

| | |
|--------------------------------------|--------|
| | NTA |
| Unit Price - 31/07/2021 [^] | 1.2051 |

Investment Returns (net of fees)*

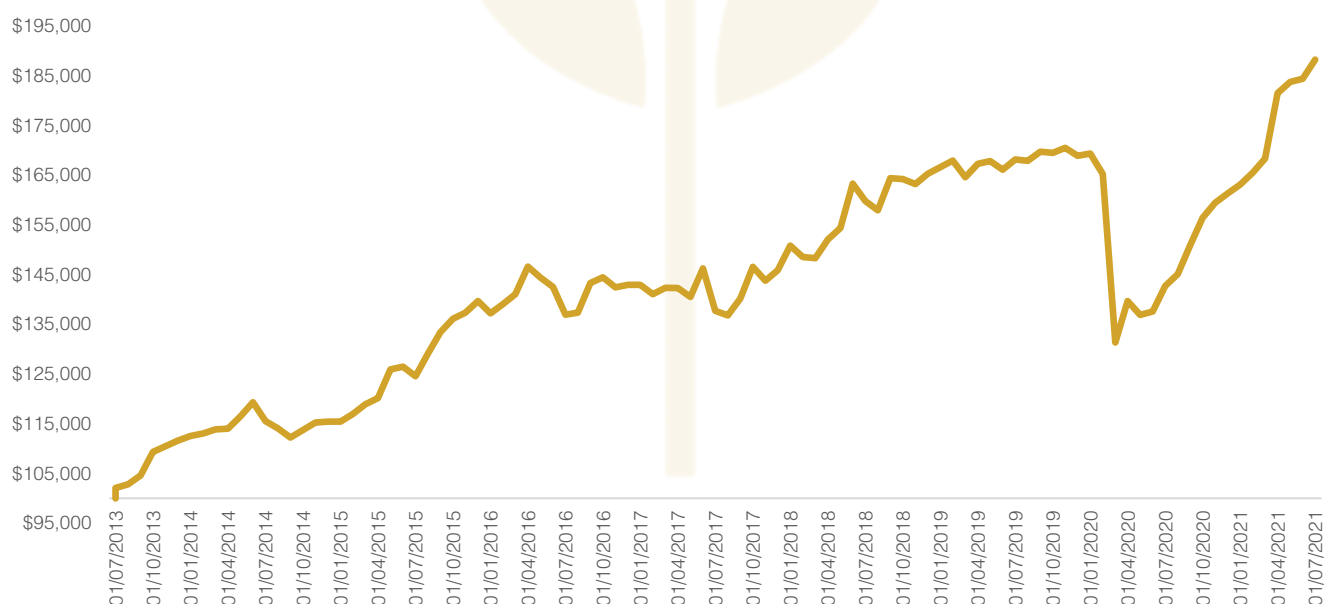
| | Harvest Lane Absolute Return Fund | RBA Cash Rate | Outperformance |
|--|-----------------------------------|---------------|----------------|
| Cumulative return (since inception 01/07/2013) | 88.27% | 12.67% | 75.60% |
| Trailing 5 year return p.a. | 6.57% | 1.05% | 5.52% |
| Trailing 3 year return p.a. | 5.61% | 0.72% | 4.89% |
| Trailing 12 month return | 31.92% | 0.14% | 31.78% |
| Trailing 3 month return | 3.71% | 0.03% | 3.69% |
| Trailing 1 month return | 2.11% | 0.01% | 2.10% |

* 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% | | | | | | | | | | | | 2.11% |

Growth of \$100,000 Since Inception



Manager Commentary

The new financial year began where the last left off. Deal activity kept its blistering pace, targets either saw bidders improve their offers or new bidders emerge, and the portfolio delivered a positive return. Mergers and Acquisitions is a great place to be in at the moment and judging by the \$60b worth of agreed deals announced at the start of August in Afterpay (APT.ASX) and Oil Search (OSH.ASX), we may see current conditions maintained for some time yet.

There has been a notable shift in the balance of power between bidder and target in recent months. In the second half of last year we were typically seeing target boards being more receptive to bidders; binding deals with board endorsement from the outset were routinely announced, or a non-binding bid at the very least was enough to open the proverbial kimono of the target (nowhere better exemplified than Think Childcare's (TNK.ASX) first offer at \$1.35 back in November securing access to the books, against the current binding deal at \$3.28 per share). It is certainly not the case now.

Sydney Airport (SYD.ASX) received a non-binding proposal from a consortium of infrastructure investors and superannuation funds at a hefty 42% premium to the prior close, and at the time was to be the largest take private deal in ASX history. The board pushed back on the basis the bid was below pre-COVID levels and not in the best interest of shareholders to engage, and so they didn't.

Australian Pharmaceutical Industries (API.ASX) received a non-binding offer from Wesfarmers (WES.ASX) at \$1.38 cash per share, an implied 21% premium to the prior close. Despite downgrading market guidance on the same day it received the offer, it took two weeks to decide that the offer undervalued the company, and so they simply rejected it. Spark Infrastructure (SKI.ASX) announced it had received not one but two offers from private equity firm KKR and partner Ontario Teachers Pension Plan (OTTP). The first at \$2.6375 wasn't good enough, and nor was the second at \$2.7375. But the board did provide a concession; KKR and OTTP wouldn't get full due diligence access, but some limited public info would be offered to see if the bidders could get comfortable lifting their offer to a value the board could agree on.

And so too for IRESS Limited (IRE.ASX), knocking back a \$14.80 proposal from private equity firm EQT a week after the shares had been trading closer to the \$10 mark, and then knocking back an improved EQT bid at up to \$15.50 too. Navigating this dynamic has been difficult - how do you arbitrage a deal when the bidder (and all of the above are certainly credible) can't get a foot through the door? - but it comes back to the probability of certain outcomes being achieved. Japara Healthcare (JHC.ASX) received a non-binding bid of \$1 per share back in April from Calvary, and while Japara did not establish its position on the offer publicly, the bidder failed to get any traction (at least from the outside looking in) until June when it lifted to \$1.20. It was enough to secure access to the books, but importantly it flagged an appropriate value where the board was finally willing to transact. But a week later a second bidder emerged at \$1.22. Late in July, Japara announced a binding deal with the original bidder Calvary, but not before the bidding war behind closed doors had driven the consideration up to \$1.40.

Spark has since had some success in getting KKR at OTTP to offer a \$0.15 improvement and has subsequently engaged so that the bid has a pathway to go binding. We don't expect that SYD, API, or IRE are all a certainty to all have similar outcomes, but the bidders are all credible and have shown consideration and intent in making their offers. From our view, it's not a case of outright rejection but about finding the right clearing price, with target boards making the most of the current buoyant M&A conditions and competition for assets. As we saw in Japara, finding common ground on value might also draw in alternate bidders that are currently hesitant to engage hostile boards lacking the "For Sale" sign. We have positioned accordingly.

At the other end of the spectrum, we have seen bidders trying to wrest control of the dynamic with on market takeover offers. Unconditional with certainty of value, and the rationale is if the target company doesn't want to engage then perhaps their shareholders will have an alternative view. Unfortunately, it hasn't been as successful a strategy as bidders might have hoped. Bids in McPhersons (MCP.ASX), Kangaroo Island Plantation Timbers (KPT.ASX), and Thorn Group (TGA.ASX) have all come and gone without a change in control. A notable point is that none of the respective offers were lifted. The one exception of success though, was Seven Group's offer for Boral Limited (BLD.ASX), which was

Manager Commentary Continued

eventually lifted from \$6.50 to \$7.40 with a bit of game theory thrown in the mix for good measure. It was only by lifting the offer that they were able to get control.

Non-binding, binding, via scheme, off market, on market, conditional, unconditional. Whichever way you cut it, it's a seller's market.

On that note, we conclude with some news at the portfolio level. I am pleased to be able to announce that Ben Bailey has been promoted to the role of Portfolio Manager. Ben joined Harvest Lane back in 2016 as an Analyst and has made an increasingly valuable contribution to the team during that time. I would particularly like to acknowledge Ben's efforts over the past twelve months whereby he has incrementally taken greater responsibility for helping to steer the portfolio. The natural next step was to give him the formal responsibility of doing so.

I look forward to the success I'm confident Ben will achieve in the role as we look to build on the strong performance of the recent financial year.

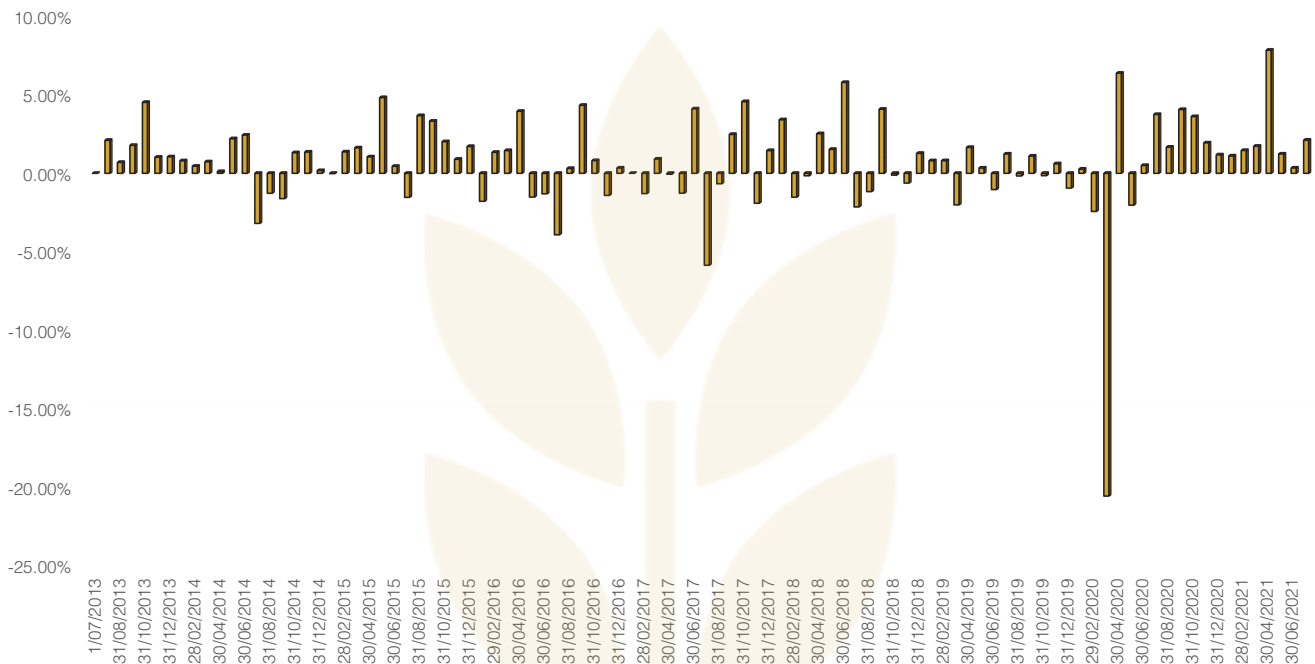
Kind Regards,

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 | 8.86% |
| Average Monthly Return (since inception) | 0.71% |
| % Positive Months | 68.04% |
| Best Positive Month | 7.83% |
| Worst Negative Month | -20.52% |
| Maximum Drawdown | -22.44% |
| Annualised Standard Deviation | 10.71% |
| Sortino Ratio | 0.950 |
| Sharpe Ratio | 0.720 |
| Correlation with ASX200 Accumulation Index | 0.473 |
| Beta | 0.372 |
| 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.

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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.

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