

	NTA
Unit Price - 31/07/2019	1.0782

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	68.16%	11.95%	56.22%
Trailing 3 year return p.a.	7.08%	1.52%	5.57%
Trailing 12 month return	5.22%	1.44%	3.78%
Trailing 3 month return	0.52%	0.31%	0.21%
Trailing 1 month return	1.23%	0.08%	1.15%

* 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

The Fund started the new financial year positively, with a 1.23% return for July.

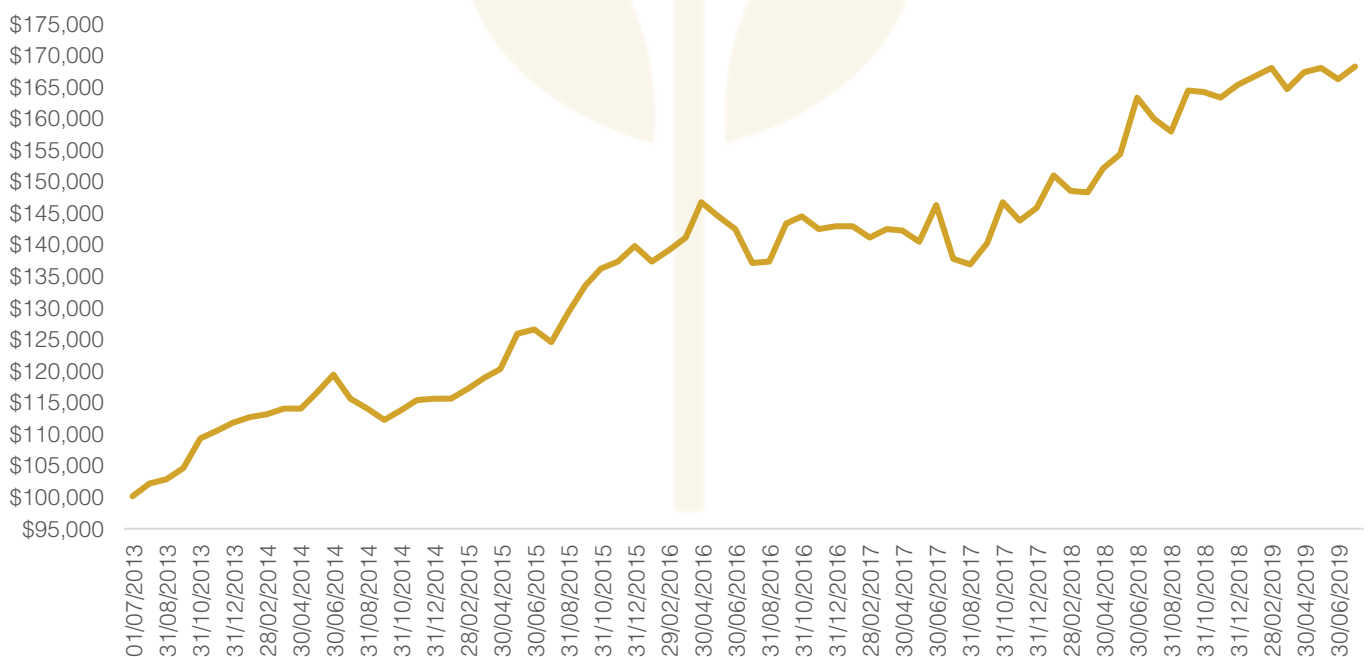
There were some meaningful individual contributors and interesting corporate activity during the month, much of which highlights the latent potential residing in the portfolio currently.

Deal flow is showing no sign of slowing down. The latter half of July saw several prospective opportunities announced, allowing us new opportunities to put cash to work, and reinvest the proceeds of completed transactions.

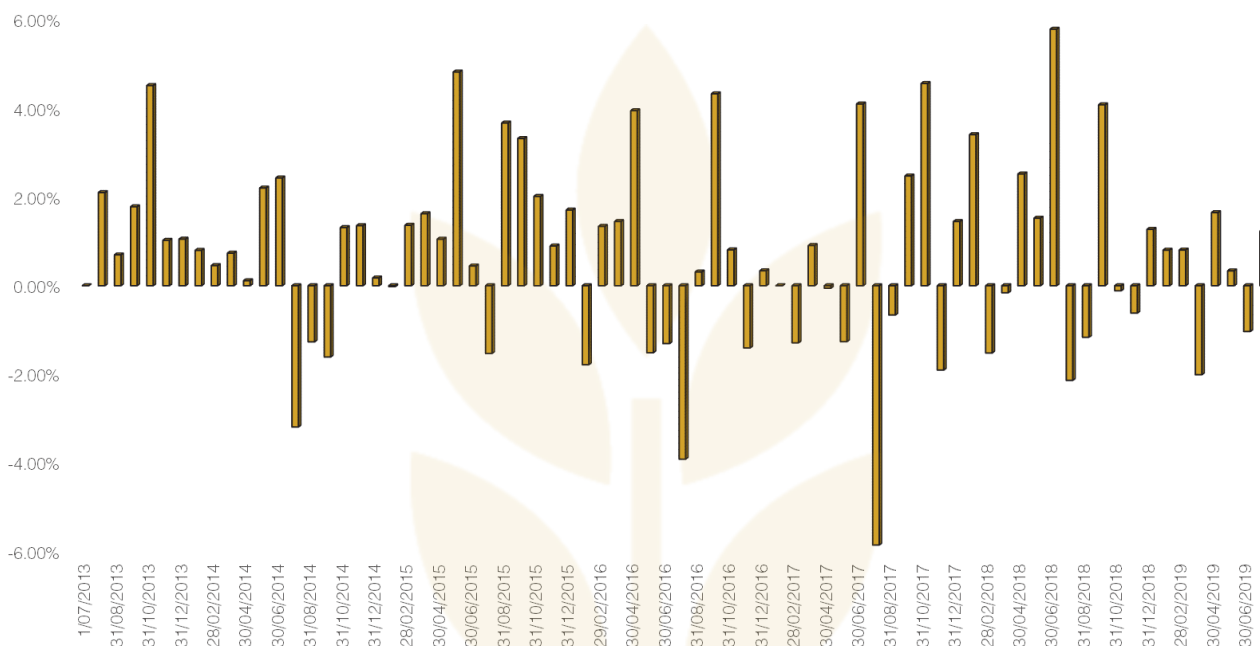
Positions are routinely established in a target company based on the current offer terms, but the "cream on top" of the strategy is best displayed when a competitive tussle for a target emerges, as was the case for GBT (GBT.ASX) in July. GBT ended June rejecting Bravura Solutions Ltd's (BVS.ASX) \$3.00 per share cash offer, itself a revised offer from the initial \$2.50 per share it offered in April. On the first day of July, it announced a \$3.25 non-binding offer from SS&C. Just

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Growth of \$100,000 Since Inception



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)	0.74%
% Positive Months	65.75%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.38%
Sortino Ratio	1.910
Sharpe Ratio	1.062
Correlation with ASX200 Accumulation Index	0.013
Beta	0.009
FY19 Distribution	0.000

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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Manager Commentary Continued

two days later, the company announced that SS&C had revised its offer to \$3.60 following a \$3.50 offer from competitor FNZ Group. This was enough to award SS&C exclusive due diligence, much to FNZ's dismay.

FNZ tried its hand lodging an application to the Takeovers Panel citing unacceptable circumstances. FNZ argued that commercial sensitivities surrounding due diligence materials would make the company less valuable to an alternative bidder the longer SS&C spent in the data room. To paraphrase the Takeovers Panel ruling, FNZ were told to pay up if they were that desperate. Not content to watch SS&C work its way through GBT's books, a binding scheme of arrangement was agreed upon at \$3.85 per share that was not conditional on access to due diligence materials or financing. The GBT share price responded and rose over 30% in July alone.

We typically prefer binding bids and the less conditional the better. Throughout the FNZ and SS&C bidding war the offers were constructed as indicative and non-binding, which limited our position size based on the risk framework we operate, which is designed to protect against downside risk. Had we have taken a full-sized position, we would have come out on the right side of the trade this time. However, neither BVS, SS&C, nor FNZ had access to due diligence materials while the indicative offers were still being made. All parties could have walked away given the non-binding nature of the bids if no one liked what they saw, and so a large position size was never appropriate. Even with our focus on preserving capital and minimising losses, the Fund's exposure to GBT was a useful contributor to this month's performance. The idiosyncracies and work involved in assessing individual deals properly highlights why an active and well-researched approach in this space is necessary to achieve the desired results.

Spicer's Limited (SRS.ASX) again surprised to the upside in July. The grossed-up return under the agreed scheme of arrangement with KPP was initially flagged at \$0.07 per share. As the deal neared completion in June the guided range was set at between \$0.07 and \$0.072, a small bump above what the market was pricing, but consistent with our expectations. The capital return component was however subsequently finalised at \$0.03 per share, ultimately delivering a grossed-up value of \$0.073, which was above both the revised guidance and our estimates. Having done the work and positioned accordingly, the Fund was able to fully capitalise. We would love to be this pleasantly surprised in every deal we participate in.

A small holding in Capricorn Metals (CMM.ASX) saw some activity in early July following corporate activity that has been playing out for almost a year. Regis Resources Limited (RRL.ASX) made a non-binding offer back in late 2018 at an implied value of \$0.114 per share. Talks broke down after major shareholder Hawkes Point refused to support the deal. Hawkes Point then teamed up with Emerald Resources NL (EMR.ASX) in March to launch its own offer at \$0.11 (over a larger capital base following fundraising activities), which the CMM board declined to entertain. At the end of June, EMR flagged the finalisation of a US\$100m "acquisition" facility, hinting at a potential revised offer for Capricorn. They were beaten to the punch though when Capricorn announced its own corporate restructuring, adding ex-Regis Resources Managing Director Mark Clark and fellow ex-Regis Director Mark Okeby. From the June 30 close of \$0.088, the share price effectively doubled to \$0.16 as the market priced in the result of the corporate activity. We closed out the vast bulk of our modest position during the month for an 87% gross return on capital.

The Xenith IP Group (XIP.ASX) transaction all but drew to a close after shareholders approved the scheme of arrangement, ending a turbulent eight months that saw IPH Limited emerge the victor over Qantm Limited (QIP.ASX) with its cash and scrip bid. The terms were set at an implied value of \$2.15 per XIP share but also considered optionality to investors regarding how they might receive their consideration. The cash and scrip bid was designated as default, but an offer to receive the consideration as all cash or all scrip provided greater optionality. The Fund had fully hedged its position assuming the default cash and scrip consideration, however the stellar share price run IPH has experienced over the last few months has lifted the implied value of each XIP share well above the \$2.15 default. As such, we have been able to further hedge out our XIP exposure at a price significantly higher than \$2.15, and (pending implementation in August) expect to crystallise one of the better trades for the Fund over the last twelve months.

The biggest and only real disappointment of the month was the decision by AFRIMAT to not proceed with its non-binding, \$0.40 per share offer for Universal Coal PLC (UNV.ASX). We had been very confident in the proposal ultimately becoming binding, so it was to our surprise and disappointment when AFRIMAT chose to walk away. AFRIMAT

Manager Commentary Continued

subsequently pointed out their desire to take on full ownership of the UNV assets, however the price tag for 100% ownership of the assets rather than simply acquiring UNV's interest proved too much for the company given its size and its financing requirements. Despite this, UNV finished July trading at levels not significantly lower than where the stock had been trading prior to the proposed deal, and hence permanent loss of value within the Fund was limited. The current dividend policy of a 45% NPAT payout ratio sees a dividend yield of 11% (unfranked), which we expect to be maintained moving forward, and the current growth trajectory for the next two years suggests the payout ratio will either increase or be maintained through a higher share price. Given that we believe other parties are currently running the ruler over UNV, we are content to retain exposure to UNV and monitor the situation for now.

Overall, it has been a good start to the new financial year. August has started with a reminder of the risk in equities generally, but - as one might reasonably expect - has had no impact on our performance. We have been busy in the first few days of August assessing several more deals which have been announced. We also expect deal flow to continue through September following reporting season given the updated financials this will provide to potential bidders. In any case, we currently have an attractive opportunity set from which to selectively allocate the Fund's capital and target superior risk adjusted returns.

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 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.