

	NTA
Unit Price - 31/01/2023	1.3638

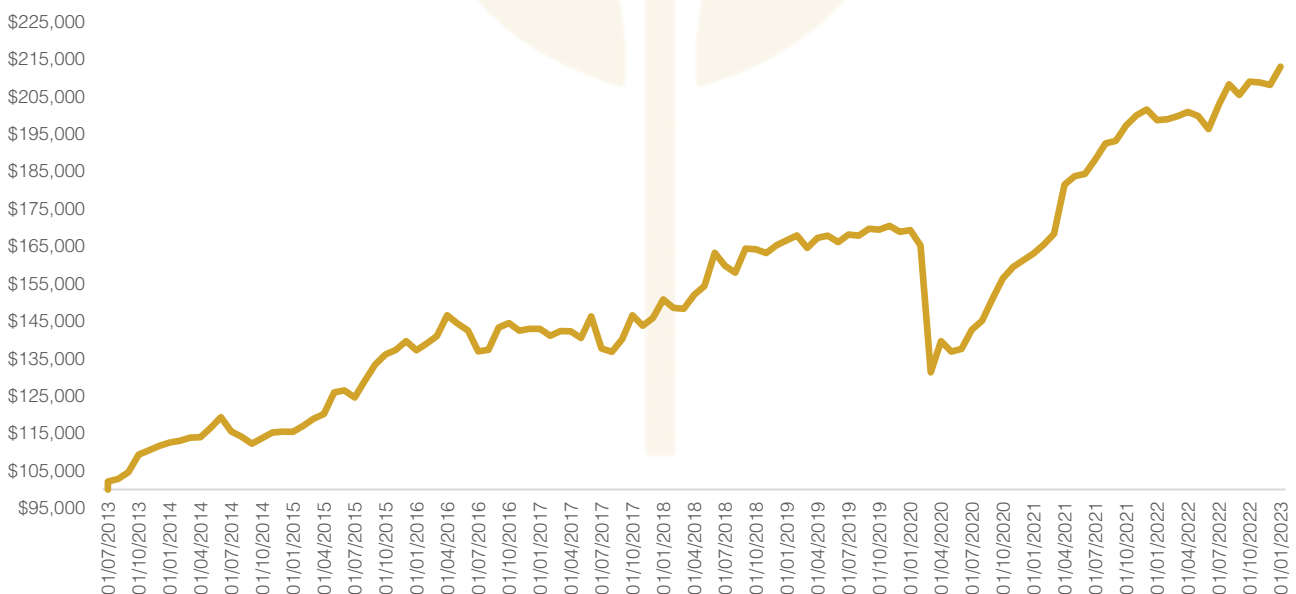
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	113.06%	14.27%	98.79%
Trailing 5 year return p.a.	7.15%	0.90%	6.25%
Trailing 3 year return p.a.	7.95%	0.64%	7.32%
Trailing 12 month return	7.20%	1.56%	5.64%
Trailing 3 month return	1.91%	0.76%	1.16%
Trailing 1 month return	2.36%	0.26%	2.10%

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	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%	-1.40%	0.12%	0.42%	0.57%	-0.55%	-1.74%	6.50%
FY23	3.31%	2.69%	-1.38%	1.76%	-0.13%	-0.30%	2.36%						8.50%

Growth of \$100,000 Since Inception



Manager Commentary

January delivered a positive return to start the New Year off on the right foot. Returns were mostly concentrated in a couple of positions in the Perth Basin, while the rest of the portfolio continues to track to expectations. Deal flow was a touch softer; the natural outcome of being in between the holiday period and earnings season in February, but there is still plenty of opportunity for the portfolio moving forward.

In what feels like an age ago, we ended December with Warrego Energy (WGO.ASX) in receipt of competing proposals from Hancock Energy and Strike Energy (STX.ASX), with the implied value of Strike's scrip offer (\$0.315) ahead of Hancock's cash bid (\$0.28). A few days into January, 15% of shares on issue changed hands at \$0.35, and when neither Strike nor Hancock put their name to the crossing, fingers pointed to Mineral Resources (MIN.ASX) as a potential fourth bidder (after Beach Energy withdrew from the contest in December). Game on.

Hancock quickly offered a conditional increase to \$0.36 subject to receiving 40% acceptances. Strike's share price commensurately rose with the increased corporate interest and the implied value of its offer rose as high as \$0.405. Mineral Resources was indeed outed as buyer of the 15% stake, and they increased to just over 19% in the days following at a price average a touch above \$0.39.

Hopes of a fourth genuine offer were dashed when Mineral Resources publicly stated they had no intention of making a takeover offer, and in fact believed gas asset prices in the Perth Basin were over-inflated. Hollow words, having just bought a 19% stake at those prices! The comments were evidently an effort to manage expectations elsewhere in its struggling offer for Norwest Energy (discussed further below). January finished in an effective stalemate between Strike and Hancock with neither looking set to gain control, the unconditionality of both offers notwithstanding.

Following the developments in Warrego through the first half of January, the Norwest Energy (NWE.ASX) directors told shareholders to reject Mineral Resources takeover offer at an initial implied \$0.06 per share. Rightly so, too - we calculated lookthrough value on the 19% Warrego stake put a valuation closer to \$0.07 for Norwest. The board's opposition bore fruit. Mineral Resources returned with a revised offer at an implied \$0.0741, dropped all conditions to the bid, and it was enough to gain Norwest support.

Mineral Resources' offer still has some way to go, however. What looks like a significant sweetener was mostly derived from an increase in Mineral Resources' share price after a (conveniently timed) broker upgrade. The actual scrip ratio improvement was only a modest 5%. The share price can cut both ways - weakness in MIN following the revised offer has seen a commensurate fall in implied value for Norwest, and acceptances remain stubbornly slow to date. The offer is not yet best and final, and shareholders evidently still need convincing, even if the board doesn't.

Essential Metals (ESS.ASX) put itself down as the first deal 2023, announcing a scheme of arrangement at \$0.50 cash per share with TLEA in what looks a relatively safe deal. Essential popped up on our radar in April last year after flagging receipt of an indicative proposal from an undisclosed party. Essential's share price had run too far, too fast though, and the offer was quickly withdrawn. The TLEA scheme documents reference a confidentiality deed dated two days after last year's offer was withdrawn, so clearly this deal has been in the works for a while. Essential finished the month at a 6% premium to TLEA's offer implying a strong chance of a bump or counter. It's early days in the transaction so it remains to be seen if the current market pricing is correct.

In all, a good start to the year which hopefully sets the tone for 2023. We have a handful of transactions due to complete in February that will see us cashed up to take advantage of some new opportunities. We look forward to providing further updates in due course.

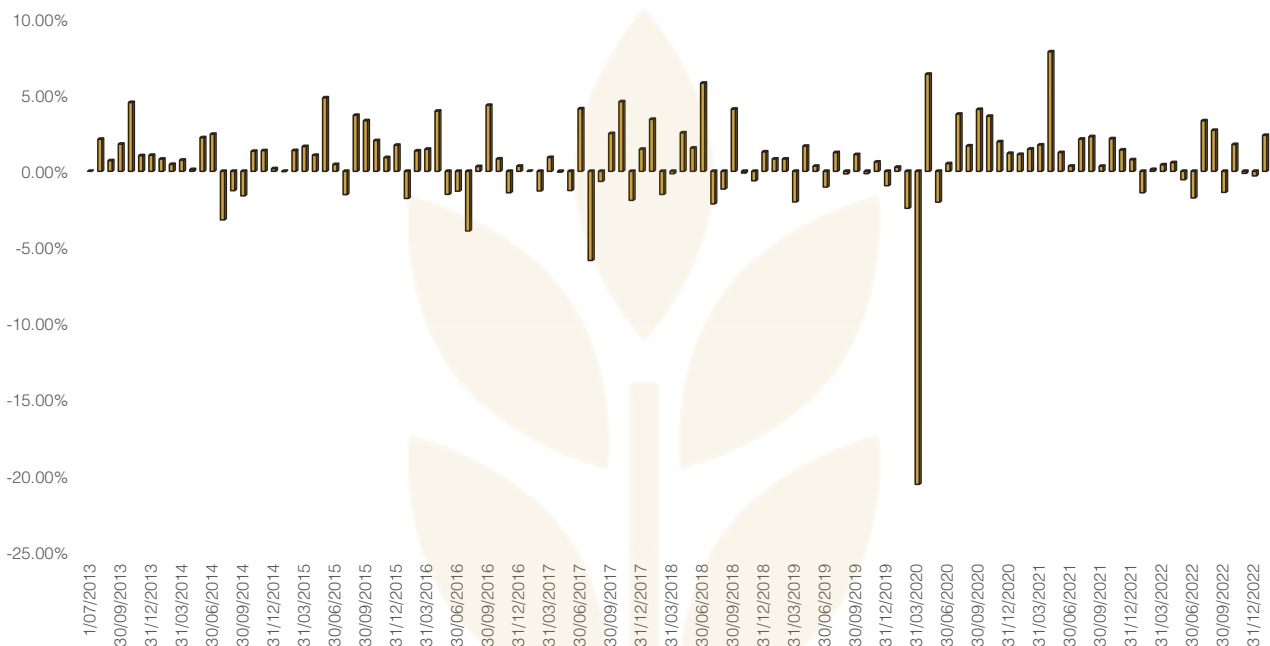
Kind Regards,

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
APIR	FHT0042AU
Structure	Retail daily priced unit trust
Inception	Monday 1 July 2013
Investment Objective	RBA Cash Rate + 6-8% (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	Apex Fund Services
Auditor	Ernst & Young
Custodian	J.P. Morgan Securities PLC

Portfolio Analytics

Average Full Financial Year Return ³	8.59%
Average Monthly Return (since inception)	0.70%
% Positive Months	67.83%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.03%
Sortino Ratio	1.020
Sharpe Ratio	0.768
Correlation with ASX200 Accumulation Index	0.475
Beta	0.339
FY22 Distribution	Nil

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 - 30/06/2022) 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

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