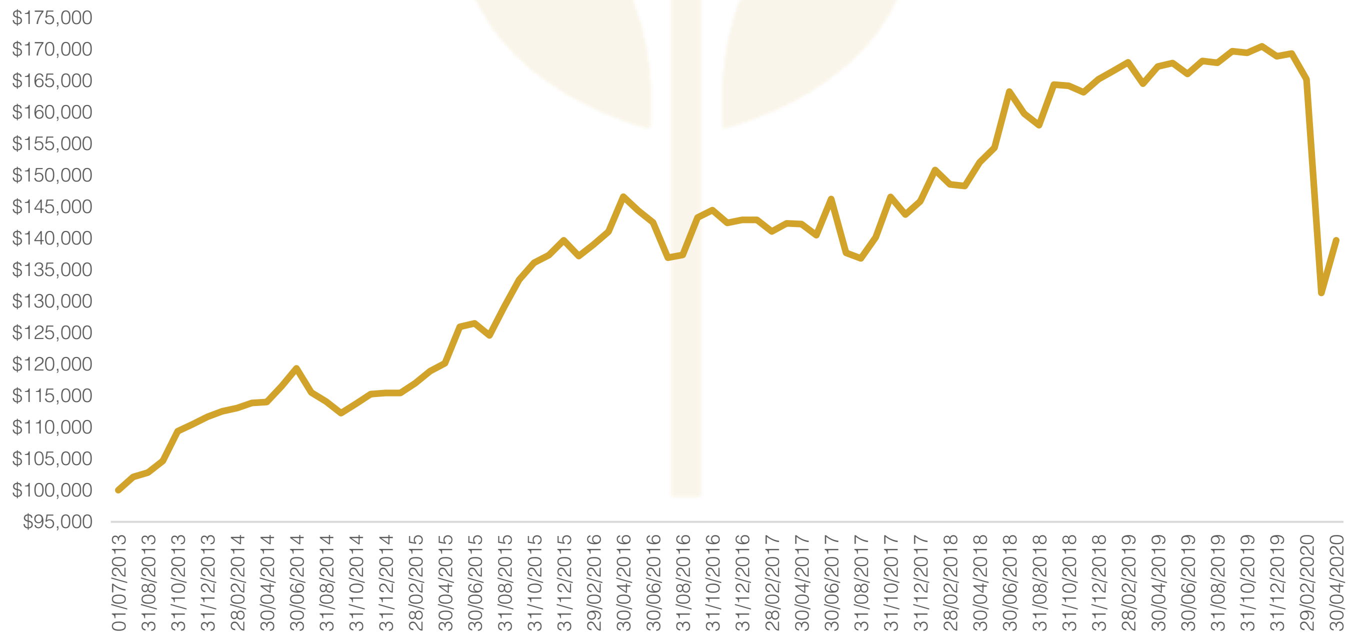
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	39.70%	12.47%	27.23%
Trailing 5 year return p.a.	3.06%	1.53%	1.53%
Trailing 3 year return p.a.	-0.61%	1.28%	-1.89%
Trailing 12 month return	-16.49%	0.83%	-17.33%
Trailing 3 month return	-17.51%	0.10%	-17.61%
Trailing 1 month return	6.37%	0.02%	6.34%

* 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.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
FY14	2.10%	0.70%	1.78%	4.51%	1.02%	1.05%	0.80%	0.45%	0.73%	0.11%	2.20%	2.43%	19.34%
FY15	-3.18%	-1.26%	-1.61%	1.31%	1.35%	0.18%	-0.02%	1.36%	1.62%	1.05%	4.82%	0.45%	6.01%
FY16	-1.53%	3.67%	3.32%	2.01%	0.90%	1.71%	-1.78%	1.34%	1.45%	3.94%	-1.51%	-1.30%	12.65%
FY17	-3.91%	0.31%	4.33%	0.81%	-1.40%	0.34%	0.00%	-1.29%	0.91%	-0.06%	-1.26%	4.10%	2.63%
FY18	-5.84%	-0.66%	2.47%	4.56%	-1.90%	1.45%	3.41%	-1.52%	-0.16%	2.52%	1.52%	5.78%	11.65%
FY19	-2.13%	-1.16%	4.08%	-0.11%	-0.62%	1.27%	0.80%	0.81%	-2.01%	1.65%	0.34%	-1.03%	1.73%
FY20	1.23%	-0.17%	1.10%	-0.15%	0.61%	-0.94%	0.27%	-2.42%	-20.52%	6.37%			-15.90%

Growth of $100,000 Since Inception



Manager Commentary

The portfolio bounced back in April to deliver a positive return for the month of 6.37%. Against the backdrop of March's result, it is a step in the right direction albeit there still remains considerable work to do. Gains were spread broadly across the portfolio. Spreads in many transactions narrowed after the market dislocation we observed in March. Spreads may have in part also benefited from a general risk-on sentiment across equity markets which were also strongly positive for the month.

Following a spate of deal breaks in March (some of which the portfolio was exposed to), we have since observed further instances of bidders agitating to walk from their otherwise binding transactions.

By their very nature, binding deals theoretically benefit from a legal framework under which both bidder and target have made representations and warranties on entry into the transaction to complete based on those terms. There are various shareholder protections under takeover law should either party fail to meet their obligations under the agreement.

Where there has been a clear breach of one or more conditions then a bidder is within its rights to terminate a transaction. Whilst undoubtedly disappointing for the target company and its shareholders when this happens, this is nonetheless legal and highlights why we are primarily concerned with transactions that are not only binding but which also do not impose overly onerous conditions on the target company.

More problematic from our perspective are those instances where bidders attempt to withdraw from transactions despite no clear evidence of a breach of conditions. Provided target companies have held up their end of the bargain, there is nothing that permits a bidder to terminate simply because they no longer feel like paying up. This has unfortunately not stopped them from trying, and in some instances, succeeding.

Sadly, too few companies have been willing to defend their position and stand up for themselves when necessary (despite us strongly urging them to do so). In some cases, the sole deciding factor of a deal completing is the willingness of target boards to stand up for shareholders and fight back and for various reasons, many companies have simply not had the appetite to do so.

To illustrate our point, on April 20, Abano Healthcare (ABA.NZX) wrote to shareholders to explain why it had decided not to fight the termination decision by bidder BGH Capital. What was Abano's reasoning not to fight?

"The Board also concluded that Abano was unlikely to be successful if it sought to argue that either of the two key exclusions in the Scheme Agreement, being changes in general economic conditions and changes in law, were applicable."

The issue with that argument was that on the exact same day, compatriot Metlifecare Limited (MET.NZX), also on the end of a bidder kicking and screaming to withdraw, simply refused to accept that the carve outs didn't apply. MET clearly stated that in their opinion, there was a clear change in economic conditions and change in law as a result of Government enforced lockdowns (a seemingly fair argument given the circumstances). MET continue to fight and press ahead with the transaction, but we are yet to see an outcome, and confusion remains. Given the uncertainty, the portfolio has only nominal exposure to MET but, the company is nonetheless to be commended for its position.

Against this backdrop, we have been taking the opportunity to lighten up on most of our remaining M&A positions currently, binding or otherwise, as we simply do not wish to be exposed to bidders behaving badly in the current investment climate, and target companies that refuse to hold them accountable and represent their shareholders properly. The temporary shift is with a view to preserving capital in light of the embedded risks in the current set of transactions.

We have covered CML Group (CGR.ASX) in previous updates, who as a reminder were the subject of a previous scheme of arrangement with Consolidated Operations Group (COG.ASX) before catching the attention of private equity owned Scottish Pacific Group (ScotPac), who went binding with their own (superior) offer in early March. Given COG's position on the register, ScotPac then went about lodging a joint Takeovers Panel application in conjunction with CGR in an attempt to prevent COG from blocking the newly proposed transaction should it be inclined to do so. The panel application matter was subsequently resolved in favour of CGR and ScotPac in early April.

One might reasonably assume that the effort ScotPac put in to acquire CGR over the course of a month when the ASX200 fell by more than 30% from peak to trough meant that they were fairly committed to the transaction but, given our recent experiences elsewhere and our ongoing discussions with management we felt it prudent to start lightening our position anyway.

It unfortunately didn't take long for our fears to be confirmed, with CGR halting trading in its shares late in the month 'pending an update on corporate activity'. At the time of writing, we still do not know the outcome of talks between bidder and target but we nonetheless took the opportunity to remind ScotPac of their obligations (as covered here by the AFR). Like MET, we simply refuse

Manager Commentary Continued

to allow a bidder to use a Get Out of Jail Free card (which they are in no way entitled to) at our investors' expense. If we cannot rely on the directors of the companies we are invested in to protect our interests and those of our investors' then we will endeavour to do so ourselves.

It remains our view that CGR have a very strong and defendable position. In fact, they are quite possibly better positioned than just about any other target company that currently has (or recently had) a binding transaction on foot. Whether or not the board has the appetite to stand up for itself and its shareholders remains to be seen. The portfolio remains somewhat exposed to the outcome albeit a little less so than it was previously.

Perhaps more importantly, this is really one of the few remaining positions that we would view as genuinely 'at risk' with many of our positions in the final stages of being realised. The portfolio is mostly holding a combination of deeply discounted LIC's (where a path to closing the discount is imminent) or cash proxies such as Salmat Ltd (SLM.ASX), MG Unit Trust (MGC.ASX) and Onemarket Limited (previously OMN.ASX).

SLM recently declared a fully franked dividend of $0.11 per share, and discussion with management indicate a vast majority of the excess $0.69 per share is expected to be returned to shareholders early in the new financial year (possibly with additional imputation credits to come). At the time of writing, MG Unit Trust (MGC.ASX) is in a trading halt pending announcement of a formal liquidation strategy and distribution of its ~$0.49 per share cash backing. OMN was covered recently but remains on track to return the bulk of its remaining cash to shareholders in the months ahead.

We briefly touched on Alto Metals (AME.ASX) and Ora Banda Mining (OBM.ASX) last month and both posted solid gains in April and contributed positively to this month's result. A strong gold price has underpinned activity in both stocks of late and we expect to see more activity in junior gold miners in the months ahead as larger players use their size and considerable resources to acquire undervalued and undercapitalised juniors.

Our very cheap entry into Lotus Resources (LOT.ASX) is also beginning to bear fruit as the uranium price awakens from its slumber for the first time in years. Karoon Gas also contributed positively to the portfolio as investor begin to understand that circa 90 cents of cash per share on the balance sheet means that KAR (trading around 55 cents) may be more of a call option on oil rather than simply a proxy for it. At current prices, it seems there is a much greater chance of Karoon returning some of that cash to shareholders than ploughing it into the acquisition of a Brazilian oil field (Bauna) that is largely uneconomic at current prices.

Whilst the current environment is not without its challenges, we are confident that the worst is now behind us, albeit that we are likely to still experience the occasional hiccup as we seek to fully eliminate the portfolio's recent drawdown. We will continue to take an activist approach in our holdings where required and look forward to further updating you in the months ahead.

Regards,

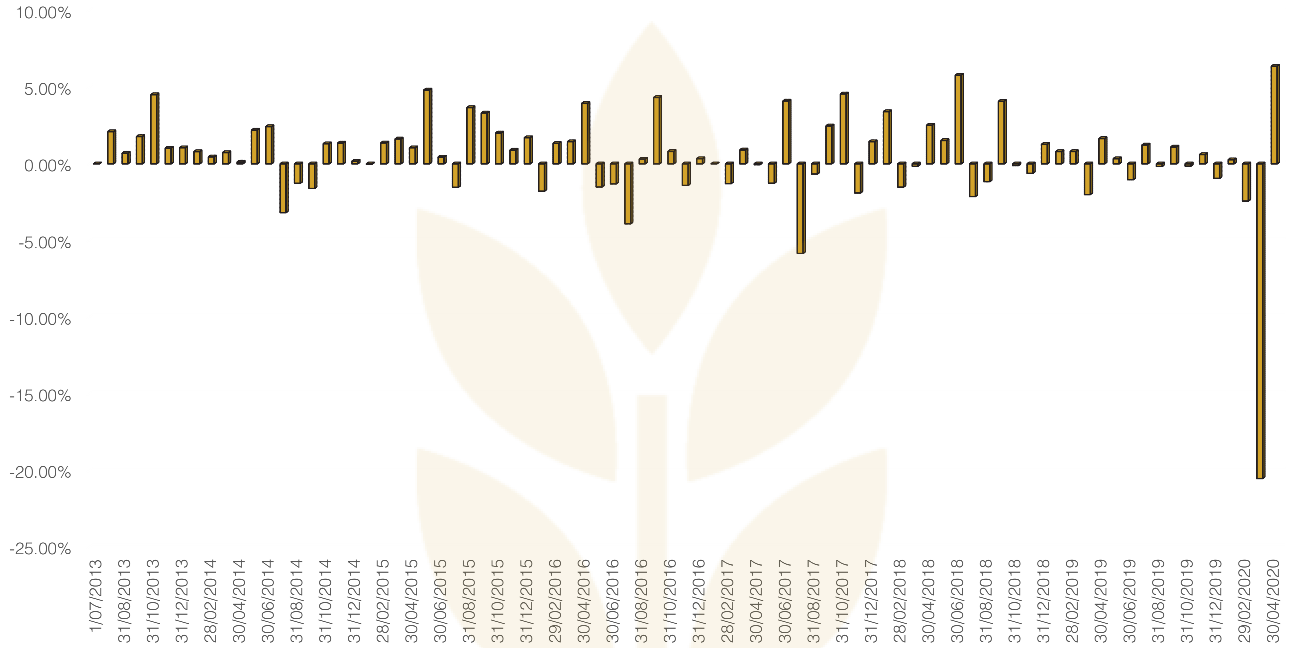
Luke Cummings

Chief Investment Officer and Managing Director

(On behalf of the team at Harvest Lane Asset Management)

HARVEST LANE
ASSET MANAGEMENT

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[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]	9.00%
Average Monthly Return (since inception)	0.46%
% Positive Months	63.41%
Best Positive Month	6.37%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	11.02%
Sortino Ratio	0.540
Sharpe Ratio	0.436
Correlation with ASX200 Accumulation Index	0.512
Beta	0.400
FY19 Distribution	0.0000

[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 - 30/06/2019) and does not include returns for the current year.
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Harvest Lane Asset Management Pty Ltd W: www.harvestlaneam.com.au T: 1300 419 420

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 return/risk 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 the RBA Cash Rate 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 16 December 2019 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.