

Manager Commentary

A pleasing end to a pleasing year.

It was a reversal of May's fortunes as a large swathe of the portfolio finished up on the month. Deal flow remained surprisingly strong with several existing positions receiving price bumps along the way. The early days of July has carried the momentum through into the new financial year as the Fund notches a milestone anniversary of its first 10 years of existence. Long may it continue.

Silk Laser Australia Limited (SLA.ASX) was the biggest contributor to performance after Wesfarmers tabled a binding offer at \$3.35 per share. As detailed in our last newsletter, we felt the probability of a deal being done was far higher than what the market was ascribing and we had positioned accordingly. The most notable point of the binding deal announcement (to us at least) was what wasn't there; no indication at all that EC Healthcare's interest has been officially withdrawn.

Limeade Inc (LME.ASX) announced it would be acquired by WebMD Health at \$0.40 per share, an outrageous premium of 325% to the undisturbed share price and one of the largest we've seen. In a sign of how far certain technology stocks have fallen though, Limeade is well down from its listing price of \$1.85. Tesserent Limited (TNT.ASX) also called time on its tumultuous life on the ASX, announcing an agreed scheme with Thales at \$0.13 per share for a comparatively measly 165% premium.

Alloggio Group Limited (ALO.ASX) recut its deal with Next Capital to \$0.24 per share on the back of a guidance downgrade in May, and DDH1 Limited agreed a cash and scrip merger with Perenti Limited. There's evidently plenty happening to keep us busy, the above is just a handful of the opportunities we're seeing at present.

Finally, discounted Listed Investment Companies (LICs) received notable mentions throughout financial media during the month. A large number of ASX listed LICs trade at meaningful discounts to NTA and a handful of managers in recent years have undertaken initiatives to close the prevailing discount, either via a wind up or conversion to a more liquid, open ended structure.

Our view is that LICs are a fundamentally flawed investment product, and pressure to address significant discounts will accelerate across the board in the years ahead. Indeed, the Australian Financial Review was quick to point out **the recent arrival of Saba Capital Management**, an investor with a track record of agitating for change at discounted LICs, on the registers of VG1.ASX and PIA.ASX, just two of many that trade at persistent discounts.

The main argument for LICs is that the closed end structure removes redemption risk to allow for a truly long term investment horizon. In reality, many managers run identical portfolios concurrently via open ended vehicles, reducing the closed end counterparts to little more than pots of trapped capital where the manager continues to draw fees regardless of how poor performance may be.

To us, the continuation of such a suboptimal outcome for LIC shareholders is untenable, and we're evidently not the only ones to notice.

We look forward to providing updates in due course.

Kind Regards,

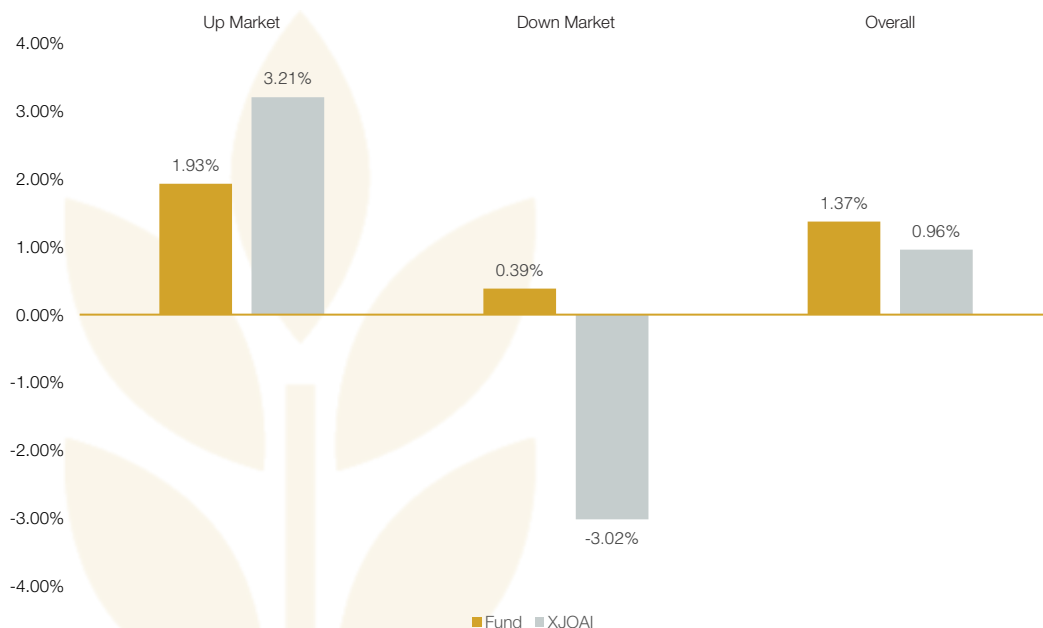
Luke Cummings and Ben Bailey

Chief Investment Officer and Portfolio Manager, respectively.

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

Trailing Data and Capture Analysis (Three Year Rolling)*

Three Year Rolling	
Return (% p.a)	17.56%
Annualised Volatility	6.27%
Beta	0.199
Sortino Ratio	2.479
Sharpe Ratio	2.486
Best Month	7.83%
Worst Month	-1.74%
Largest Drawdown	-2.29%



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 (Since Inception)

Average Full Financial Year Return ³	9.12%
Average Monthly Return (since inception)	0.72%
% Positive Months	68.33%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	9.85%
Sortino Ratio	0.940
Sharpe Ratio	0.549
Correlation with ASX200 Accumulation Index	0.475
Beta	0.337
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.

* 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.

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

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.