

| | |
|-------------------------|--------|
| | NTA |
| Unit Price - 31/08/2021 | 1.2325 |

Investment Returns (net of fees)*

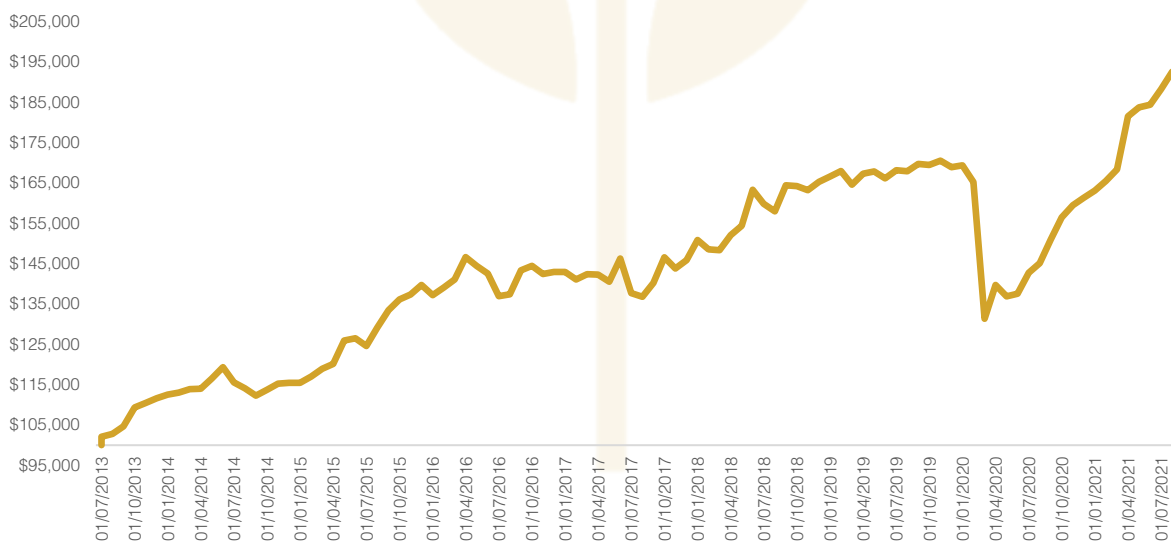
| | Harvest Lane Absolute Return Fund | RBA Cash Rate | Outperformance |
|--|-----------------------------------|---------------|----------------|
| Cumulative return (since inception 01/07/2013) | 92.55% | 12.67% | 79.87% |
| Trailing 5 year return p.a. | 6.99% | 1.03% | 5.96% |
| Trailing 3 year return p.a. | 6.82% | 0.68% | 6.14% |
| Trailing 12 month return | 32.71% | 0.13% | 32.59% |
| Trailing 3 month return | 4.78% | 0.03% | 4.76% |
| Trailing 1 month return | 2.27% | 0.01% | 2.27% |

* 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.

^ The unit price and associated returns are presented on an ex-distribution basis. The Fund paid a distribution of 0.00037 per unit in July.

| | 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% | 1.66% | 4.06% | 3.61% | 1.94% | 1.18% | 1.10% | 1.46% | 1.73% | 7.83% | 1.23% | 0.34% | 34.04% |
| FY22 | 2.11% | 2.27% | | | | | | | | | | | 4.43% |

Growth of \$100,000 Since Inception



— \$100,000 invested in The Absolute Return Fund assuming reinvestment of distributions

Manager Commentary

Deal activity slowed throughout August which is not unusual around this time of year. Reporting season ordinarily sees a pause as the most recent financials are announced to market, although it didn't come to a complete halt. The headline grabbing deal of the month was undoubtedly Afterpay Limited (APT.ASX) being acquired by Square, Inc for an equivalent A\$39b scrip deal. Sydney Airport's (SYD.ASX) reign as potentially the largest transaction seen on the ASX following its \$22b buyout offer lasted only a month and is emblematic of the current confidence in the domestic M&A market. Huon Aquaculture Group (HUO.ASX) signed a generous deal with JBS Australia (albeit not without substantial FIRB risk and an agitating underbidder in Andrew Forrest), while Ampol (ALD.ASX) turned its sights on Z Energy (ZEL.ASX) in its quest for scale and synergies. The pipeline of opportunities continues to replenish for us.

Against that backdrop, it's pleasing to report another positive return for the month. It was broad based strength in the portfolio that delivered the return rather than a handful of stellar individual performers. We had some notable reporting season winners in Sunland Group (SDG.ASX) and Capral (CAA.ASX).

Sunland's realisation of net asset strategy is currently on track and a further dividend of \$0.20 was handed down alongside the FY21 results. The non-core inventory is consistently being cleared at a profit to book value with most of the proceeds and profits to be recognised in the coming financial year or two. Net assets inclusive of the dividend total \$2.34 per share, although this is still undercooked on what we expect to receive under the realisation strategy. Development margins on the remaining pipeline are not yet reflected (almost all lots except the recently commenced The Lanes West being already under contract) and when added to the expected profits on the non-core inventory sales, there's still scope to receive a meaningful amount more than current book value. The closing share price of \$2.77 does capture a portion of this, however there's also \$0.63 worth of franking credits that are also partially reflected in the current premium to NTA, with more expected. It has been a relatively easy hold since we established the position late last year, and we continue to do so as capital is returned.

Capral similarly posted some great numbers. The position initially came into the portfolio when Allegro offered to buy the company at \$7 per share, which looked opportunistic for a company in the early stages of an upgrade cycle, and at a valuation lower than book value (comprised of mainly cash and working capital). Allegro's offer was withdrawn when it became widely acknowledged a \$7 offer would be tough to get past shareholders, but we retained exposure on the basis the shares were trading at a discount to net assets, the upgrade cycle was in effect, and the EV/EBITDA multiple in the low single digits was well below peers. If Allegro as a financial buyer could make the numbers stack up, then other strategic or financial buyers could too.

The first half results came with yet another earnings upgrade - a 23% lift in trading EBITDA at the midpoint. The shares responded accordingly and although we trimmed our position, it still looks cheap. It's a good example of the capital preservation focus of the strategy and the assessment of downside risk. Despite the corporate activity fading away, we had good visibility on where the risk/reward was skewed and have now started unwinding at a higher valuation to when Allegro walked away. We like multiple ways to win.

Proceeds from recently completed deals in APN Property (APD.ASX) and Isentia (ISD.ASX) were quickly repurposed into both existing and new transactions. Fresh from a second (and this time, successful) attempt at Abano Healthcare (ABA.NZ), BGH Capital negotiated a deal with the similar dental rollup 1300 Smiles (ONT.ASX) at \$8.00 per share. 1300 themselves had looked at acquiring the Australian arm of Abano in late 2019 but were outbid by BGH at the time, so 1300 turning from bidder to target brings the three parties full circle. A minimum 10% of the scheme consideration offered will come via a fully franked special dividend for additional value beyond the headline price. With the history between three parties and the separate agreement with the majority shareholder and founding director, the chances of a counter would appear quite low, but this is M&A we're talking about. Anything can happen.

Spark Infrastructure (SKI.ASX) progressed to a binding deal and similarly will offer a special dividend as part of the consideration. Following a confirmatory period of due diligence and an agreement finally reached on pricing, Spark now looks set to be taken private by the end of the year. Huon Aquaculture Group (HUO.ASX) agreed a binding deal with JBS Australia at \$3.85 per share. Andrew Forrest's Tattarang Agrifood very quickly moved to increase its stake in the company towards the 20% threshold, and such moves would typically presage a contest. However, the acquisition

Manager Commentary Continued

of shares was done with a view to pressure FIRB over JBS's animal husbandry practices rather than a desire to counter. While it was acknowledged Tattarang had earlier made an offer for the company as Huon ran a formal sale process (and similarly with Cooke who was also an underbidder), JBS's pricing was substantially higher than the rest of the field. Combined with a distressed balance sheet, pressure from lenders, required CAPEX, and a muted earnings outlook, it became apparent the risks were very much to the downside in this trade, and so we unwound the initial position and closed out the month with no exposure. We will continue to monitor but we would need a significant change in fundamentals or pricing for us to reconsider a position at this stage.

Elsewhere, there are few non-binding deals popping up for which we have selective exposure. IRESS (IRE.ASX) currently has its books open to private equity firm EQT that remains ongoing, Oil Search (OSH) and Santos (STO.ASX) are conducting due diligence on each other for their intended merger, and iCar Asia (ICQ.ASX) is working with Carsome to have a binding deal formalised soon. In some cases, there are meaningful discounts to terms on offer as the market becomes jittery over the non-binding nature of the offers and occasional extensions to the due diligence period.

We are comfortable we have exposure to the right positions and in the right size. Should any or all of these go binding, we would expect a contraction in the discount to terms, which, alongside the existing binding deals, would go some distance to delivering positive portfolio returns in the months ahead. With reporting season done and dusted, it will be interesting to see which companies find themselves targets next. Against the current backdrop of M&A activity, we expect there will be quite a few.

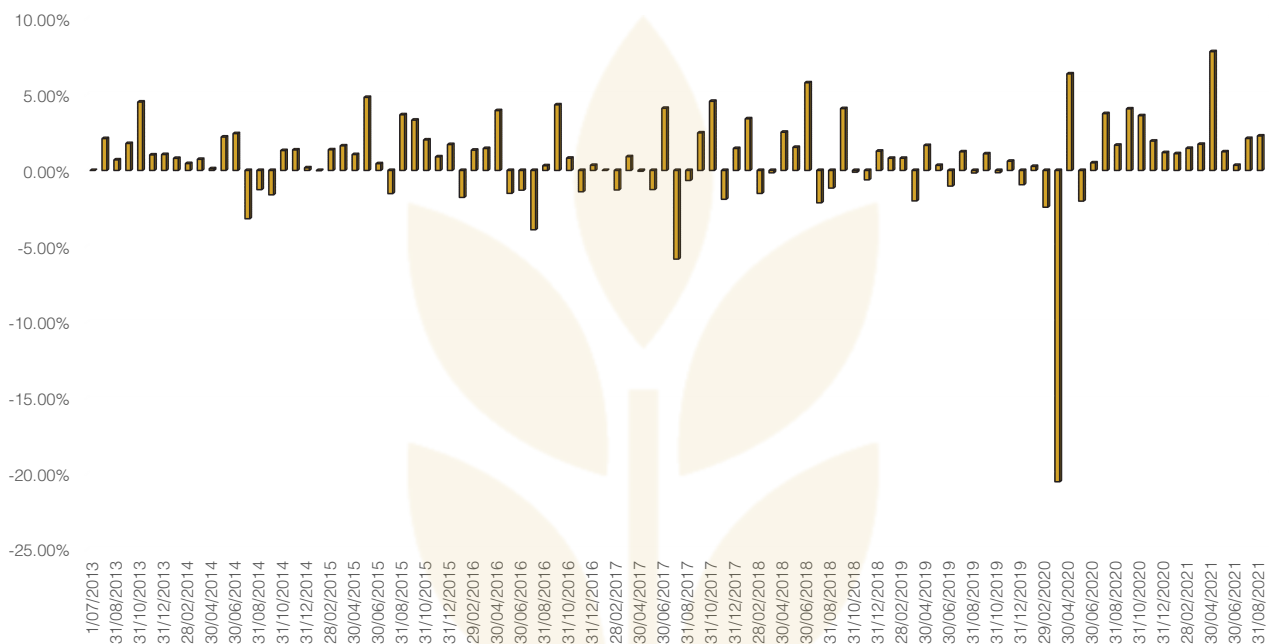
Kind Regards,

Luke Cummings

Chief Investment Officer and Managing Director

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

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 |
| Responsible Entity | Equity Trustees Limited |
| Administrator | Mainstream Fund Services |
| Auditor | Ernst & Young |
| Custodian | J.P. Morgan Securities PLC |

Portfolio Analytics

| | |
|---|---------|
| Average Full Financial Year Return ³ | 9.78% |
| Average Monthly Return (since inception) | 0.81% |
| % Positive Months | 63.33% |
| Best Positive Month | 10.98% |
| Worst Negative Month | -25.67% |
| Maximum Drawdown | -28.39% |
| Annualised Standard Deviation | 16.51% |
| Sortino Ratio | 0.730 |
| Sharpe Ratio | 0.563 |
| Correlation with ASX200 Accumulation Index | 0.647 |
| Beta | 0.747 |
| FY21 Distribution | 0.0004 |

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 - 30/06/2021) 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.

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. 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

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Harvest Lane Asset Management Absolute Return Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). Harvest Lane Asset Management Pty Ltd (Harvest Lane AM) ACN 158 314 697 is the Investment Manager of the Fund and a Corporate Authorised Representative No. 433046 of Harvest Lane Capital Pty Ltd (Harvest Lane Capital) AFSL 425334. This publication has been prepared by Harvest Lane AM, to provide you with general information only. In preparing this publication, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Equity Trustees, Harvest Lane AM, Harvest Lane Capital nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. A copy of the PDS is available here www.harvestlaneam.com.au.