

	NTA
Unit Price - 30/04/2018	1.0376

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	52.06%	10.12%	41.94%
Trailing 3 year return p.a.	8.16%	1.77%	6.40%
Trailing 12 month return	6.86%	1.51%	5.35%
Trailing 3 month return	0.81%	0.38%	0.43%
Trailing 1 month return	2.52%	0.13%	2.39%

* 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

April saw a pleasing increase of 2.52% for the Absolute Return Fund, continuing the strong performance over the last six months. Merger and Acquisition activity kept pace with the preceding periods as three new positions were entered during the month, allowing us to immediately recycle the proceeds of several transactions that drew to a close. Most importantly, the outlook for capital activity and M&A activity remains favourable.

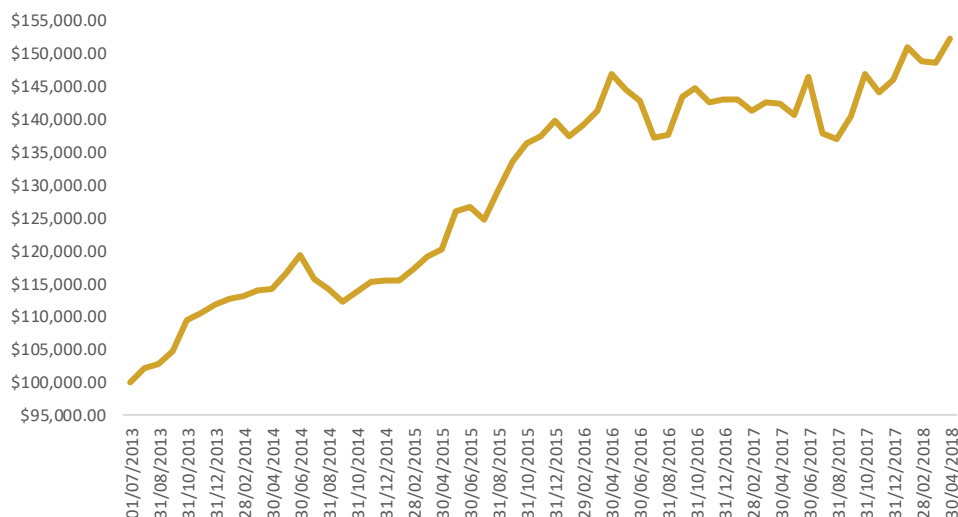
In last month's report, we highlighted the portfolio's resilience against a broad market sell off due in part to several of our positions being close to the completion of their respective M&A transactions. Including deals completed intra-month, only one position lost ground in April and we are confident this loss of value is temporary. Every other position held firm or increased.

After being outbid for AWE by Mitsui, Mineral Resources (MIN.ASX) again flagged its growth ambitions by launching an all scrip bid for iron ore producer Atlas Iron (AGO.ASX) to kickstart the month. We were quick enough to secure a fully hedged position in Atlas Iron at an enviable annualised yield to maturity. Whilst we are not expecting any improvement of bid terms, simply seeing the deal complete in its current form will bolster returns for the Absolute Return Fund.

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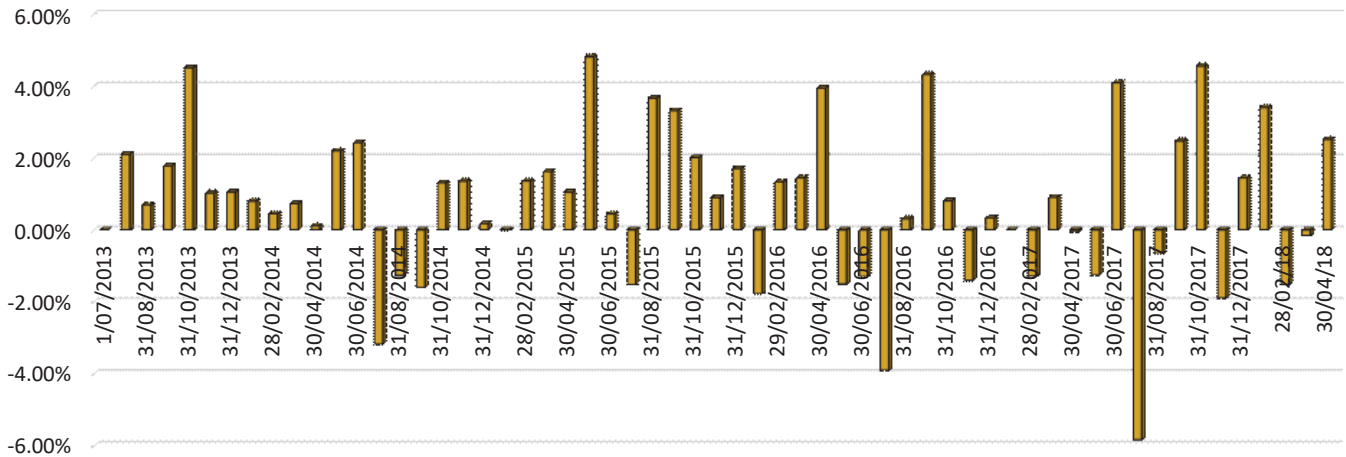
Growth of \$100,000 Since Inception

\$100,000 invested in the Absolute Return Fund since inception



Monthly Returns History*

The Absolute Return Fund
Monthly Returns (since inception)



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	10.16%
Average Monthly Return (since inception)	0.75%
% Positive Months	67.24%
Best Positive Month	4.82%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.92%
Annualised Standard Deviation	7.40%
Sortino Ratio	1.71
Sharpe Ratio	1.004
Correlation with All Ordinaries	-0.009
Beta	-0.006
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 - 30/06/2017) and does not include returns for the current year.

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Manager Commentary Continued

After six months of rejected, informal approaches, Santos (STO.ASX) decided to engage Harbour Energy in its improved \$13.5b proposal to acquire Santos via a scheme of arrangement. Concerns around FIRB approval linger around the deal, however a strengthening in oil prices and a depreciating AUD against the USD has provided somewhat of a downside buffer should the transaction not proceed. We hence added a small carefully risk managed position to the portfolio as we await further developments.

New Zealand based poultry farmer Tegel Group (TGH.ASX) also received an offer from major shareholder, Philippines based Bounty Fresh Food Inc. We were able to establish a position at a reasonable discount to the implied value of the offer and are interested to see whether reports of other potential bidders circling Tegel prove to be correct.

Late in the month, private equity firm BGH Capital made an unsolicited and conditional offer for Healthscope Limited (HSO.ASX) at \$2.36 per share. While the deal is in its infancy, the small premium to the undisturbed price and rumours that Canada's private equity giant Brookfield is also a potential bidder have seen the share price run ahead of the BGH consideration to finish April at \$2.43. Given the nuanced conditions of the deal, and BGH's tie up with Healthscope's largest shareholder, Australian Super, we await further developments before deciding to increase or decrease our modest exposure.

Primary Gold (PGO.ASX), Trilogy International (TIL.ASX), and AWE Limited (AWE.ASX) all completed during the month. Primary Gold had previously seen as much as a 15% discount to the consideration over the preceding months, which we assessed as not accurately reflecting the likelihood of the deal completing on a risk-adjusted basis. Having positioned accordingly, bidder Hanking Australia flagged the offer as unconditional after exceeding the 51% control threshold, closing out a trade that annualised at north of a 60% return. Mitsui also closed out a four-month, three-way bidding war for AWE, with its all cash offer of \$0.95 per share declared the winner.

Murray Goulburn (MGC.ASX) surprised to the upside after the Saputo transaction was green-lighted by shareholders. The transaction contemplates a fully valued ~\$1.20 per share entitlement, with \$0.40 retained to fend off shareholder class actions related to legacy continuous disclosure issues. With the stock going ex its initial distribution of \$0.80 per share, the cost of capital required to bet on receiving the residual \$0.40 per share less any settlement costs/court ordered payouts was reduced, and the share price jumped accordingly. Given our cost base was not much higher than the initial distribution, we retain a residual position, and are confident there is still considerable value left in the trade. It is our belief that the amount currently retained to fund any potential class action settlement is likely to be overly conservative, based both on our analysis of previous class action settlements and so too, the likely level of insurance Murray Goulburn has to cover such an event.

All in all, April was obviously a pleasing month and the short to medium term outlook for the Absolute Return Fund looks just as favourable as that we have experienced in recent months.

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 20 September 2016 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.