Absolute Return Fund
December 2019 Update

	NTA
Unit Price - 31/12/2019	1.0829

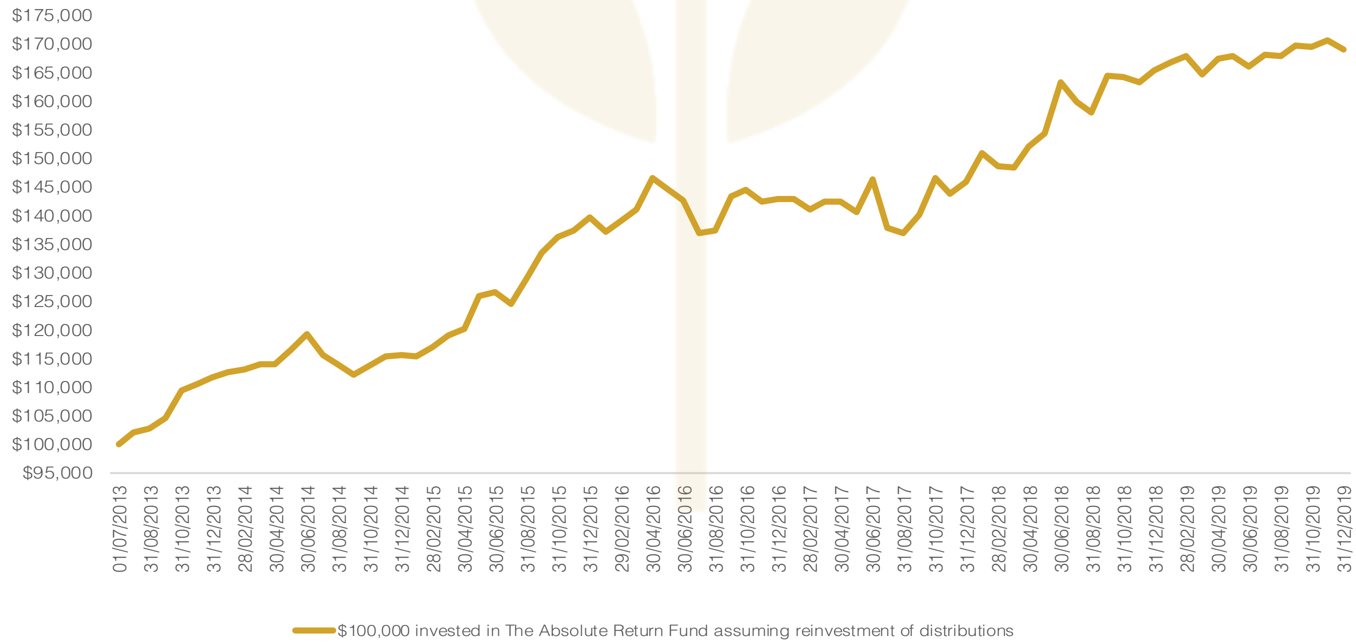
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	68.90%	12.30%	56.60%
Trailing 5 year return p.a.	7.90%	1.66%	6.24%
Trailing 3 year return p.a.	5.72%	1.39%	4.33%
Trailing 12 month return	2.19%	1.17%	1.02%
Trailing 3 month return	-0.49%	0.19%	-0.67%
Trailing 1 month return	-0.94%	0.06%	-1.00%

* 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%							1.67%

Growth of $100,000 Since Inception



Manager Commentary

The strong momentum of the portfolio in recent times was finally broken with a -0.94% return for the last month of the decade. Aside from a partial deal break in Panoramic Resources (PAN.ASX), the remaining softness was predominantly a result of widening spreads rather than fundamental catalysts. As a result, should the current positions see their respective transactions complete then a substantial portion of the underperformance will be recouped in time.

Even as the holiday season approached, we saw a steady stream of deals announced to market, giving us the opportunity to add several new positions to the portfolio. Transactions in Konekt Limited (KKT.ASX) and Bellamy's Australia (BAL.ASX) closed towards the end of the month, carrying with them a healthy dose of franking credits (which are in addition to our reported performance).

Shares in Panoramic Resources fell late in the month after Independence Group (IGO.ASX) withdrew its hostile bid. Our due diligence process confirmed IGO's clear desire to see the transaction complete, and while current terms were not agreed upon, PAN's willingness to set up a data room for both IGO and other third parties suggested that the company was indeed up for sale at the right price. Unfortunately, several breaches of the offer conditions at the outset of the deal were unable to be reconciled, and having even extended the closing date of the offer, IGO decided to pack their bags and withdraw. The portfolio reduced its holding accordingly under the premise that the IGO offer was dead, retaining a small position. Now trading at below the undisturbed price, there is little to no takeover premium incorporated into the share price despite PAN confirming other parties remain in the data room.

Following the close of TPG Capital's acquisition of Greencross Limited (GXL.ASX) earlier in the year, attention turned to the second largest ASX listed veterinary roll-up in National Veterinary Care Limited (NVL.ASX) as it announced a scheme of arrangement with US based VetPartners at $3.70 per share. Priced higher than the shares have ever traded on the public bourse, the deal assigns a substantial earnings multiple to NVL's 100 veterinary clinics that is higher than the comparable multiple TPG Capital paid for GXL. The deal in its current form looks likely to complete as is, however we note adjusting the comparable multiples to account for NVL's higher EBITDA margin makes the bid look less expensive.

The strength in NVL's back office systems appears to have been a key feature throughout the negotiations, giving VetPartners the ability to extract further cost and system synergies for its own 140 clinic network. The same logic could apply to TPG's lower margin network (in addition to the increased cross selling opportunities it would have through its retail arm, Petbarn). Set to achieve a very acceptable annualised return should VetPartners take NVL private on current terms, we are hopeful TPG see things the way we do and joins the contest.

Village Roadshow Limited (VRL.ASX) announced receipt of a non-binding, indicative offer from private equity firm, Pacific Equity Partners (PEP). The deal is still very much in its early stages, subject to due diligence, VRL board approval, and regulatory approval. These details notwithstanding, the spread is a lot tighter than we would typically expect form a private equity backed non-binding offer. PEP have prior form within the industry having owned cinema chain Hoyts for almost a decade and doubled its earnings, which may be providing confidence to the market that a completed transaction is a more likely outcome than current deal terms might typically suggest.

Similarly, Caltex Australia Limited (CTX.ASX) last month observed an unreasonably tight spread despite the inherent risks in the Alimentation Couche-Tarde offer, and is even now trading through terms following disclosure that other parties may potentially be interested despite minimal details provided and no firm offer from anyone actually on the table. The ability to generate consistent positive returns relies on ensuring the price paid adequately reflects the risks taken, and in our opinion the tighter spreads observed on the current crop of non-binding deals mostly represent an unfavourable risk/reward trade off. For now, the portfolio has no exposure to CTX as it trades through terms, and a small position in VRL established at a lower entry point than the current market value.

Finally, at the smaller end of the market, the planned merger of equals between CML Group Limited (CGR.ASX) and Consolidated Operations Group (COG.ASX) hit a hurdle following Scottish Pacific Group's (ScotPac) alternative initial proposal to acquire CGR outright. ScotPac's all cash offer is a substantially more attractive proposal than the COG deal given the merger of equals contained no premium for control. The ScotPac proposal is not without its risks though.

Manager Commentary Continued

There may be competition concerns specific to the small invoice factoring market as a ScotPac/CGR tie up would consolidate up to 75% of the market share, and due diligence is still being completed as at the end of December. Regardless, if the ScotPac offer does firm up in January, we expect COG to lift the terms of the merger proposal to match or better it. This is because the business combination makes a lot of strategic sense, and COG will not want another missed opportunity following their failed tilt at Thorn Group equipment financing business earlier in the year.

We are encouraged by the current positions in the portfolio. Furthermore, 2020 looks like it will offer a favourable outlook for merger and acquisition activity.

We would like to take the opportunity to extend our best wishes to all investors for the new year and new decade – we hope it is a prosperous one.

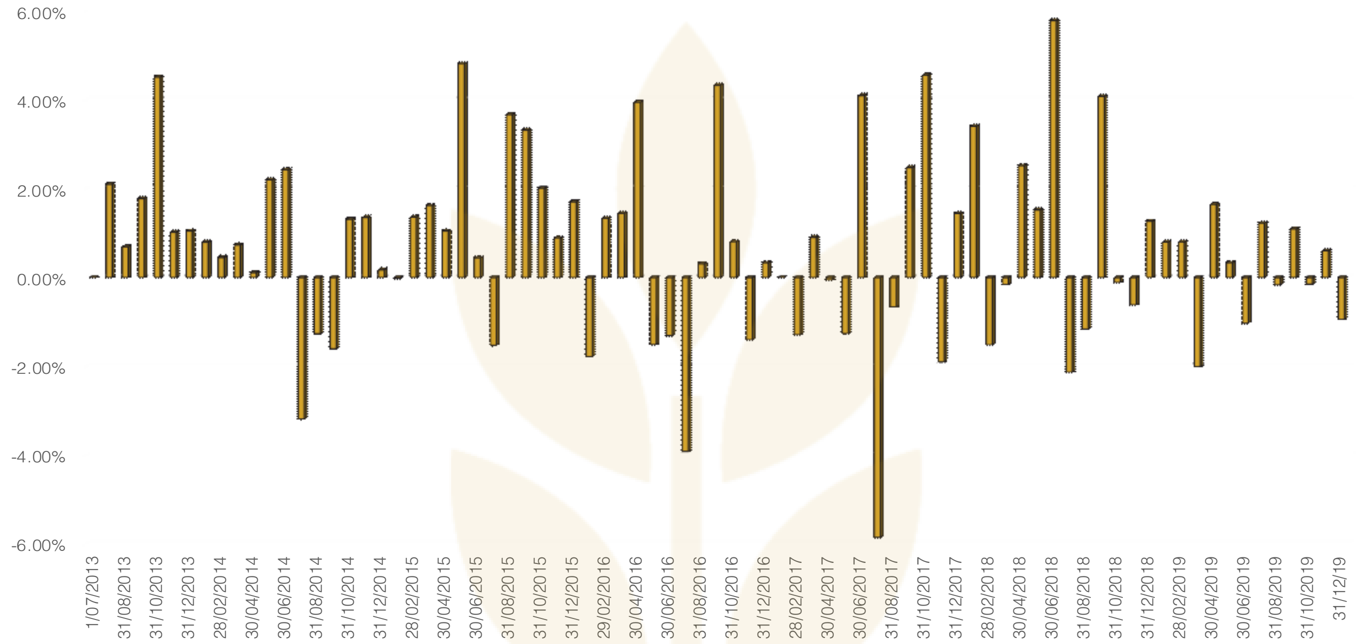
Regards,

Luke Cummings

Chief Investment Officer and Managing Director

(On behalf of the team at 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)	0.70%
% Positive Months	64.10%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.19%
Sortino Ratio	1.920
Sharpe Ratio	1.056
Correlation with ASX200 Accumulation Index	0.031
Beta	0.021
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 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 26 November 2018 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.