HARVEST LANE
ASSET MANAGEMENT

Absolute Return Fund
December 2020 Update

	NTA
Unit Price - 31/12/2020	1.0330

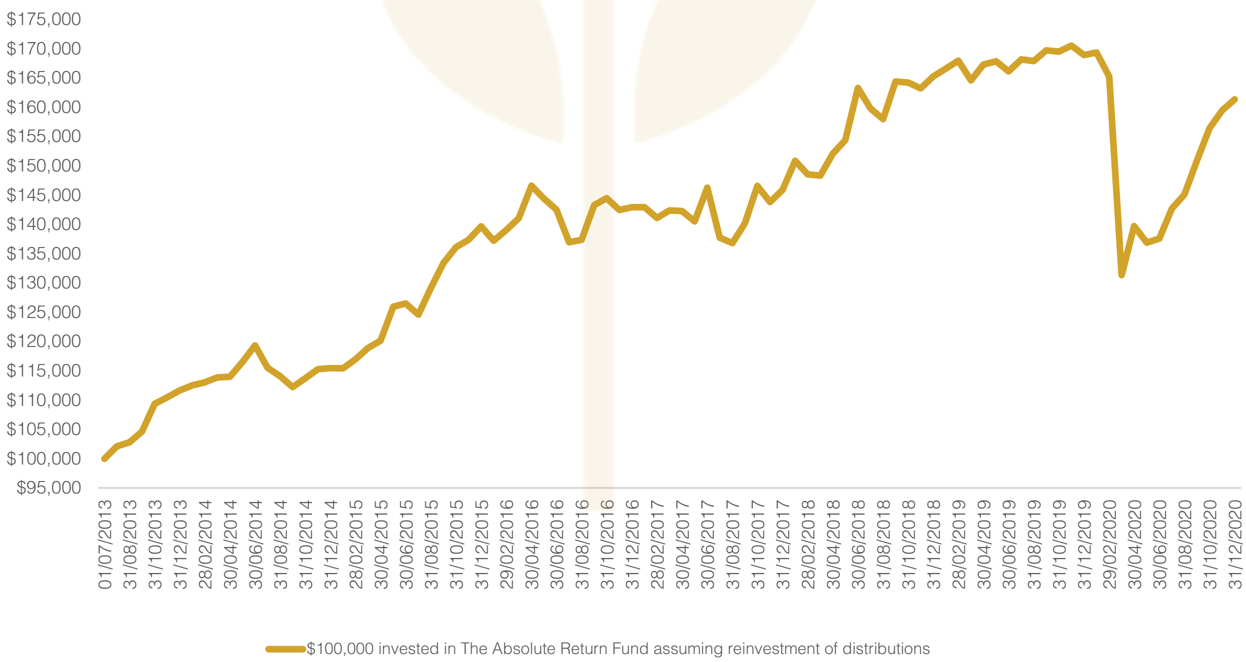
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	61.33%	12.61%	48.72%
Trailing 5 year return p.a.	2.92%	1.27%	1.65%
Trailing 3 year return p.a.	3.41%	0.99%	2.42%
Trailing 12 month return	-4.48%	0.31%	-4.79%
Trailing 3 month return	6.86%	0.04%	6.82%
Trailing 1 month return	1.18%	0.01%	1.17%

* 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%							17.28%

Growth of $100,000 Since Inception



Manager Commentary

December benefitted from broad based strength in the portfolio as many positions narrowed their discount to terms as the respective deals progressed. More sizeable contributions were made by Abano Healthcare (ABA.NZX) and Sunland Group (SDG.ASX) which helped propel the portfolio to a 1.18% return, marking a sixth consecutive month of positive gains. The breadth of positive performance amongst the holdings is encouraging but we reiterate that there is still a lot more to come from the opportunity set should these transactions complete as we expect.

Activity throughout the month was largely centred around existing holdings, with Cardinal Resources (CDV.ASX), WPP AUNZ Limited (WPP.ASX), and Think Childcare (TNK.ASX) all receiving revised proposals. Following on from last month's commentary, we are seeing more instances of opportunistic bids before the price actions starts to get away from bidders. Australian Super went public with its indicative offer to acquire Infratil Limited (IFT.NZX) at an implied value of $7.43 per share, and although marketed at a healthy premium to recent trading, it was promptly rebuffed by the Infratil board as undercooked on valuation. Major shareholders and sell side commentary were also quick to throw their weight behind the board's stance. It was revealed that it was Australian Super's second bid for the company in recent months and having spent a significant amount of time sizing up Infratil, we're not convinced this is the final offer.
WPP AUNZ (WPP.ASX) announced receipt of a conditional offer from its majority shareholder (WPP plc) in late November at a cash consideration of $0.55 per share. As majority owner, the chances of a counterbid were minimal but the discussion turned to valuation of the offer, which had largely been pre-empted by the bidder; a substantial release of franking credits worth up to an additional $0.15 per share were dangled as an incentive to minority shareholders to ease valuation concerns. However, recent strong trading by WPP saw the bidder reconsider and lift their offer to $0.70 share in a binding deal announced late in December. A special dividend is permitted for even more value. Retained losses on the balance sheet has limited the amount of franking to be passed on, however there is up to a further $0.06 in franking for eligible shareholders in what appears to be a very low risk transaction. WPP was evidently a strong contributor to this month's performance.

Abano Healthcare (ABA.NZ) finally closed out its scheme of arrangement with BGH Capital, having started the process at the back end of 2019. Heading into December, there remained a risk of potential consideration adjustment events; while the deal was at no risk of falling over, the final amount we were to be paid was dependent on any future unforeseen COVID-19 impacts to the business. Thankfully, a small COVID-19 outbreak in NSW in the lead up Christmas was not enough to trigger an adjustment, and we subsequently received $5.20 per share for our holding.

Sunland Group (SDG.ASX) announced some welcome news, selling off some non-core property throughout the month at a significant premium to carrying value. The company announced a wind down of operations back in October to address the persistent discount to book value; existing projects would be finished, no new projects would be taken on, and all surplus inventory would be put on the market. Over the next three years, we are to receive dividends and capital returns equivalent to the company's book value as the property developer distributes cash proceeds rather than reinvests them. Book value based on the most recent accounts sits at $2.56 per share. Franking credits worth an additional $0.595 sat in the accounts with sufficient retained earnings to fully distribute them. Since the announcement, the shares have moved from $1.75 to close December at $2.43. Our average cost is towards the low end of that range.

As we assessed the company, we continued to see little pockets of value that neither book value nor the market was acknowledging - applying conservative development margins across the remaining pipeline it wasn't hard to come up with a valuation in excess of $2.56. There are some unutilised tax losses to potentially offset some future tax liabilities on profits, but even if no offsets are available, tax payable should be recouped through franking credits. Inventory is carried at cost, as are investment properties. Even assuming the surplus inventory is sold at carrying value (which ignores the sales announced this month and last), we expect fair value to be closer to $3.50 inclusive of franking credits. Following last month's AGM update showing strong sales for the remaining projects (now 50% pre-sold from ~33% sold at June 30 2020), it's all starting to look like we may even be a little under on our numbers. We look forward to the half year reporting in February to see how progress is tracking.

Finally, Cardinal Resources (CDV.ASX) had several more twists to offer before closing out the year and is without a doubt the most thrilling takeover battle we have seen in recent memory. Nordgold's offer at $1.05 closed December 23, paving the way for Shandong to claim victory pending a conditional increase to $1.075 should Shandong reach a specified level of acceptances by the same day. The day after Nordgold's offer closed, shareholders would awake to an early Christmas present as a fourth bidder (Dongshan) entered the fray with a conditional offer at $1.20 per share. A perfect example of M&A never being over until it really is done and settled!

Unfortunately, the elation would be short lived. What Dongshan didn't know at the time of the bid was that Nordgold had already tendered its 30% stake into Shandong's offer, and when a second substantial holder accepted the same day, Shandong was handed control. Unfortunately it was too little, too late from Dongshan. The transaction closes in mid-January and we are set to receive $1.075

Manager Commentary Continued

in proceeds. It has been a fantastic result for us as shareholders since Cardinal received its first offer at $0.45775 back in March last year. Another great example of what can go right with our strategy.

There is a lot to be excited about as we enter the new year. We are seeing many opportunities and compelling returns are still on offer within the current portfolio. December finally saw the pace of activity slow down although it seems expectations in the market are that 2021 will be a bumper year for mergers and acquisitions. By all accounts it sounds like we will have a busy year ahead of us. We hope our investors have enjoyed the holiday period and look forward to providing updates throughout 2021.

Regards,

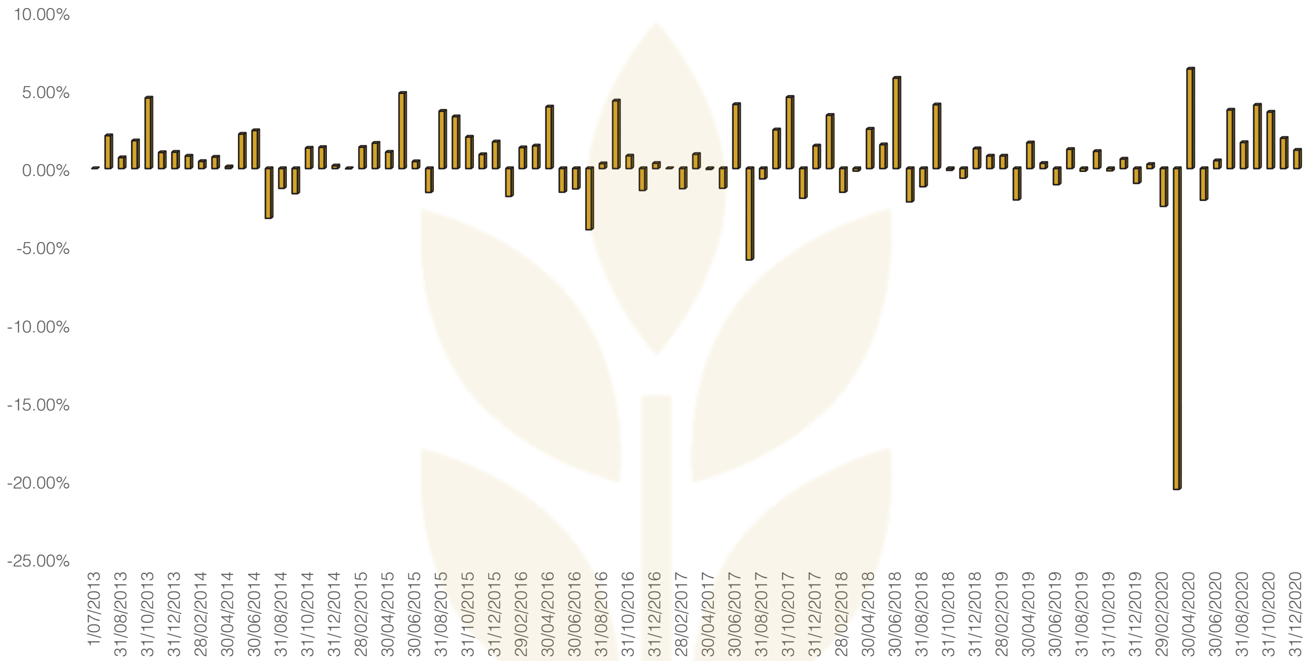
Luke Cummings

Chief Investment Officer and Managing Director

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

Absolute Return Fund
December 2020 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]	5.26%
Average Monthly Return (since inception)	0.58%
% Positive Months	65.56%
Best Positive Month	6.37%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.78%
Sortino Ratio	0.740
Sharpe Ratio	0.581
Correlation with ASX200 Accumulation Index	0.472
Beta	0.361
FY20 Distribution	0.0012

[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 - 30/06/2020) 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 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 16 December 2019 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.