Absolute Return Fund
July 2020 Update

	NTA
Unit Price - 31/07/2020	0.9138

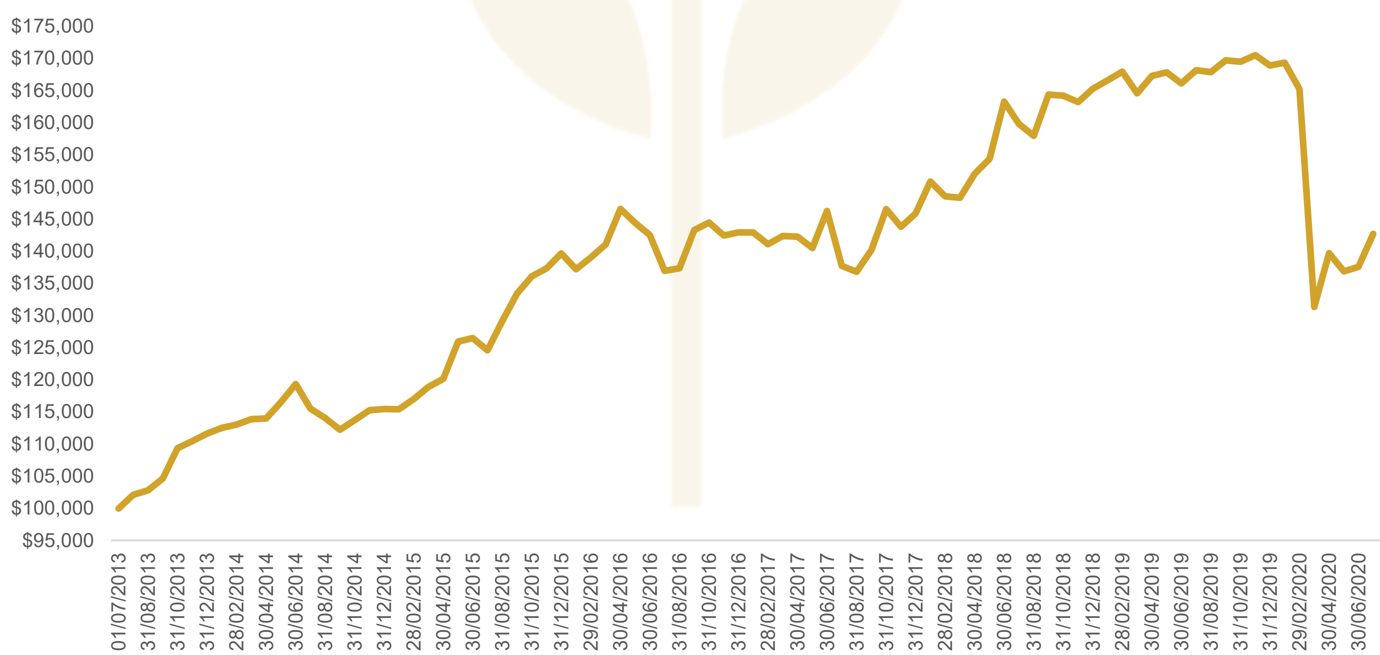
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	42.71%	12.53%	30.19%
Trailing 5 year return p.a.	2.76%	1.42%	1.33%
Trailing 3 year return p.a.	1.20%	1.18%	0.02%
Trailing 12 month return	-15.13%	0.58%	-15.72%
Trailing 3 month return	2.16%	0.06%	2.10%
Trailing 1 month return	3.75%	0.02%	3.72%

* 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%												3.75%

Growth of $100,000 Since Inception



Manager Commentary

We are awash with opportunity.

Confidence is returning to M&A, but it is still lower than justified. The market's unwillingness to pay up has allowed us to add exposure in positions offering exceptional risk-adjusted returns, and while July's result was particularly strong (3.75%), we continue to see numerous opportunities to underpin performance in the months ahead. Corporate activity continues to run hot, deal completion rates are returning to normal, transaction spreads remain (unjustifiably) elevated, and deal sweeteners and contested bids are emerging in an effort to secure desired assets.

Premiums for control have typically fallen in the range of 30-40% from the undisturbed share price. Several transactions, both new and existing, observed gross yield to terms in the high teens at various points throughout the month - the implied result being a market priced probability of completion closer to 50%. A coin toss. On annualised terms, Perseus Mining's (PRU.ASX) acquisition of Exore Resources (ERX.ASX) came within a whisker of a triple digit yield, remarkable for a relatively straightforward transaction for which the consideration (PRU scrip) can be easily hedged at low cost. July's result partially captures this, but there is a substantial amount still left on the table.

July's biggest winner was undoubtedly Alto Metals Limited (AME.ASX), a microcap gold explorer whose ambitions have been constrained by funding, the result of which has seen it attract takeover offers from three separate bidders over the last eighteen months. During July, Alto launched an entitlement offer at $0.07 per share, above Habrok's current unconditional bid at $0.066. A displeased Habrok has taken its case to the Takeover Panel and has conditionally lifted its offer to $0.07 should the entitlement offer be withdrawn (either voluntarily or at the Takeover's Panel directions). However, promising drill results, a surge in the gold price, and a drastically improved funding position has seen the market re-rate the shares, even trading as high as $0.15 each before settling at $0.09 at month end. Habrok will undoubtedly have a difficult time justifying that Alto is frustrating its offer (by raising cash above the offer price). Even more difficult will be convincing Alto shareholders that its $0.07 offer is good value given the ~30% premium the market is currently offering.

Nor are Exore and Alto the only companies in the sector to see some corporate activity as gold crashes its way through US$2000/oz. Alt Resources Limited (ARS.ASX) is under offer from financial buyers, Aurenne, at $0.0505 per share. Having started the month at a 10% discount to terms, the discount narrowed towards month end as Aurenne gained acceptances for over 50% of the shares on issue, and the outstanding conditions look more likely to be satisfied.

Additionally, it looked as though the competitive tension for Cardinal Resources Limited (CDV.ASX) would peter out in Shandong Gold's favour at $0.60 cash per share. Under the agreed deal with Shandong announced back in June, an equity raise for $12m was to be placed with Shandong at $0.46 per share, conditional on no competing proposal being received within two weeks. Likely designed to flush out alternate bidders (issuing shares at $0.46 would make a counter above $0.60 incrementally more expensive), the deadline came and went without a murmur, and Shandong got its equity.

Nordgold then took the market by surprise only a week later, lodging its counteroffer. Having earlier bid $0.45775 that was non-binding and conditional, Nord Gold lifted to an unconditional $0.66 via an on market takeover. Shandong took up its matching rights and lifted again to $0.70, which remains the best priced offer to date, albeit the shares are trading at a premium in market on the expectation Nordgold isn't quite done yet. Shandong's offer, despite being at a higher price point, still requires FIRB approval at the time of writing. Ordinarily, we would expect FIRB to waive through the transaction given the underlying (bulk commodity) asset is in Ghana, but recent geopolitical tension between China and Australia has made it not so straightforward. Whilst not an outright rejection, Goldsea recently saw its offer for Alto metals lapse due to extraordinary FIRB delays, and a last minute recapitalisation proposal from Hanking Australia for Gascoyne Resources (GCY.ASX) was rejected by key creditors over the FIRB risks to the proposal. It is unlikely Nordgold comes back prior to the outcome out Shandong's FIRB application being known, lest it find it's bidding against itself. Taking into account the current market premium, we have positioned the portfolio accordingly.

Late in the month, Karoon Energy Limited successfully renegotiated its Bauna acquisition, deferring a considerable portion of the headline price while linking it to future performance of the asset. Having raised a significant amount of

Manager Commentary Continued

cash late last year to partially fund the acquisition, turmoil in the oil market in March and April saw the company's shares trade at a significant discount to its cash backing. Completing the transaction on its originally negotiated terms would have been untenable, thus the balance of probabilities on likely outcomes were heavily weighted in favour of Karoon shareholders; either the transaction would be renegotiated, an alternative asset would be purchased in a distressed market, or surplus capital would be returned. The successful conclusion of negotiations saw the share price soar, and we were able to scale down our holding at prices well north of our cost of entry. The irony of making a substantial return on a bidder renegotiating a transaction heavily in their favour is not lost on us!

Our assessment back in May that Pacific Equity Partners and OPTrust/ICG had left themselves vulnerable in their tilt for Zenith Energy Limited (ZEN.ASX) proved prescient. Westoz lodged their voting intentions early to let the combined bidders know they were unhappy with the price. As a percentage of shares eligible to vote at the scheme meeting, Westoz's NO made it all but impossible to see the transaction complete on its existing terms, and so discussions began on what a mutually acceptable price might look like. The talks culminated in the bidders lifting their offer price to $1.05 and increasing the fully franked special dividend component. They are arguably still getting the business cheap, but we will take the win. Completion is expected August 21.

We saw several new deals announced in July. Vault Intelligence Limited (VLT.ASX) and PowerWrap Limited (PWL.ASX) received offers from listed competitors looking to add scale to their own businesses and benefit from combined synergies. Both transactions saw trading at substantial discounts to terms regardless of each transaction's specifics. Praemium's (PPS.ASX) purchase of PowerWrap allows it to add scale in the highly competitive market of funds administration, while Damstra's (DTC.ASX) acquisition of Vault offers substantial cross selling opportunities in excess of anticipated cost out synergies. Strategic rationale for each acquisition is strong and thus we expect the deals to complete.

Similar to the stub equity of Cassini Resources (CZI.ASX) discussed last month (via its spin-off of Caspin), a deal announced by Webcentral Group (WCG.ASX) may offer some additional upside beyond the announced terms of $0.10 cash per share. A large receivable is currently subject to a legal dispute with a resolution required as a condition outstanding. A favourable outcome in full could deliver a further $0.08 on top of the existing consideration, however this understates the complexity of the situation; the dispute is long standing with no guarantee of an outcome that delivers additional benefits to shareholders, now with a time pressure of a finalised resolution. Having established a position below terms, like Cassini, we are getting a free look at any potential upside. Bidder Web.com is credible, having acquired Dreamscape (DN8.ASX) last year (along with FIRB approval), and we will continue to monitor the transaction as it progresses.

Finally, shareholders in Salmat Limited (SLM.ASX) approved the 66.5c capital return in late July and will shortly be asked to vote on a proposal to liquidate the company. $5m has been retained to effect the windup with any surplus capital returned to shareholders prior to the company being deregistered. The capital return is expected to be paid on August 12, meaning substantially all the capital in the trade is returned unencumbered while we await additional returns (if any) from a Final Distribution.

We reiterate our belief that there remains considerable opportunity for our strategy in the months ahead. We continue to remain active with the portfolio almost fully invested, deal flow remains strong and transaction yields remain attractive. In August the focus will be on Reporting Season. Greater clarity around companies' financial positions may even act as a catalyst for further corporate activity. We look forward to our next update.

Regards,

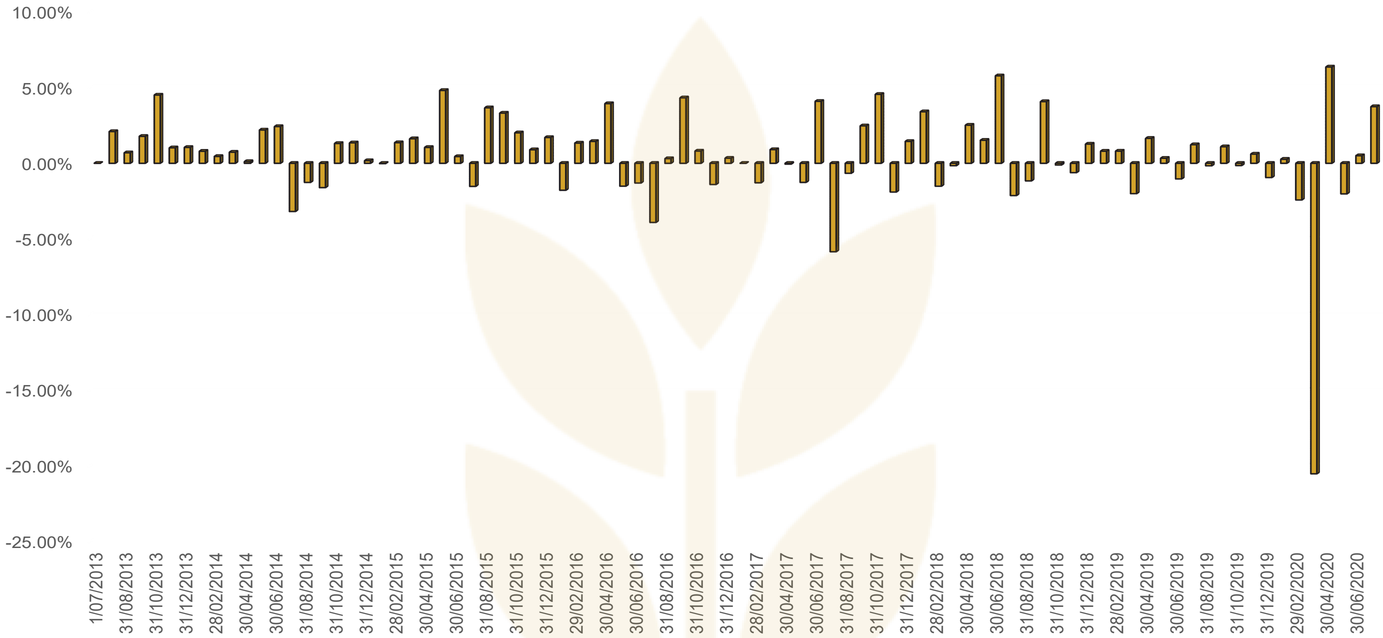
Luke Cummings

Chief Investment Officer and Managing Director

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

Absolute Return Fund
July 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)	0.47%
% Positive Months	63.53%
Best Positive Month	6.37%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.93%
Sortino Ratio	0.570
Sharpe Ratio	0.450
Correlation with ASX200 Accumulation Index	0.495
Beta	0.388
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.