

	NTA
Unit Price - 30/06/2021	1.1806

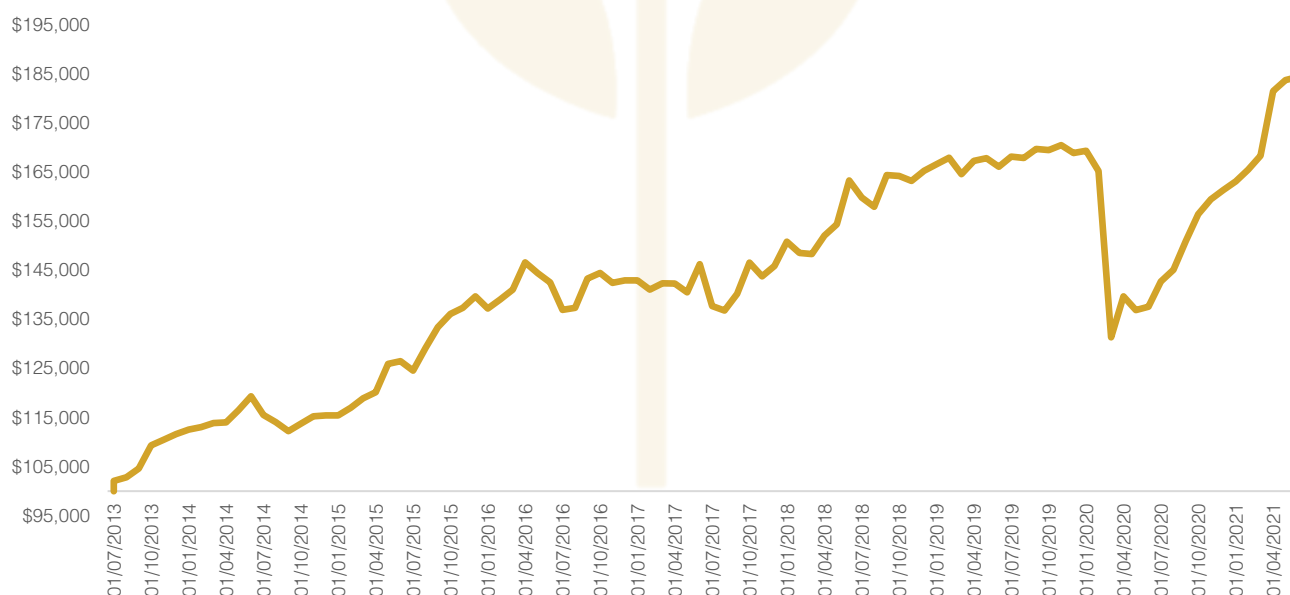
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	84.38%	12.66%	71.73%
Trailing 5 year return p.a.	5.29%	1.08%	4.20%
Trailing 3 year return p.a.	4.13%	0.76%	3.37%
Trailing 12 month return	34.04%	0.15%	33.89%
Trailing 3 month return	9.53%	0.03%	9.50%
Trailing 1 month return	0.34%	0.01%	0.33%

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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%

Growth of \$100,000 Since Inception



Manager Commentary

As we close a remarkable financial year we are pleased to once again report on a month of positive returns. Closing out June in the black continues the momentum of the portfolio and marks a full financial year of positive monthly returns, welcome news on the back of a comparatively poor FY20. Conditions are currently fantastic for M&A activity. There is still a sizable amount of embedded value within the current portfolio, and that's before considering any future transactions announced or further competitive scenarios. We had almost a dozen new opportunities pop up in June alone, and the first several days of July have already contributed to the pipeline. It is certainly understandable why we're excited for the new financial year.

At long last we received a final distribution from a delisted holding in Salmat Limited (SLM.ASX). Salmat sold both its operating businesses in late 2019/early 2020 and made the decision to wind up the company and distribute surplus capital back to shareholders. We received the vast majority of the surplus capital in August last year, and while there was a liability reserve of \$5m (\$0.025) retained by the company as it liquidated, there was no guarantee that there would be anything left to distribute once the company's creditors had been paid out. We were able to pick up a vast amount of shares that attributed nil value to the liability reserve, and the small amount of time between the purchase of shares at \$0.665 and receiving a capital return of \$0.665 only weeks later meant we did not have to tie up our capital for very long to get exposure to any potential upside.

Following discussions with management, we came away believing that the retained amount was overly conservative and there was a decent chance of receiving as much as 75% of it back at some point in the future, or roughly an additional \$0.018 per share. Since that time, no unknown creditors came out of the woodwork, and the liquidators were even able to sell an equity interest in an unlisted company, the carrying value of which had long since been written off to zero. The end result was a nice surprise for us - the payment of a final distribution of \$0.02769 per share that hit the account late in the month. Well in excess of what we had anticipated for a no risk, free look when we bought the shares last July.

Nor is Salmat's story unique within the portfolio. The Murray Goulburn Unit Trust (MGC.ASX) is similarly in liquidation pending a final distribution of surplus assets. A recent win in a legal dispute against its insurer has lifted the balance of surplus funds available, and with the interim distribution exceeding our cost base, the final distribution is all cream for us. Liquidators originally guided to final distribution of around \$0.026 per unit, and the victorious legal claim would push this closer to \$0.04. We have been delighted to find out recently that there are further funds available to claw back with the informal guidance set at "high fours/low fives". Not bad for a free look.

Think Childcare Group (TNK.ASX) and Busy Bees agreed to a binding transaction after several extensions to their exclusivity deed. The headline price of \$3.20 announced back in April was honoured, but once again the Think board were able to squeeze out additional value through an \$0.08 final dividend that would not reduce the amount payable on completion. It has been a remarkable nine months for the company having received an initial takeover offer at \$1.35 per share, to now be tabling \$3.28 of value to shareholders without including the \$0.12 dividend paid alongside the half year results or the attaching franking credits.

Sadly, the bidding wars in both Vitalharvest Freehold Trust (VTH.ASX) and Mainstream Group Holdings (MAI.ASX) that have underpinned recent strong returns both appeared to reach their climax. Having declared an "infinity" bid in late May, Roc Capital proceeded to make only one more offer before bowing out of the contest after MAFM matched. Their hand was forced after MAFM bought a larger stake in an attempt to block any Roc bid put to a vote, and ultimately the contest was over.

Similarly, the battle between Apex and SS&C for control of Mainstream settled with Apex the victor. Apex returned to the fray with a \$2.80 offer, and at last SS&C declined to take up their matching right. Discussions turned to Apex, and a binding deal was agreed late in the month. Again, this has been another fantastic, contested holding for us. What began at \$1.20 now looks set to complete far, far higher.

Not everything has gone to plan, however. McPherson's Limited was a rare letdown of late, announcing the withdrawal of Arrotex's non binding offer at \$1.60 cash per share. With an unconditional on market bid at \$1.34, the holding began

Manager Commentary Continued

in a pretty favourable position with a looming bidding war and a protected downside. The on market bid closed mid May and removed the downside protection, at which point we adjusted our position, and with Arrotex discussions concluding in June it meant all corporate interest in the stock had fallen away. Unsurprisingly, the market wasn't thrilled and sent the share price lower. It marks one of the very few instances of a deal break in the last few months. We can't win them all, but our process is designed to limit the impact of the losers.

Finally, we are noticing a bit more activity in the Listed Investment Company (LIC) space. The sector has been plagued by persistent discounts to NTA and while an occasional attempt was made to address the discount (often proving a happy hunting ground for us), proactivity on the issue has largely been nascent. Increasing the pressure on lethargic boards this month was Wilson Asset Management, having brought a new fund to market specifically to target discounted LICs. It adds another layer of pressure, and the Templeton Global Growth Fund (TGG.ASX), Milton Corporation (MLT.ASX) and Magellan High Conviction Trust (MHH.ASX) have since joined the likes of Monash Absolute Investments Company (MA1.ASX), Fat Profits Global Contrarian Fund (FPC.ASX), Australian Leaders Fund (ALF.ASX), amongst others, in presenting genuine solutions to the issue. Whether by conversion to an Exchange Traded Managed Fund, an unlisted unit trust, a merger with another LIC, or a full windup, the sector has the tools, the opportunity, and the pressure to achieve better outcomes for shareholders. We expect to see more activity in the future.

M&A is increasingly featuring in newspaper headlines, notably because of the larger ticket deals we are currently seeing. There is confidence in the domestic economy and more than enough capital to take on large scale deals, and it hasn't gone unnoticed that the potential pool of buyers for an asset in the current environment is much larger than what we have seen over the last few years. Corporate buyers are looking to pull forward their post pandemic strategy, private equity has a mountain of capital that needs to be put to work, and the country's largest superannuation funds are no longer content to remain passive in the contest. AustralianSuper has previously teamed up with private equity firm BGH Capital in offers for Healthscope Limited (HSO.ASX) and Navitas Limited (NVT.ASX) back in 2019, Aware Super flew solo as it challenged Uniti Group in the hunt for Opticomm Limited (OPC.ASX) last year, and now we are discussing the possible privatisation of Sydney Airport (SYD.ASX), announced in early July, in what would be the largest domestic M&A deal ever.

We bear this in mind as we head into the new financial year. FY21 proved a great year to have an M&A focused strategy, and it looks to be shaping up as more of the same from here on out.

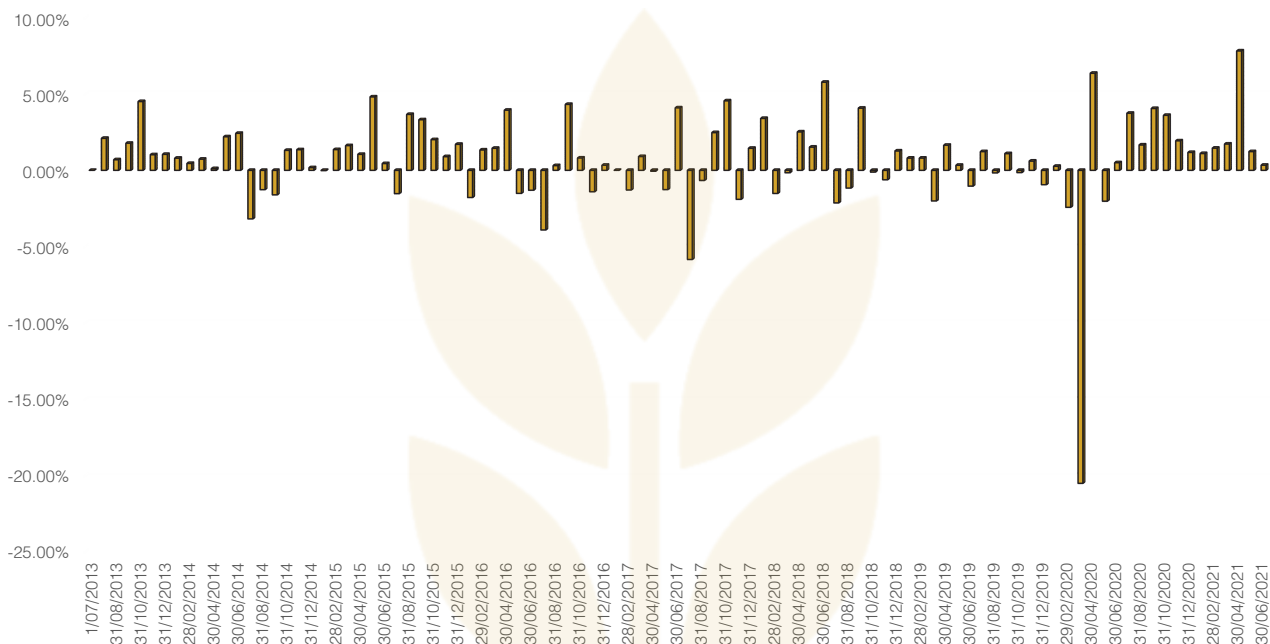
Kind Regards,

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)	0.69%
% Positive Months	67.71%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.76%
Sortino Ratio	0.920
Sharpe Ratio	0.700
Correlation with ASX200 Accumulation Index	0.474
Beta	0.372
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. 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

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