HARVEST LANE
ASSET MANAGEMENT

Absolute Return Fund
September 2018 Update

	NTA
Unit Price - 30/09/2018	1.0541

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	64.41%	10.76%	53.65%
Trailing 3 year return p.a.	7.20%	1.67%	5.53%
Trailing 12 month return	17.27%	1.51%	15.77%
Trailing 3 month return	0.68%	0.38%	0.30%
Trailing 1 month return	4.08%	0.13%	3.95%

* 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

September saw a pleasing improvement in returns compared to July and August, with a gain of 4.08% putting the portfolio back into positive territory for FY19 and offsetting the slight performance drag of prior months. The returns came from a multitude of positions after some expected (and unexpected) price increases, and others starting to trade more in line with where would expect them to based on their respective takeover proposals. Weakness in the portfolio was limited, confined to a handful of positions, and a buoyant M&A market saw yet another month of new opportunities.

Two positions in headline grabbing deals were added to the portfolio and essentially replaced three positions that were closed as their respective transactions came to an end. In yet another private equity backed deal, Affinity Equity Partners entered into a Scheme Implementation Agreement with Scottish Pacific Group (SCO.ASX) offering $4.40 cash per share. The agreement came after almost three months of private talks and ascribes a higher valuation than the company has thus far enjoyed as a publicly listed entity. The limited, standard conditions attached to the agreement saw the shares close out the month at $4.32, reflecting the market's (and our) confidence that the transaction will complete as expected (interlopers notwithstanding).

Activity in a name somewhat familiar to the portfolio boiled over and set up one of the more complex bouts of corporate activity seen to date. Back in September 2017, PropertyLink group (PLG.ASX) saw its register raided not once but twice,

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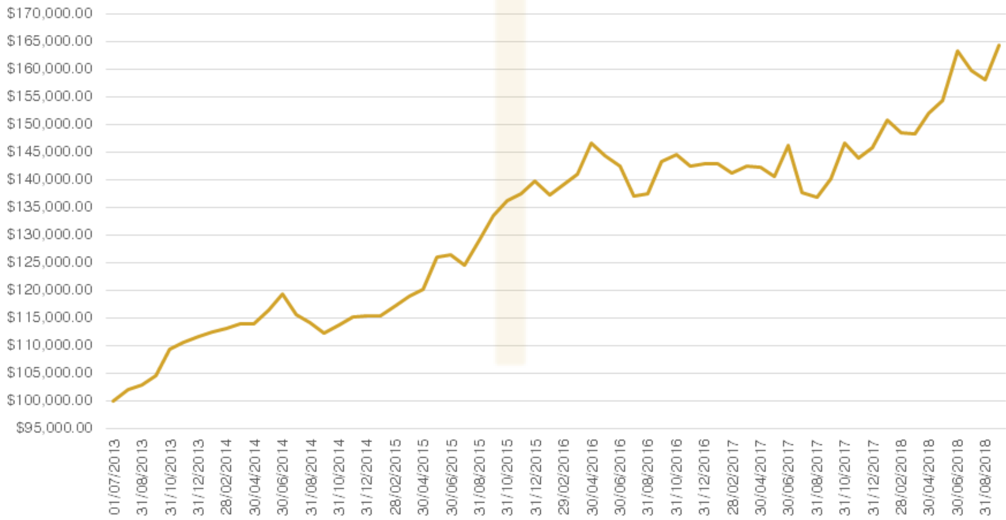
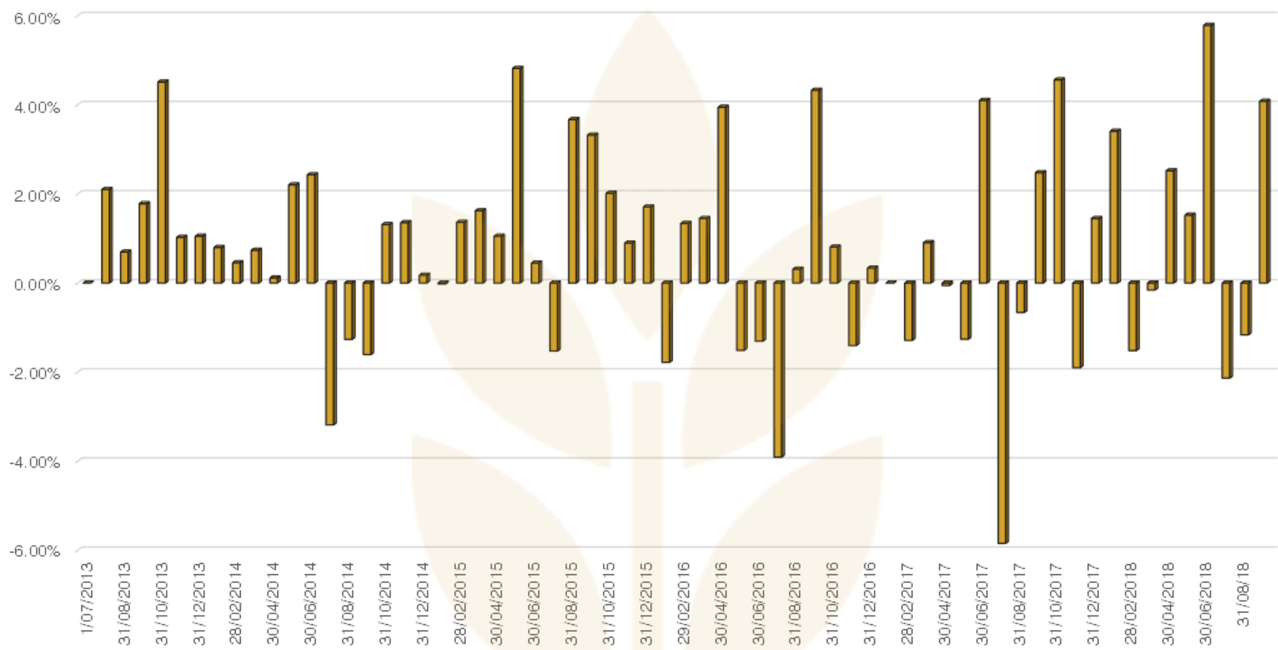
Growth of $100,000 Since Inception



Absolute Return Fund
September 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)	0.82%
% Positive Months	66.67%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.45%
Sortino Ratio	1.91
Sharpe Ratio	1.068
Correlation with ASX200 Accumulation Index	-0.0021
Beta	-0.0015
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

firstly by Centuria Capital Group (CNI.ASX), and then by ESR Pte Ltd to lock up a combined 35% of the register (to complicate the matter, ESR is also a substantial holder of Centuria). An initial proposal from Centuria was rejected while speculation heated up that a competing (or combined) proposal from ESR would emerge. However, none would be forthcoming as recently as August with Centuria flagging a cessation of discussions with ESR in regard to PLG and divesting a 7.7% stake.

Fast forward to September and a twist of events saw PLG raid the register of Centuria's industrial REIT (CIP.ASX) to emerge with a 17.7% stake, which was quickly followed up by a proposal to acquire the remaining shares in a scrip heavy deal. Centuria's response to the proposal was to acquire more shares in PLG and seek to remove the board in a show of no-confidence. The situation was then flipped on its head when ESR did what was widely expected twelve months ago and submitted its own proposal to acquire PLG at an offer price of $1.15 per share, turning PLG from bidder to target and calling for the CIP transaction to be cancelled. The portfolio took positions in both CIP and PLG and will continue to monitor what is surely one of the more intriguing instances of corporate activity in recent memory.

Sino Gas and Energy (SEH.ASX) had its investor base vote overwhelmingly in favour of the Lone Star Scheme of Arrangement and complete during the month, as did Sirtex Medical (SRX.ASX) in similar circumstances, rounding out two profitable trades. As foreshadowed last month, a firmed-up offer from Bain Capital for BWX Limited (BWX.ASX) failed to materialise, and the remainder of the position was closed out to finish off one of the more disappointing trades for the portfolio (albeit in small size given some doubt about the likelihood of success had existed in the trade from day one).

Having received FIRB approval earlier in the month, Hometown declared its intention to make their $2.25 bid for Gateway Lifestyle (GTY.ASX) unconditional once they acquired a relevant interest in more than 50% of the company. When this threshold was reached (and the bid subsequently declared unconditional), we tendered the position into the offer to take advantage of accelerated payment terms, free up some capital, and look ahead to new opportunities - of which there seems to be plenty!

Heading into September, we remarked that a $0.20 per share bump in Blackstone's offer for Investa Office Funds (IOF.ASX) looked like enough to see the deal complete by mid-September. Oxford Properties Group, who had earlier struck a deal with IOF's responsible entity for 10% of the company at $5.25 per share, returned with a bid for the entire company at $5.50. Seeing the Investa assets slip from its grip, Blackstone revised their offer to $5.52 conditional on the existing timeframe being honoured, hoping to seal the deal before Oxford had a chance to have a better look. When Oxford returned with a $5.60 bid a week later, it was enough for the IOF board to delay the vote on the Blackstone transaction and engage Oxford on its proposal. With Blackstone waiving the timetable condition to their $5.52 offer and clarifying statements at ASIC's request to indicate they are still very much in the hunt for IOF, a deal that looked set to complete unencumbered now looks likely to take a few more turns from here.

Nor was Investa the only position to see some revised price activity. A piecemeal consortium of investors in Spookfish Limited (SFI.ASX) amassed a sizeable enough stake to negotiate a better deal than the 8c per share offer tabled by strategic partner Eagle View Technologies. Reaching a 19.91% stake, the consortium leveraged its voting position (a scheme of arrangement requires a 75% majority) to carve out an additional 1c per share. We do also note with interest that ASX listed competitor Nearmap (NEA.ASX) has recently raised $70m designated for 'both organic and inorganic growth', and so too the appearance of an unknown bidder in market bidding in a single line of 60m shares (or ~5% of the company) at 8.6c. The Eagle View proposal is slated for completion in December, so there remains ample time for further (favourable) developments.

Our previously closed position in Atlas Iron (AGO.ASX) showed itself to be the gift that keeps on giving. The Gina Rhineheart controlled entity, Redstone, found its takeover offer at $0.042 per share grinding to a halt as Andrew Forrest's 11% holding via Fortescue Metals (FMG.ASX) frustratingly prevented Redstone from moving to compulsory acquisition. A price increase to $0.0445 per share was offered to speed up the acquisition conditional of an 11% increase in Redstone's relevant interest, the equivalent of Forrest's blocking stake, which did not prove lucrative enough. However, a second increase to $0.046 was finally agreed upon. Under the Australian Takeovers Code, any security holder who

Manager Commentary Continued

has already accepted a bid is entitled to any price increase, allowing the portfolio to further benefit long after the initial and already profitable trade was closed.

Lastly, Universal Coal (UNV.ASX) received an indicative, non-binding approach from Ata Resources at $0.35 per share. While the loosely binding nature of the agreement (combined with our concerns over Ata's capacity to fund the acquisition), this transaction is not typically something we would get overly excited about. However, investors who have followed the fund for a number of years may recall that this is the second time Universal Coal has popped up on the radar of potential acquirers and was subject to a three-way tussle back in 2015/16.

The first takeover proposal ultimately fell over mid 2016 due to funding issues from the top bidder, whose proposal had valued the company at up to as much as $0.30 per share, and the share price fell to less than half of what the top bidder had been willing to pay. Throughout the takeover process, and this is something we do with all our positions, we conducted a deep dive analysis to understand the nature of the business and quickly formed the opinion that the market was severely discounting the true value of the company. With the effective downside already factored into the trade post mid-2016 and the presence of three acquirers who had been willing to pay higher prices than what the company was trading at, we decided to retain some exposure.

Coming back to the present, our decision to do so has very much been rewarded with Ata's initial proposal at $0.35 per share. However, the company has progressed considerably since 2015 on the back of strong management execution, a clearly defined growth pipeline, and a rebound in coal prices from 2016 lows. We are of the opinion that $0.35 is still a relatively low valuation for a company of this quality, and the strong interest taken two years ago by multiple parties at a time where there was much larger execution risk shouldn't be too far from shareholders minds. For a slightly more comprehensive look at the position, we released commentary during the month that can be viewed here.

The remaining positions in the portfolio largely ebbed and flowed throughout the month as they moved closer to completion. The welcome finalisation of several deals during the month positions the portfolio well to take advantage of the new opportunities arisen in September, as well as any future deals announced. We look forward to providing further updates in due course.

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.