Absolute Return Fund
June 2018 Update

	NTA
Unit Price - 30/06/2018	1.1143

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	63.30%	10.38%	52.92%
Trailing 3 year return p.a.	8.88%	1.71%	7.17%
Trailing 12 month return	11.65%	1.51%	10.14%
Trailing 3 month return	10.10%	0.38%	9.72%
Trailing 1 month return	5.78%	0.13%	5.66%

* 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

As the 2018 financial year drew to a close, the fund achieved its 5-year anniversary in style, recording a 5.78% gain for June, which is the largest monthly gain to date. This resulted in a 11.65% return for FY18 (12.85% if the grossed-up value of franking credits is included). Interestingly, the above target return for the year came despite a drawdown to start the year!

Strong returns should not have come as a surprise to readers of these updates. In the latter part of calendar year 2017 we wrote that we felt that the portfolio was poised to start delivering and that we were a little surprised (and frustrated) that it hadn't yet done so. We have regularly reiterated this point. Thankfully, our patience (and yours) was subsequently rewarded with a strong second half, and a particularly strong final quarter.

Most importantly and looking forwards, current and anticipated market conditions for our strategy are highly favourable and hence this financial year has every chance of being another good one. Given we are heavily aligned and want our clients to benefit - and are only remunerated via performance fees rather than asset gathering - we encourage prospective investors to consider becoming investors when the opportunity to deliver above average performance is high, such as it is now.

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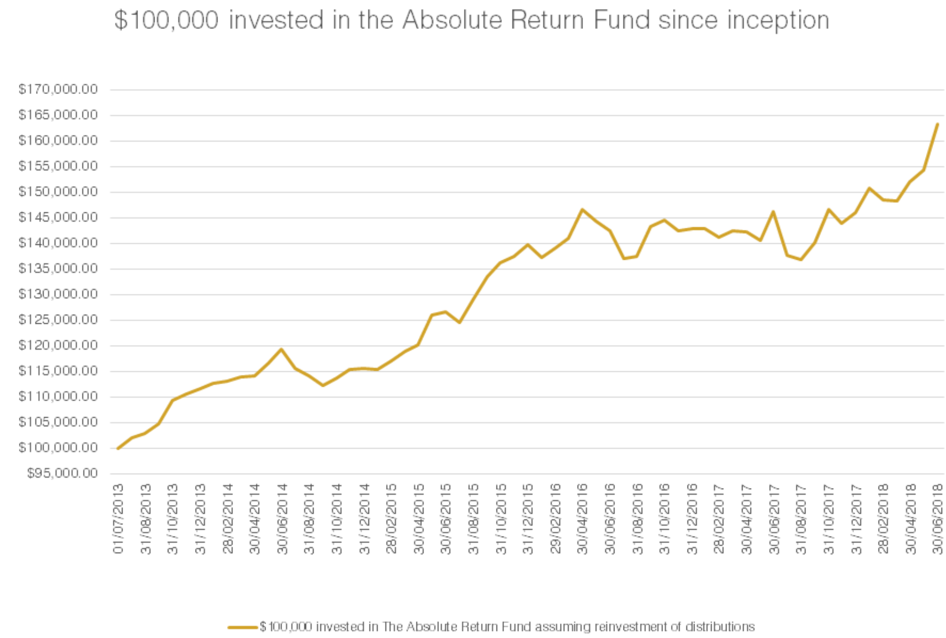
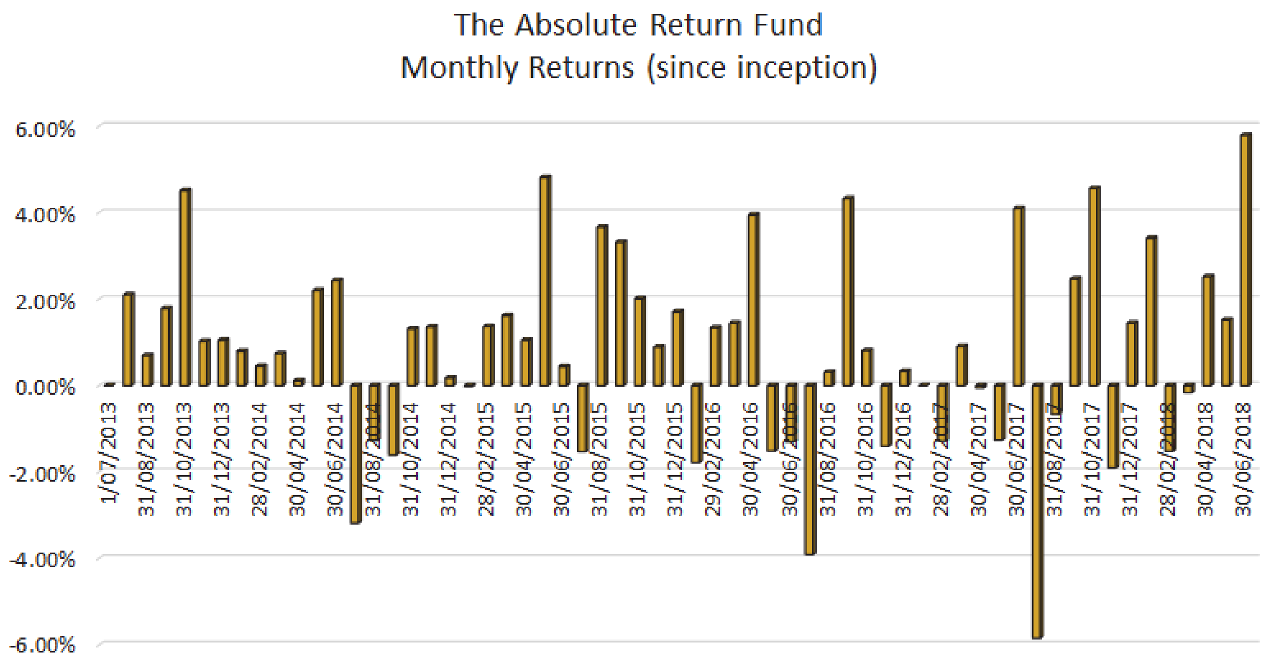
Growth of $100,000 Since Inception



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)	0.84%
% Positive Months	69.49%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	6.45%
Sortino Ratio	2.01
Sharpe Ratio	1.127
Correlation with All Ordinaries	0.021
Beta	0.015
Last distribution paid (July 2017)	0.09969

[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

As a reminder, we target (and have achieved since inception some 5 years ago) 10% per annum returns over a 3+ year period. Most importantly we have delivered strong returns with highly attractive risk attributes. These include relatively low risks compared with index long only investing including single digit volatility, single digit drawdowns, no market beta or correlation, stronger outperformance in down markets, as well as no correlation with other active manager strategies we have looked at. And of course - and an important distinction with other absolute returns funds - we are backing ourselves and our strategy through our "no perform - no pay" remuneration structure.

June saw meaningful contributions from almost all constituents of the portfolio. It was a fast-paced month coloured with surprise bidding wars, unexpected revaluations, and even bidders becoming targets in their own right.

Given only a handful of positions were completely closed in June, the most notable being Viralytics (VLA:ASX) and Avanco Resources (AVB.ASX) via implementation of the proposed scheme of arrangement and moving to compulsory acquisition respectively, we have good reason to believe that the strong performance may be repeated in the months ahead. In fact, we hold a large number of positions where it seems that further upside may be forthcoming. The three new positions added to the portfolio in June are a testament to the strength of the current market for M&A. The first six months of 2018 have seen corporate activity re-ignite and given the specific structural aspects of the market that are driving this activity, it seems set to continue for a long while yet in the absence of a major shock, in which case our strategy will adapt.

It was widely predicted that 2018 would finally see some of the hundreds of billions, if not trillions, of uncalled private equity capital deployed into the market. Given the strong run of private equity bids launched to market in the last few months - Santos (STO.ASX), Healthscope (HSO.ASX), and Sirtex (SRX.ASX) to name a few - it would seem we are at last starting to see some of the dry powder put to use. Corporate buyers have turned to bolt-on acquisitions in the absence of organic growth, pitting them against cashed up private equity firms in the tussle for quality, strategic assets and driving some of the competitive bidding wars that are starting to emerge.

Gateway Lifestyle Group (GTY.ASX) found itself subject to an indicative, non-binding offer at $2.10 per share after US-based affordable housing company Hometown America Corporation took a strategic stake in the company. Despite having previously been tipped as Gateway's likely long-term owner, it didn't take long for rumours of alternative suitors to circle, culminating in a competing proposal at $2.30 being tabled by private equity giant Brookfield. Hometown America quickly moved to announce a revised price of $2.35 several days later, hoping to outbid Brookfield and discourage any other rumoured potential bidder from making a counter offer.

GTY's closest competitor Ingenia Communities (INA.ASX) upgraded full year EPS guidance by 10% at the end of June on the back of strong settlements, highlighting the underlying strength in the industry and perhaps inadvertently adding fuel to the GTY takeover fire.

Elsewhere, a second bidding war emerged somewhat unexpectedly when two high profile Australian billionaires decided to weigh in on a transaction that had previously garnered little attention. Harvest Lane had existing, fully hedged exposure, allowing us to benefit from the inspired activity.

Atlas Iron (AGO.ASX) has previously been under takeover offer from Mineral Resources (MIN.ASX) via an all scrip scheme of arrangement. Heading into June, Managing Director Chris Ellison must have been feeling comfortable as MIN looked on track to acquire Atlas with minimal fuss. However, from left field, Andrew Forrest threw the proposed transaction into disarray as Fortescue Metals Group (FMG.ASX) acquired a 19.99% stake in Atlas at a 33% premium to the prevailing share price.

In a further turn of events, Gina Rhinehart's Hancock Prospecting acquired a similar sized stake in the following week and quickly followed it up with an all cash takeover offer at 4.2c per share for the remainder of the company. This left the MIN scheme or arrangement all but dead in the water. It would now seem a little premature to think this tussle doesn't have some way to play out yet.

The seemingly straightforward off-market proposal for Investa Office Fund (IOF.ASX) by Blackstone announced in late May firmed up as expected during the month with the stock initially trading at a small premium to IOF's last reported NTA and in line with the Blackstone proposal. However, major shareholder APN Property ruffled a few feathers by going public to declare they would not support the proposal at such a low premium for control, citing the 9.3% portfolio revaluations recently experienced by Dexus Property Group (DXS.ASX) as evidence that Blackstone's proposal was likely well below the real value of Investa's properties in a "roaring" commercial market. This stance was validated when the IOF commissioned independent valuations came back showing a 7.9% uplift in NTA. With the offer now effectively at a slight discount to IOF's revised NTA, the deal looks unlikely to proceed in its current form without Blackstone coming back with a higher offer, or IOF catching the eye of another party.

Manager Commentary Continued

In a deal that, if successful, would mark the second biggest listed Australian takeover ever, APA Group (APA.ASX) caught the interest of a private equity consortium led by Hong Kong based CK Infrastructure Holdings Limited in a $11 per share bid that values the company at $13b. A successful takeover by CK Infrastructure would see it command a significant portion of the Australian energy market, which has understandably attracted scrutiny from ACCC and FIRB. In an effort to curb regulatory concerns, a divestment package was offered under the terms of the deal after initial discussions with the ACCC, however there still remains no guarantee of success. We will continue to monitor the situation and adjust accordingly as new information comes to hand. We maintain a small holding for now primarily because the discount on offer appears too large, the aforementioned risks notwithstanding.

One of the most drama filled stories of the month played out in the media sector. After the aborted 2016 merger between Ooh! Media Limited (OML.ASX) and APN Outdoor Group Limited (APO.ASX) due to competition concerns, the two companies have more recently been locked in a battle for HT&E Limited's (HT1.ASX) outdoor advertising business unit, Adshel. Both companies had initial offers knocked back. As APN outdoor readied to submit its revised offer, it instead found itself the target of French advertising giant, JCDecaux, when the latter made a $1.1b offer for the company at $6.52 per share.

Sensationally, APO knocked the offer back and pushed on with its own offer for HT1's Adshel business only to be trounced by OML, whose winning bid was priced at some $150m higher than its initial offer in April, and some way ahead of the improved bid submitted by APO just hours earlier. An empty handed APO sat back down to the negotiating table with JCDecaux and announced to market in late June the signing of a Scheme Implementation Deed after the offer was nudged up to $6.70 per share, plus the inclusion of a fully franked special dividend. While the ACCC has put both JCDecaux and Ooh! Media's transactions under the microscope, it is expected APO's failure to acquire Adshel will improve the prospects of JCDecaux's deal completing. However, as with APA, we maintain an underweight position as we await further updates from the ACCC.

Finally, Sirtex (SRX.ASX) announced it had entered into a binding Scheme Implementation Deed with CDH Greentech and China Grand Pharma, officially declaring the $33.60 proposal superior to Varian's previous offer of $28. While not without its own regulatory hurdles, an initial deposit of $220m (representing approximately 10% of the proposed deal value) that is non-refundable in the event of an adverse regulatory decision helped sway the Sirtex board's recommendation. It is another deal we are watching closely, with the current price action representing an interesting risk/reward proposition. Having said that, we couldn't help but reduce some of our exposure to Sirtex at a material profit given what has effectively been a windfall gain after it was widely expected that Sirtex would be sold to Varian at $28 (which it would have had CDH and China Grand Pharma waited just 24 hours longer to approach the Sirtex board).

In summary, June was a frenetic month. The best ever monthly gain for the portfolio highlighted not only the strength of the current market for M&A but also how well positioned the portfolio is to capitalise on it. We strongly believe that favourable structural conditions exist such that it is likely that we will see a high level of corporate activity continue for a long while yet. We are hence optimistic that the portfolio will continue to benefit from this activity to a similar extent as it is currently demonstrating, providing strong risk adjusted returns for our investors.

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.

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