Absolute Return Fund
December 2021 Update

	NTA
Unit Price - 31/12/2021	1.2903

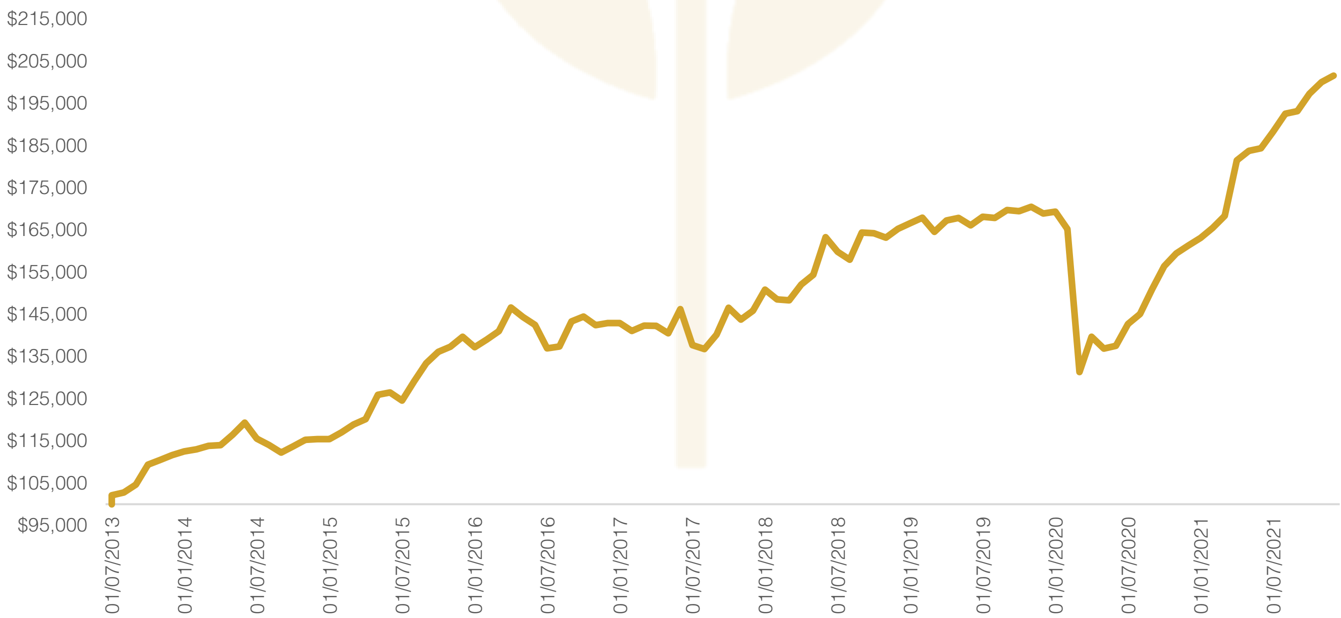
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	101.58%	12.71%	88.87%
Trailing 5 year return p.a.	7.12%	0.92%	6.20%
Trailing 3 year return p.a.	6.84%	0.53%	6.32%
Trailing 12 month return	24.95%	0.10%	24.85%
Trailing 3 month return	4.34%	0.03%	4.32%
Trailing 1 month return	0.76%	0.01%	0.75%

* 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.

	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%	0.33%	2.13%	1.39%	0.76%							9.33%

Growth of $100,000 Since Inception



Manager Commentary

If there was an expected slow down of deal activity heading into the holiday period, there were very few signs of it throughout December. The portfolio delivered a positive return to finish the calendar year in a position of strength, and once again new opportunities are popping up as soon as older ones complete.

It has been a remarkable year to say the least. It will no doubt prove challenging to replicate this year's numbers in 2022, but we relish the challenge. There's still plenty on the burner heading into the New Year and meaningful returns to be had. It's full steam ahead.

There were a number of strong performers contributing to December's return, notably in Cardno Limited (CDD.ASX) and Australian Pharmaceutical Industries Limited (API.ASX). Unfortunately, in respect of the latter, API since has given up its December gain after Woolworths withdrew its surprise $1.75 counterbid in early January. Wesfarmers now looks set to take the keys at a lower consideration of $1.55.

The return Cardno delivered undoubtedly exceeded expectations. The sale of the Asia Pacific and American consulting divisions completed without issue and investors subsequently received a capital return and dividend equivalent to $1.49. Left over was a small cash balance worth $0.08 a share alongside the International Development business. We were able to establish the position near the combined cash position ($1.57) for an almost free look at the stub business (also under a sales process). It may have been tax considerations, but the simple act of the stock going ex capital return was enough to add anywhere from $0.15 to $0.30 in valuation having traded flat for almost two months. The position was promptly closed at a valuation above what we would consider the company will be able to achieve from the residual sales process. It's one we continue to monitor as the share price and circumstances change.

Sunland Group (SDG.ASX) announced a special dividend following completion of the Ingleside property, while providing earnings guidance for the first half slightly ahead of expectations for good measure. The company is in wind down mode - selling non core inventory, completing the existing projects and returning net asset value to shareholders via dividends. All the non-core land has now been sold pending settlements and all but 26 of the remaining 456 lots are under contract as at the most recent AGM update. A significant amount of inventory will have been converted to cash in the 1HFY22 period, and subject to capital requirements to complete the remaining pipeline, we would expect a healthy fully franked dividend to be announced alongside the half year results in February.

The portfolio realised positions amongst several completed deals. Ale Property Group (LEP.ASX) ended its stint as one of the ASX's most successful AREITS of the last few decades as a Charter Hall and Hostplus consortium offer was waved through by shareholders. Spark Infrastructure (SKI.ASX) marks one of the larger all cash deals seen on the ASX (behind the current cash bid for Sydney Airport (SYD.ASX) and scrip merger of Afterpay (APT.ASX) and Block, Inc), closing just days before Christmas. Intega Group (ITG.ASX) followed suit, completing its scheme with European group Kiwa.

For every deal compete, another popped up. Over The Wire Holdings (OTW.ASX) agreed to a deal with Aussie Broadband (ABB.ASX) valuing the company at $5.75 per share. There is a mix and match facility available with the consideration, offering all cash, all scrip, or a mix. Deals offering a mix and match facility have often been a happy hunting ground for us and have become more commonplace in recent years. They provide target company shareholders greater optionality, and present opportunities to maximise returns over the life of the trade.

Virtus Health (VRT.ASX) had its register raided by BGH Capital, who subsequently followed up with a non-binding, indicative offer at $7.10. It's a marked change in strategy from a financial buyer who (generally speaking) are loathe to committing capital ahead of completion. It's a step in the right direction, but the conditionality and non-binding nature of the offer as it currently stands means we'll wait for something binding before taking a position.

Western Areas Limited (WSA.ASX) finally announced an all cash deal with IGO Limited (IGO.ASX) at $3.36 per share after months of courtship. The competitive tension between BHP Limited and Wyloo (an entity associated with Andrew Forrest) over Noront Resources in Canada has undoubtedly not gone unnoticed over at Western Areas. Wyloo picked up a 5% holding in the company shortly after IGO flagged its interest, and BHP as offtaker to WSA product needs nickel

Manager Commentary Continued

supply. The market is evidently (and not unreasonably) expecting the competitive tension to spill over to WSA as the share price closed the year above the current deal terms.

Several scrip deals we are monitoring are also offering some unusually large spreads. Apollo Tourism & Leisure (ATL.ASX) agreed to a merger with New Zealand counterpart Tourism Holdings Limited (THL.NZX). The gross yield on offer has remained persistent at double digits. Vote risk is minimal with the controlling family already on board, although a raft of regulatory and competition approvals required ahead of completion, along with the cross border scrip consideration on offer, are undoubtedly contributing to the discount to terms. Our exposure is hedged at similar terms to what are currently available, and we would expect the discount to progressively unwind as the transaction nears closing.

Finally, Link Group (LNK.ASX) entered a trading halt late in the month pending an announcement of a control transaction. The company has been in play for more than twelve months with nothing sticking. Carlyle had returned in November with an indicative offer and after six weeks of due diligence, a binding deal between the two was expected to be announced. Instead, Dye and Durham emerged as bidder in a surprise to the market.

The most interesting aspect of the deal to us was what was not said. A key asset of Link is its 43% stake in Pexa Group (PXA.ASX), which went through a very public sale process earlier in the year before instead opting for an IPO. Dye and Durham were bidders in the sale process.

Under takeover law, acquiring a stake in a company in excess of 20% would usually trigger an offer for the rest of the company. There are certain exclusions available to bidders where the acquisition of the stake is incidental under a separate transaction. Dye and Durham are presumably relying on this exclusion to acquire Link without a follow on bid for Pexa.

However, it's not difficult to argue that the acquisition of the Pexa stake is more than incidental. It makes up a significant portion of Link's net assets, and Dye and Durham have recently tried (and failed) to buy Pexa outright. Of Link's four business units separate to Pexa, one will be sold off prior to implementation and another has already been flagged as non-core. There are even ties to Pexa's financial performance in the material adverse change clauses of the scheme documents.

All up, it suggests at some point Dye and Durham will have to make a follow on offer for Pexa should ASIC or the Takeover Panel agree. One for our watchlist.

Kind Regards,

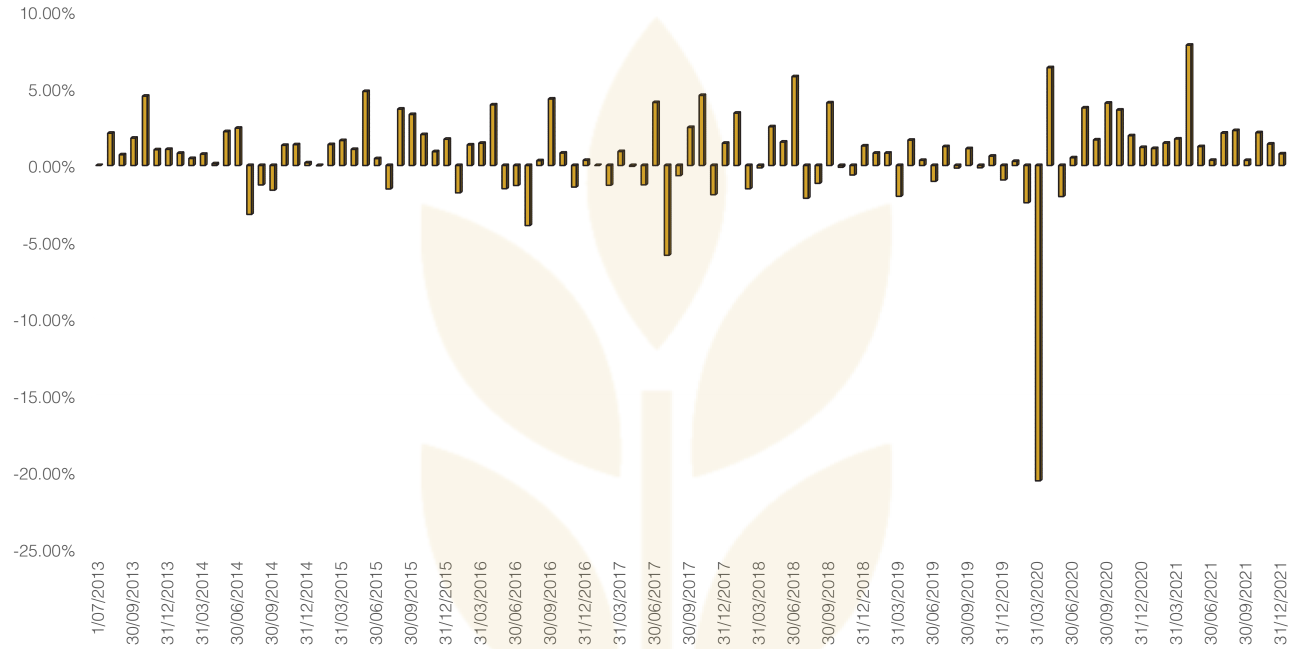
Luke Cummings

Chief Investment Officer and Managing Director

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

Absolute Return Fund
December 2021 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
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]	8.86%
Average Monthly Return (since inception)	0.74%
% Positive Months	69.61%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.47%
Sortino Ratio	1.020
Sharpe Ratio	0.774
Correlation with ASX200 Accumulation Index	0.471
Beta	0.369
FY21 Distribution	0.00037

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.
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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.

Target Market Determination

The Fund's Target Market Determination is available here. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

Disclaimer