Absolute Return Fund
May 2019 Update

	NTA
Unit Price - 31/05/2019	1.0762

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	67.85%	11.76%	56.09%
Trailing 3 year return p.a.	5.14%	1.56%	3.59%
Trailing 12 month return	8.73%	1.50%	7.23%
Trailing 3 month return	-0.06%	0.38%	-0.43%
Trailing 1 month return	0.34%	0.13%	0.21%

* 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

May continued the strong run of deal flow, offering further opportunities for the portfolio to establish positions selectively. A point of interest in the more recent deals announced, however, is that we have seen unusually elevated levels of abandoned transactions.

Last month, Crown Resorts (CWN.ASX) saw its bidder, Wynn, sensationally walk away less than twenty-four hours after details of a potential transaction emerged. This month Graincorp (GNC.ASX) received notice from Long Term Asset Partners confirming what the market had long suspected; no binding transaction would be forthcoming. Superloop Limited (SLC.ASX) announced a $1.95 indicative offer from credible bidder Queensland Investment Corporation, but it took only ten days from entering the data room before discussions were promptly ended. The mega merger of TPG Telecom (TPM.ASX) and Vodafone (through HTA.ASX) came unstuck at the competition hurdle as the ACCC moved to block the deal.

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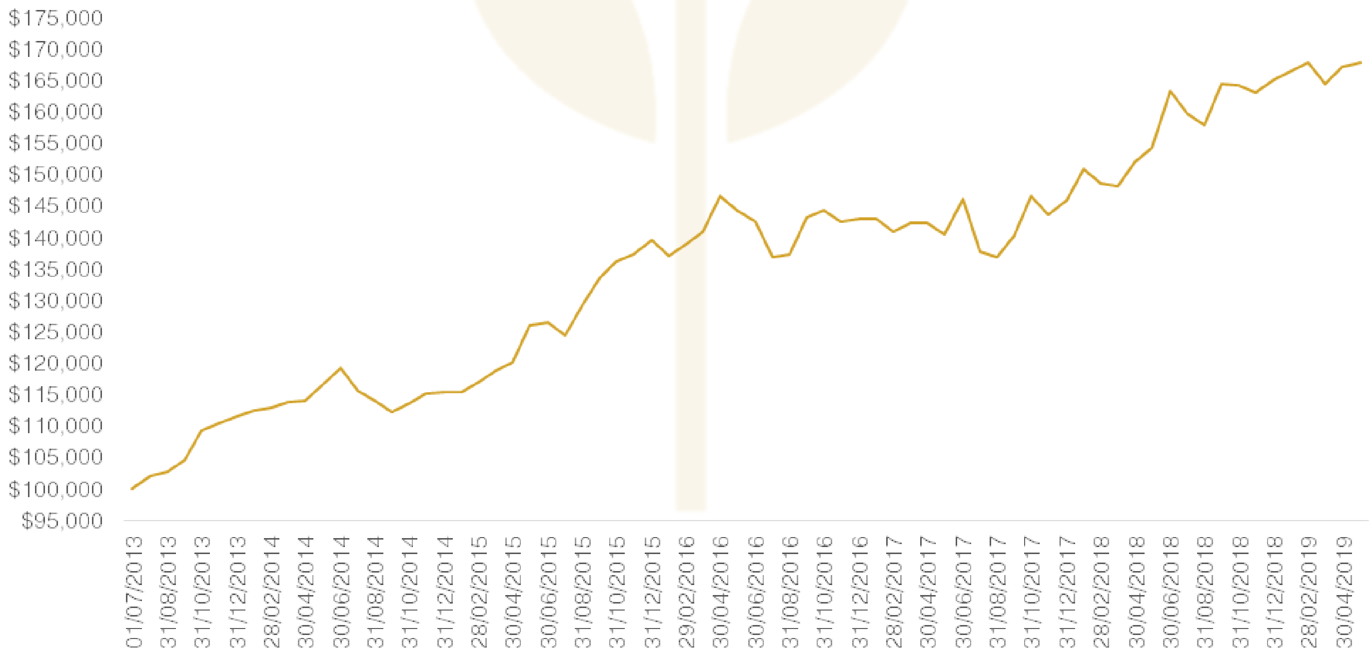
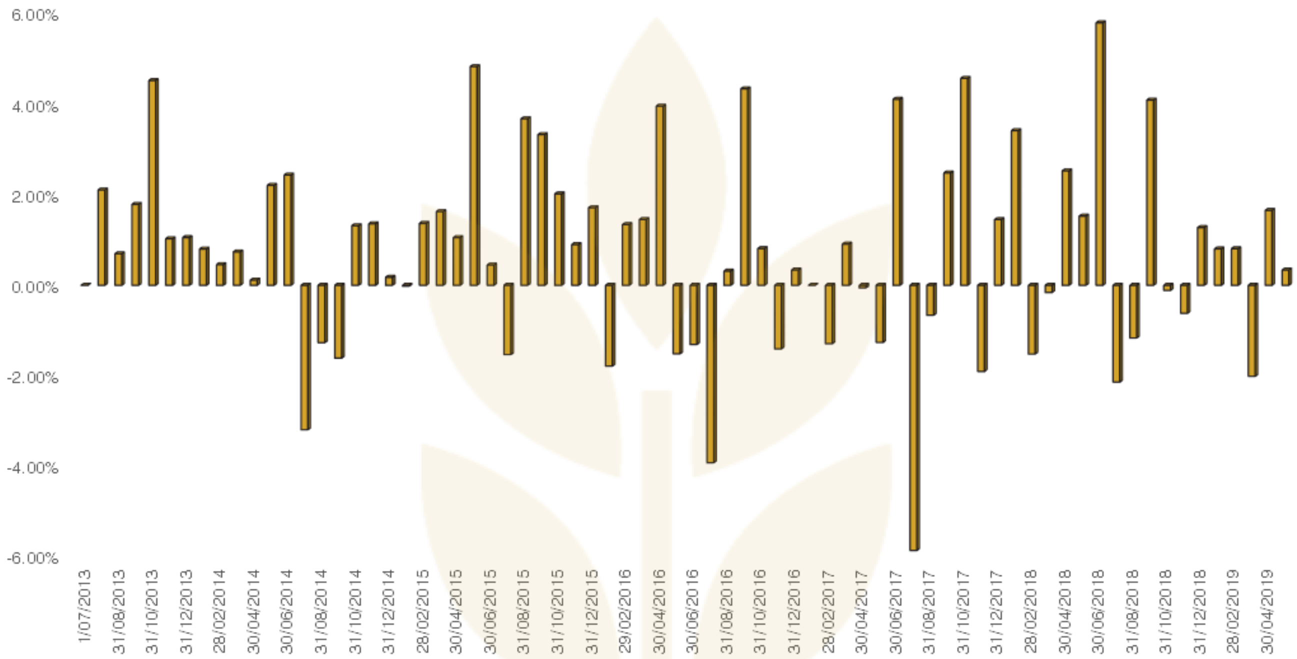
Growth of $100,000 Since Inception



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]	10.46%
Average Monthly Return (since inception)	0.75%
% Positive Months	66.20%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.45%
Sortino Ratio	1.800
Sharpe Ratio	1.014
Correlation with ASX200 Accumulation Index	0.022
Beta	0.015
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.
* 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 Continued

Careful screening is required to navigate the risk of failed transactions. Deal breaks aren't avoidable entirely, but a strong framework is required to insulate a portfolio and generate positive returns over the long term. With this in mind, the fund came out largely unscathed from deal breaks (a small position in GNC was closed out prior to the deal being called off) and delivered a gain of 0.34% for May.

The blockbuster deal for the period saw Wesfarmers expanding its planned diversification into refined battery chemicals with the launch of a $1.90 per share offer for lithium developer Kidman Resources (KDR.ASX), following its $2.25 per share bid for Lynas Corporation (LYC.ASX) earlier in the year. Similar to Lynas, Kidman's focus on producing downstream, value add products in the battery material supply chain has attracted Wesfarmer's attention, who needed only three weeks of confirmatory due diligence to agree to a binding transaction. Product beneficiated from the Mt Holland project is set to pass through to a second stage refinery in Kwinana, rather than be exported as a concentrate. Kidman's joint venture partner, SQM, is a significant partner in the project with respect to its experience and market presence in refined lithium products. Some market commentary has highlighted the logic for a large, cashed up miner such as Fortescue (FMG.ASX) or Rio Tinto (RIO.ASX) to lodge a counter offer (pairing depth in refining experience with mining know-how). While this provides potential further upside, the fund remains well positioned to see attractive annualised returns should the Wesfarmers deal get across the line in its current form.

Verdant Minerals Ltd (VRM.ASX) closed out May having received both shareholder and court approval for its scheme of arrangement with CD Capital. The transaction is a great example of an opportunity at the smaller end of the market that can often get overlooked due to a perceived lack of liquidity; in addition to delivering a very attractive annualised return of approximately twenty percent (with some individual purchases annualising out to more than thirty percent), the fund was able to generate these returns on a full sized position. Our ability to establish a position with minimal difficulty shows that very few in the market are well positioned to take advantage of what was a relatively straightforward transaction delivering above average returns, and demonstrates that liquidity is often available once a deal is announced in what would otherwise be considered a relatively illiquid position. By deliberately limiting the capacity of our strategy, we keep the opportunity set diverse so that transactions of all sizes can provide meaningful returns.

Universal Coal (UNV.ASX) has seen marginally slower than expected progress from Afrimat as it works through its due diligence process to firm up its $0.40 per share offer. The shares are currently trading at a significant discount to the headline price, and we believe the current discount represents a meaningful divergence from the real probability of the Afrimat proposal completing. The share price fell in the early days of the month after major shareholder, Ichor Coal, sold its 29% stake in the company at $0.315 per share.

On the surface, a sell down of this size at such a large discount to a live takeover offer would normally indicate a bid that was dead in the water. However, Ichor's sell down was the result of a liquidity crunch; the company had an €80m debt liability falling due in June with its shareholding in UNV as its only meaningful liquid asset to service the repayment, noting that a successful transaction with Afrimat would not occur before the bonds became due. As a distressed seller, Ichor were forced to sell at a distressed price, which was fortunate for us as one of the buyers involved in the block trade. Shares in UNV traded at $0.35 and above prior to Ichor's sell down, and May's close of $0.335 likely reflects a market mispricing rather than an implied lower probability of completion.

Finally, the top contributor for the month was Lynas Corporation. In addition to its operating business as a producer and refiner of rare earth minerals, the company has additional strategic value as the only major producer in the industry outside of China, undoubtedly something not lost on Wesfarmers. The company has become an indirect beneficiary of worsening trade talks between the US and China. The US imports roughly 80% of its rare earths from China, and a non-descript site visit to Chinese producer JL Mag Rare-Earth by president Xi Jinping stoked market fears that rare earth restrictions would be put in place in the face of US imposed tariffs. The result saw Lynas's share price rocket from April's close of $1.99 to $3.05 at the end of May, well above Wesfarmers offer of $2.25.

The inherent uncertainty of a successful deal meant the fund only carried a modest position in Lynas, however the stellar share price rise delivered a meaningful return all the same. As is standard practice and not wanting to overly speculate on the outcome of trade issues, we took the opportunity to sell the vast majority of our position as it climbed ever higher

Manager Commentary Continued

above the Wesfarmers offer price.

Turning to June, we are looking to close out the financial year on a high and believe the fund is currently well positioned to do so. Several deals remain in their infancy, which should bode well for continued performance for new and existing investors into financial year end and beyond.

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.