HARVEST LANE
ASSET MANAGEMENT

Absolute Return Fund
November 2018 Update

	NTA
Unit Price - 30/11/2018	1.0464

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	63.20%	11.01%	52.20%
Trailing 3 year return p.a.	5.92%	1.64%	4.28%
Trailing 12 month return	13.50%	1.50%	11.99%
Trailing 3 month return	3.32%	0.38%	2.94%
Trailing 1 month return	-0.62%	0.13%	-0.74%

* 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

November proved to be a low volatility month for the portfolio with returns being mildly positive for the majority of the month before finishing with a modestly negative -0.62% return. This still provided meaningful defensiveness in another poor month for equities. The good news for investors is that while the late drop in the month was partially a result of a failed transaction in Explaurum Limited, much of the negative return can be attributed to a timing factor of the portfolio's hedged position in Mitula Group, which we elaborate on in more detail below. Should this deal complete in early December - an outcome we consider extremely likely - we would expect November's soft finish to imminently reverse.

Despite the low volatility of the fund's performance during the month as different positions provided diversification to the fund's returns, November was in fact an eventful month for the strategy characterised by contested bids and continuing takeover and merger activity against a volatile investment environment more broadly. Put in context against the backdrop of the mini-crisis period in global equity markets over the last 3 months and a long awaited – at least by us - return to more normal (i.e. volatile) market conditions, the portfolio has outperformed the ASX200 by 12.60% after the index shed a further 2.21% in November.

The last twelve months has seen the Absolute Return Fund post a 13.50% return while the ASX 300 has fallen -0.95%. Importantly, we have achieved what might be expected from a compelling market neutral strategy, a feat which appears

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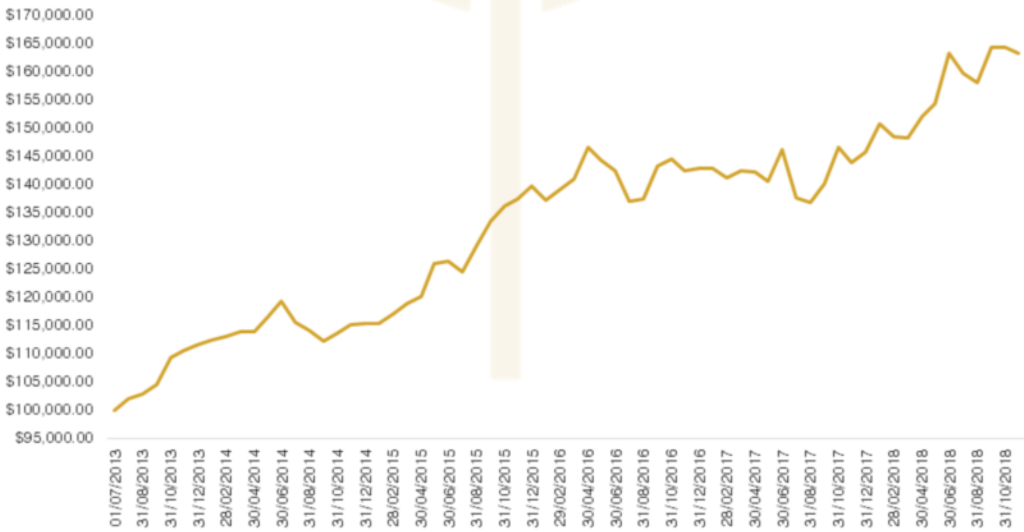
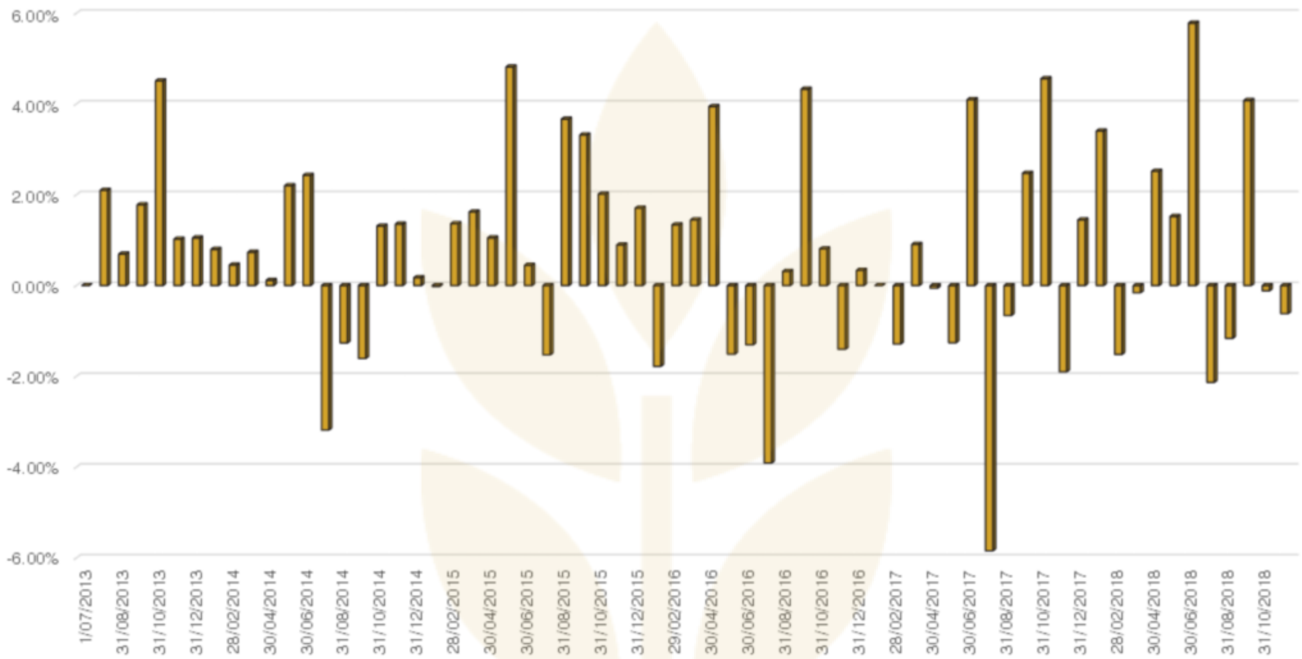
Growth of $100,000 Since Inception



Absolute Return Fund
November 2018 Update

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]	10.46%
Average Monthly Return (since inception)	0.78%
% Positive Months	64.62%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.45%
Sortino Ratio	1.83
Sharpe Ratio	1.024
Correlation with ASX200 Accumulation Index	0.021
Beta	0.0146
Last distribution paid (July 2018)	0.06728

[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 - 30/06/2018) and does not include returns for the current year.
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Manager Commentary Continued

by all accounts to have been relatively rare in the investment management community more broadly. Providing genuine market neutral returns is something we have always conveyed to clients as an expectation of ours, given the differentiation, focus, discipline and risk aversion of our investment process. We have never expected to suffer drawdowns just because the market does. We expect our returns to behave very differently to other managers and mainstream asset classes, and we want Harvest Lane to be recognised as a genuine and useful option for investors seeking genuine diversification and absolute returns.

It is worth emphasising the strong pipeline of deals announced during the month, which we expect to form the baseline of continuing positive returns in the months ahead. Corporate consolidation is a key driver of activity as corporates identify the need to achieve scale to remain competitive and extract returns in a lacklustre economic environment. Furthermore, there is continuing pressure on private equity firms to put some of their dry powder to use, which is spilling over into the public domain as large scale, private equity backed deals make headlines more and more frequently. We remain really excited about the potential for our strategy to continue to contribute to portfolios in a meaningful – and no less importantly – positive way. As we have emphasized all year, we believe we have a lot to offer investors who invest with us now while the return outlook appears so positive, and particularly so in comparison to the weak return expectations available elsewhere.

Seven new positions were added to the portfolio and the opportunity set available is such that the portfolio was close to being fully invested at the end of November. Several deals in Zenitas (ZNT.ASX), Capilano (CZZ.ASX), and Spookfish (SFI.ASX) all drew to a close, and with payment set to be received in the first two weeks of December, these funds are likely to be immediately put back to work pursuing the optionality available from November's announced deals. Given the positive drivers of continuing corporate activity, we also would not be surprised to see more deals being announced throughout December.

Mitula Group (MUA.ASX) is one of the more interesting positions in the portfolio, and as indicated earlier, the hedged side of the transaction was a key factor in this month's return. The company is subject to one of the most complex takeover offers we have encountered from Japanese suitor LIFULL (2120.TKS). Mitula shareholders were offered shares in the Tokyo listed LIFULL at a headline indicative value of $0.85 per share when the deal was first announced back in May. Shortly after entering into a Scheme of Arrangement with Mitula, LIFULL announced an earnings downgrade for its FY18 results and tempered the market's expectations about the company's prospects moving into FY19 and beyond. The result was an almost 40% drop in LIFULL's share price and a deteriorating implied value for MUA shares under the proposed transaction (well beyond the 10% price protection mechanism build into the deal). At the low of ¥531, the MUA shareholders were set to receive only $0.55 of value, well down from the initial $0.85 equivalent.

However, in mid-October, the company released its full year results which came in slightly ahead of expectations, painting a somewhat rosier outlook for the year ahead, and also lifted its dividend payout ratio. A proverbial rocket was put underneath the share price and a high of ¥930 was reached towards the end of November – almost the highest the shares have traded at since the deal was first announced. MUA shareholders are now almost certainly set to receive an implied value of $0.85 should the deal go through. The transaction is hedged via the short selling of LIFULL shares, so as the LIFULL share price rises the portfolio loses money. In theory this should be offset by a corresponding increase in the MUA share price, however despite rising 14% in November, the MUA share price hasn't fully captured an equivalent increase to offset the mark to market loss from the short position in LIFULL. At last close of $0.775, MUA is still trading at an approximate 10% discount to the current implied price in LIFULL shares, a discount which we expect to reduce quickly once MUA shareholders approve the scheme at the meeting on December 11.

Inabox Group Ltd (IAB.ASX) delivered strong returns throughout the month. After divesting its Direct business earlier in the year, the remaining Indirect business unit caught the attention of ASX listed MNF Group Ltd (MNF.ASX) who offered to acquire the subsidiary. The proceeds of the proposed transaction were to be paid out to IAB investors through a fully franked special dividend and capital return, equating to a value of over $0.80 per share plus an additional $0.12 in franking credits. However, SB & G Telecoms then threw its hat in the ring, offering to acquire Inabox for $0.90 per share in an off market takeover bid. MNF acted quickly to up their bid and offer investors a fully grossed up value of $1.02 per share. Both MNF and SB & G have the potential to extract significant synergies out of IAB and we are hoping this contest will continue for a few rounds yet.

The Fairfax Media (FXJ.ASX) and Nine Entertainment (NEC.ASX) merger finally drew to a close at the end of the month, and FXJ shareholders in general may well feel frustrated at the end result. First announced at a headline value of ~$0.94, an earnings downgrade from key asset Domain Group (DHG.ASX) in October impacted both companies' share prices and saw the deal complete at an equivalent FXJ value of just $0.66. By hedging the transaction we were able to deliver a positive return, however we were disappointed not to see the emergence of a competing proposal given Fairfax's previous dalliances with private equity.

Explaurum Limited (EXU.ASX) was another disappointment during the month. EXU was similarly subject to an initial scrip-based bid from Gold miner Ramelius Resources (RMS.ASX). After an initial fall in the RMS share price, and therefore the implied value of the bid, Ramelius signalled its intent to lock down Explaurum by sweetening its offer with the inclusion of an additional $0.05 in cash per

Manager Commentary Continued

share. With the sweetened offer, highlighted intent, and strategic appeal of EXU's assets to Ramelius, the portfolio established an initial position. Unfortunately, EXU and RMS were unable to come to a consensus on fair value for the company and takeover discussions ceased. A couple of failed transactions a year like this are part of our expectations for the strategy, but it is always disappointing when they occur.

A winner emerged for Capilano Honey (CZZ.ASX) this month. After several months of confusing activity from Bega Cheese (BGA.ASX), Wattle Hill and ROC Partners threw down an ultimatum and bumped their offer from $20.06 per share to $21, the limit price at which Bega had aggressively purchased shares in the company on market. BGA ended months of speculation about a competing proposal by announcing their intention to accept the sweetened offer and be on their merry way. The scheme of arrangement proceeded to close without further disruption and delivered a pleasing return for the portfolio.

As mentioned earlier, private equity backed deals are appearing more and more frequently on the ASX. The BGH/Australian Super consortium re-emerged in its tilt for Healthscope (HSO.ASX) late last month, submitting a proposal that was described by the Healthscope board as 'substantially the same' as the one that had been rejected earlier in the year. The tie up between bidder BGH and significant shareholder Australian Super appeared to give them the upper hand over suitors, however Brookfield took the opportunity to return to the fray with a unique double offer that appears to overcome the tie-up road block. A scheme of arrangement was offered at $2.585 per share, while a simultaneous takeover offer was tabled at a consideration of $2.455. The scheme elicits a higher consideration however requires the unlikely cooperation of BGH and Australian Super. The takeover seems a more likely outcome as it provides a means for Brookfield to gain control of the company regardless of BGH's intentions. We will continue to monitor the progress of the potential transaction.

Aussie stalwart The Reject Shop was caught off guard by the announcement of an on-market takeover bid from packaging mogul Raphael Geminder of $2.70 per share. Despite declining like for like sales amongst its stores over the last twelve months, the bid seems a little low on typical valuation metrics, well below the sector average of 7.3x forward EV/EBITDA. The company has also flagged the franking credit balance of the company at an equivalent value of $1.85 per share, which may draw out competing bidders with a view to extracting full value. Given the on-market nature of the bid, a small position was established by the fund.

Once again, we reiterate our confidence in continuing to deliver meaningful positive returns for our investors, as well as deliver an outcome that is consistent with what one might reasonably expect from a market neutral absolute return fund. Our positive outlook appears to us to contrast sharply with that of more generic investment managers and asset classes in the years ahead. We believe it is critically important for investors to continue to pursue genuine diversification to protect them from the vagaries of equity market risk. The recent mini-crisis in markets has provided important clues about where that diversification may be found.

Kind Regards

Luke Cummings

Chief Investment Officer and 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 30 September 2017 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.