HARVEST LANE
ASSET MANAGEMENT

Absolute Return Fund
October 2020 Update

	NTA
Unit Price - 31/10/2020	1.0016

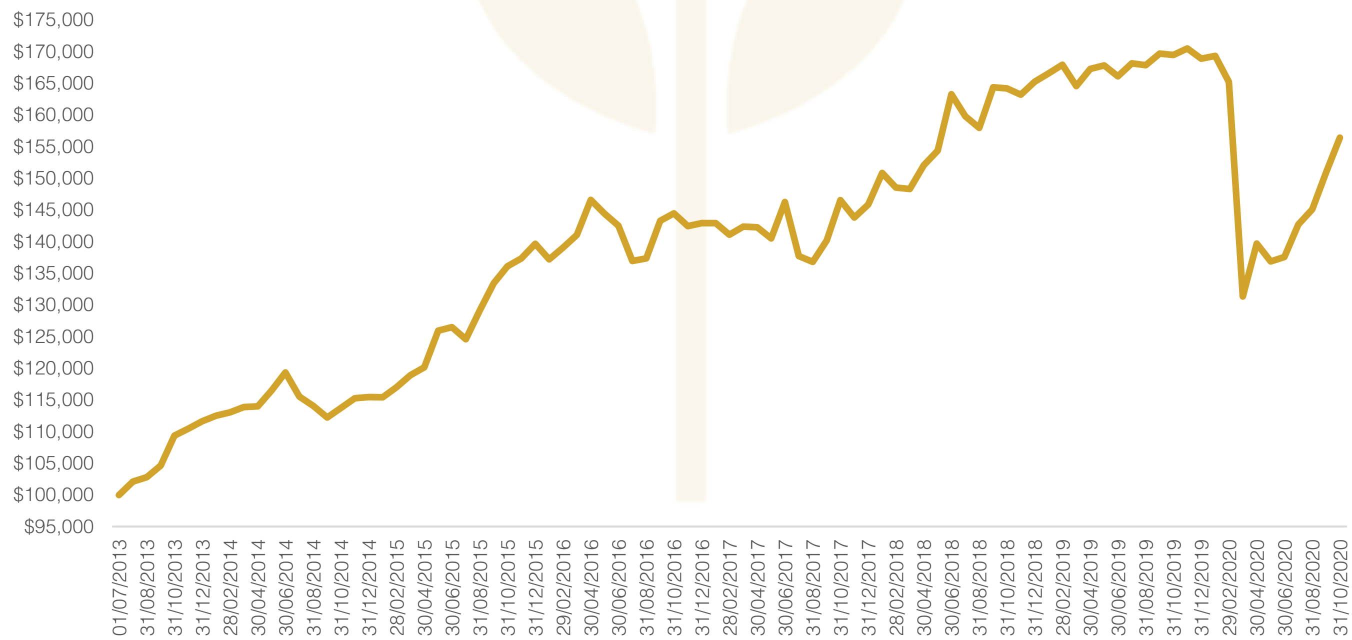
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	56.43%	12.59%	43.84%
Trailing 5 year return p.a.	2.82%	1.33%	1.48%
Trailing 3 year return p.a.	2.19%	1.07%	1.12%
Trailing 12 month return	-7.70%	0.42%	-8.11%
Trailing 3 month return	9.61%	0.06%	9.55%
Trailing 1 month return	3.61%	0.02%	3.59%

* 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%	-2.02%	0.50%	-17.19%
FY21	3.75%	1.66%	4.06%	3.61%									13.71%

Growth of $100,000 Since Inception



Manager Commentary

There are many positives to take from the current environment as far as corporate activity is concerned. October continued our recent run of good performance, delivering a 3.61% return for the month. We had very much expected a lull in activity in the lead up to the holiday period but there has been no sign of that as yet, which has frankly, taken us by surprise. After three months of comparatively outsized returns to start FY 20-21, the highlight of the month was not so much the continuation of recent performance, but the breadth and quality of new opportunities that appeared on our radar. We were barely able to pause for breath before proceeds from several recently completed transactions were put immediately back to work.

Deal flow in recent months has mainly been focused in the smaller end of the market while confidence in M&A has remained low. We had seen a general lack of larger size transactions for various reasons; residual uncertainty over the broader economic environment, lack of clarity prior to August of business performance coming out of lockdowns, unknown duration of government support and stimulus, to name a few. October saw the floodgates open…

Northern Star Resources (NST.ASX) and Saracen Mineral Holdings (SAR.ASX) agreed to a merger of equals at a $16b pro forma valuation, Coca-Cola Amatil (CCL.ASX) caught a $9.2b bid from European counterpart Coca-Cola European Partners, Link Market Services (LNK.ASX) had its former owners offer just shy of $3b to have a look at the books, and AMP was on the receiving end of a $6.4b offer from US based Ares. The confidence to do larger size deals marks the progress of returning to "business as usual", and we expect that this will trickle down to an already active smaller end of the market as well. It is very much our intention to continue to make hay while the sun shines.

Turning to existing positions, lightning did indeed strike twice for Opticomm Limited (OPC.ASX) as Aware Super returned for a second time with a revised price and structure - $6.50 cash in a 50.1% conditional off-market bid. Preferred bidder Uniti Wireless (UWL.ASX) was once again offered a matching right, and, already pot committed, that's exactly what they did. UWL adjusted the cash and scrip components of its offer to reflect a headline value of $6.67 and that was enough to seal the deal.

There might one day be a university case study written that examines the game theory strategy thus far employed in the contest for Cardinal Resources (CDV.ASX). We entered October with Shandong unconditional at $1.00 per share and Nordgold at $0.90, with progress stalling as bids were extended rather than increased. To insert some urgency into the situation, Shandong declared its offer best and final in the absence of a 'higher competing offer'. No doubt intending to signal to the market that it would not bid against itself if Nordgold weren't prepared to lift, it opened up a Takeovers Law loophole that Nordgold looked to exploit.

Nordgold lifted its offer to $1 and made a point to specify that it believed it was not a 'higher competing offer' as defined under the Takeovers Code. Ambiguity over Shandong's definition of a 'higher competing offer' ensued and, by extension, whether it was released from its best and final declaration (including from Cardinal's board of directors), and it was only after Nordgold applied to the Takeovers Panel that Shandong come out with a clarification - it was not yet able to increase its offer.

The plan then moved to force a currently unencumbered Nordgold to bump its offer and free Shandong. Almost 20% of the register was coaxed into providing 'intentions to accept' into Shandong's bid in the absence of a superior offer, goading Nordgold to lift. It unfortunately had the opposite effect - Nordgold threw its toys out of the cot and instead declared best and final themselves. What looked like two competitors set to enter another round is now a stalemate with neither bidder able to increase their offer, and both coming away with what looks like 30% of the register each as it currently stands. Interestingly, both bidders have communicated to market that they would be willing to lift their offer price from its current level but are restricted from doing so in the absence of a superior offer.

The Takeovers Code regulating best and final statements is in place to protect shareholders. It holds bidders accountable to their public statements and if shareholders are told the bid is best and final, they should be able to rely on that as true. In this specific instance, it is to the detriment of shareholders, where both bidders have displayed an intent to increase their offer prices, but cannot currently do so (a predicament of their own making). To close out the month, both substantial shareholder, Samson Rock, and Cardinal itself have applied to the Takeovers Panel asking to allow the bidding war to resume (it is after all, in current shareholders interests), albeit conditional that the winner pays compensation to shareholders who relied on the best and final statements and disposed of their shares on market. It is an interesting approach and one that we are watching carefully. We are undoubtedly in favour of the contest resuming but an important consideration is precedent the Takeover Panel might set in providing a favourable adjudication.

We have retained a position in Alto Metals (AME.ASX) following the expiry of Habrok's unconditional takeover offer at $0.07 per share. There remains considerable corporate appeal, with Habrok's offer being the third the company has received in the last eighteen months. Alto currently trades at $0.115, well above both the Habrok offer and our cost base. Late in the month, a 10% stake was crossed through the market at $0.095 and former suitor Middle Island Resources (MDI.ASX) emerged as the buyer. But on the same

Manager Commentary Continued

day, at 7:33pm on a Friday evening, a second substantial holder notice was lodged for another 10% of the register. This time, a different former suitor in GS Group (GoldSea) showing recent purchases above $0.11.

Alto holds strategic tenements in the Sandstone Greenbelt and are currently drilling out resource extensions in a relatively unexplored area. Recent results indicate continuation of mineralisation along strike from the historical Lord Nelson pit, and a current 5,000m drill campaign along a 3km corridor is underway to find out just how much is there. With MDI and GS Group taking strategic positions ahead of the drill results, it would seem we are not the only ones watching on with interest.

Onevue (OVH.ASX) shareholders approved the $0.43 offer from IRESS (IRE.ASX) in what was the most surprising result we have seen in recent memory. After IRESS lifted their offer from $0.40 in September, the deal looked dead in the water with activist investor Thorney urging shareholders to vote 'NO' to the proposed sale. A scheme of arrangement requires 75% of those present and voting to be in favour to proceed, and thus overthrowing Thorney's 20% stake required the shareholder base turning out in force. Indeed, they did. The vote got up by the narrowest of margins - 75.17% in favour of the sale. Having re-established a position in the low to mid thirties, the subsequent implementation of the scheme closed out a transaction we can wholeheartedly say we made the most of.

New deals flowed thick and fast in the second half of the month. Consolidation in the wealth management space has been rampant following IRESS's acquisition this month of Onevue (as mentioned above) and so too, Praemium's takeover of Powerwrap last month. This time it was HUB24's (HUB.ASX) turn to get in on the action. Target, Xplore Wealth (XPL.ASX) was on the receiving end of a cash and scrip bid at a whopping 200% premium. It is early days in the transaction yet but again we are seeing persistent discounts to terms in scrip based bids. We see few reasons why the deal will not proceed (although nothing is guaranteed in M&A) and yet double digit gross returns remain on offer. Compare this to Coca-Cola Amatil's (CCL.ASX) non-binding offer from CCEP, which closed out the month annualising at a comparatively paltry mid-single digit return. CCL's bid has subsequently gone binding in early November and the annualised yield has compressed further.

Not that we are complaining too much - so long as the mispricing remains, we stand to benefit.

Moving on from Takeovers, we added several other holdings in situations where action is underway to crystallise value above current market prices. The market wide phenomena of Listed Investment Companies trading at significant discounts to their NTAs has been well documented elsewhere, and we are now starting to see more deliberate action to address the issue.

In the last twelve months we have seen LICs consider numerous strategies to remove the discount and increase value for investors- converting to an unlisted open ended fund (EGI.ASX), conversion to an Exchange Traded Managed Fund (MA1.ASX), or a full windup and redemption (WMK.ASX). LICs trading at a premium to NTA can also acts as consolidators in scrip based takeover offers, arbitraging the prevailing premium of the bidder with the discount of the target - WAM Capital has been a notable aggressor in this category with recent offers for CLF.ASX and CIE.ASX.

A number of LICs began the process of converting to an unlisted open ended fund structure during the month, including Watermark's Australian Leaders Fund (ALF.ASX) and several in the Evans in Partners stable of LICs (EAF.ASX, EGD.ASX, EGF.ASX). We expect this activity to continue so long as discounts to NTA persist. It has historically been a good source of risk adjusted returns for us, and we continue to incorporate it into our strategy where it makes sense to do so.

Finally, Sunland Group (SDG.ASX) announced a change in strategy and flagged the orderly windup of its operations. The company boasts a long history as a luxury developer with strong development margins but has been persistently priced by the market at a significant discount to its net assets. The orderly wind down is expected to deliver capital proceeds over the next three years equivalent to book value - $2.56 per share. There is also a balance of $81m in franking credits - $0.59 per share - and sufficient retained earnings to distribute them in full. The funds will be returned incrementally as projects are completed and inventory is converted to cash. One third of the current pipeline is already under contract, and a conservative balance sheet and accounting methodology hints that total proceeds being in excess of current book value is not beyond the realms of possibility.

Once again, we are encouraged by recent results and believe the portfolio is primed to continue its run of good performance to finish the year. November has picked up where October left off, and we look forward to updating again in due course.

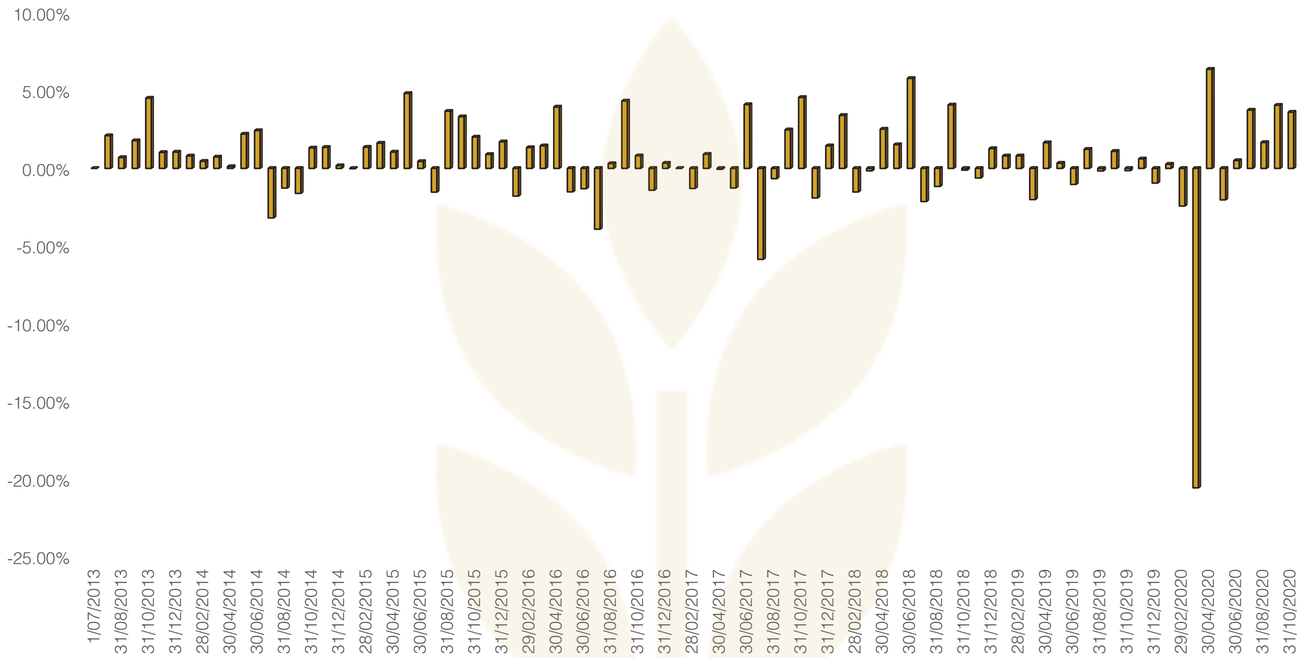
Regards,

Luke Cummings

Chief Investment Officer and Managing Director (On behalf of the team at Harvest Lane Asset Management)

Absolute Return Fund
October 2020 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]	5.26%
Average Monthly Return (since inception)	0.56%
% Positive Months	64.77%
Best Positive Month	6.37%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.89%
Sortino Ratio	0.700
Sharpe Ratio	0.551
Correlation with ASX200 Accumulation Index	0.475
Beta	0.375
FY20 Distribution	0.0012

[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 - 30/06/2020) 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 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.