

	NTA
Unit Price - 31/05/2022	1.2793

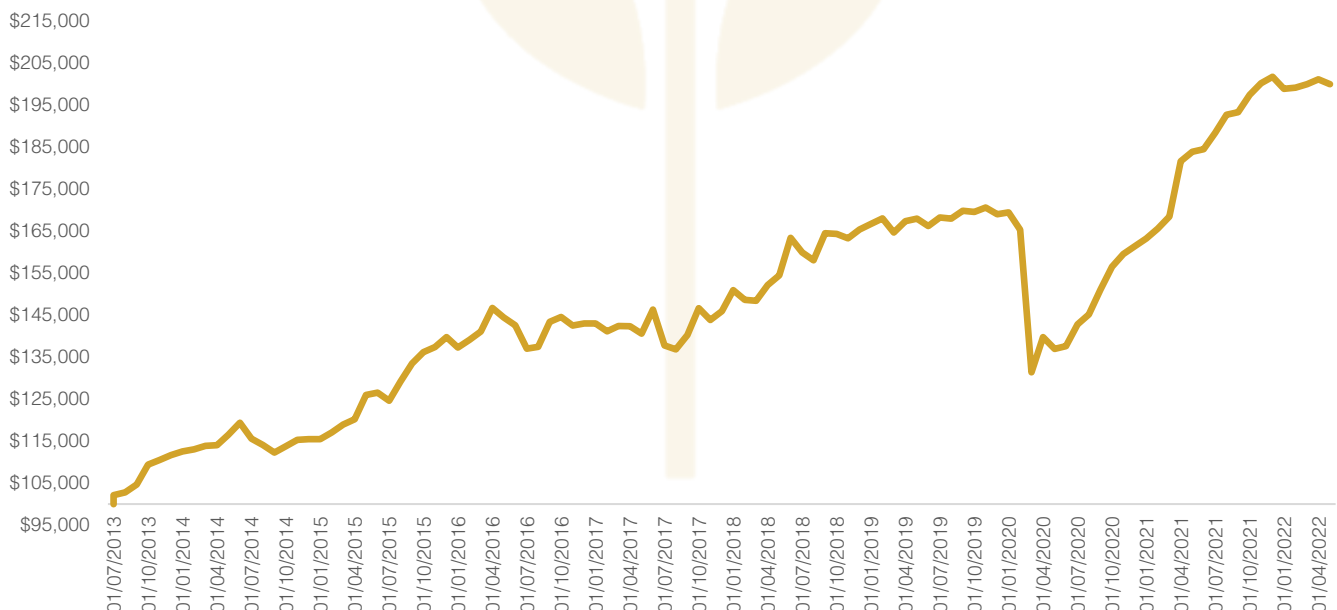
Investment Returns (net of fees)\*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	99.86%	12.77%	87.09%
Trailing 5 year return p.a.	7.30%	0.80%	6.50%
Trailing 3 year return p.a.	5.99%	0.34%	5.65%
Trailing 12 month return	8.76%	0.12%	8.64%
Trailing 3 month return	0.44%	0.05%	0.39%
Trailing 1 month return	-0.55%	0.03%	-0.58%

\* 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%	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%		8.39%

Growth of \$100,000 Since Inception



## Manager Commentary

The portfolio posted a modest negative return in May against a backdrop of broader market weakness. This was mostly the result of wider spreads in many of our positions rather than anything more permanent (with one relatively minor exception - discussed below). Despite negative equity market sentiment which is being driven by concerns of a global slowdown in economic growth, we're still seeing plenty of opportunities. If a slowdown in M&A is coming, we've seen no signs of it yet. We do however think that now is a time for increased caution and received a few reminders this month of the importance of being selective when it comes to deciding which opportunities should be pursued.

May was characterised by several non-binding deals that were withdrawn almost immediately upon being announced. Appen Limited (APX.ASX) had a knock on its door at \$9.50 and Brambles Limited (BXB.ASX) confirmed media reports that it was in discussions with CVC Capital Partners. Appen saw its bidder revoke the offer within eight hours (pushing for an improved offer whilst also simultaneously announcing an earnings downgrade probably didn't help) and Brambles saw CVC walk away without even tabling an offer only a day after first confirming the discussions. Anyone buying either stock based on the initial announcement sustained a very quick loss. Fortunately, we steered clear of both.

Not all bids are equal and non-binding ones require a particularly heightened level of caution. Without anything signed there is little to compel a bidder to complete on any of the terms specified and APX and BXB served as useful reminders of that.

There were however, two non-binding opportunities that did catch our eye due to them sharing some similarities with other transactions that the portfolio has recently benefitted from. Firstly, Infomedia Limited (IFM.ASX) saw its largest shareholder Viburnum team up with private equity firm TA Associates to lob a cash offer at \$1.70. Upon announcing the approach, Infomedia also disclosed that the Viburnum/TA Associates consortium was not the only party in the data room (since resulting in a higher indicative offer from Battery Ventures). In our view, the co-operation agreement between Viburnum and TA, alongside Viburnum's previous involvement in successful corporate transactions, improved the chances of the offer moving to binding in the absence of a superior offer. So far so good albeit that it remains early days. We have a small position whilst we await further updates.

Pushpay Holdings Limited (PPH.ASX) saw BGH Capital emerge on its register looking to bid in conjunction with Sixth Street Partners shortly after the company flagged receipt of multiple "unsolicited offers". Whilst Pushpay is yet to receive a formal offer from BGH and Sixth Street, there's a signed co-operation agreement between the bidders and more importantly (in our view at least), BGH announced that it had acquired just over 3% of the company on market immediately after Pushpay advised the market of receipt of the aforementioned "expressions of interest" - a possible suggestion of urgency to fend off a potential counterbidder. There are certainly some parallels in this approach to the ultimately successful bid by BGH for Virtus Health (VRT.ASX) and we initiated a starter position as a result.

Link Group was the largest detractor in the portfolio for the month. Despite their deal with Dye and Durham being binding, we could never quite convince ourselves that a full-sized position was warranted given the extent to which the stock had drifted since the deal was announced. It seemed that the market knew something that the company did not and given our inability to identify exactly what that might be, we felt that caution was warranted. The long-awaited scheme booklet was released mid-month, culminating in a sharp sell off in the shares and our ultimate exit from the position. It's not often we see such a reaction to a scheme booklet - a bewildered Link had to explain themselves to the ASX for the price movement - but the move by investors to "sell first and ask questions later" was warranted in our view.

The bidder flagged a contract renewal (currently at RFP stage) as having the potential to trigger a Material Adverse Change if not renewed on substantially the same terms and Link's attempts to argue otherwise did little to assuage investors. Amongst the plethora of regulatory approvals required, it was mentioned that Dye and Durham's own substantial shareholders may also have to lodge concurrent applications as part of the process, and that their willingness to do so was not yet known. The ACCC further compounded issues by requesting more information and pushing out their decision deadline, signalling that competition approval was not going to be a mere matter of formality.

The shares now trade at a huge discount to terms but it's commensurate to the risk of the deal failing. Dye and Durham's offer is the fourth Link has received in the eighteen months prior. None of the previous offers moved to binding, and

Manager Commentary Continued

the mooted sales of the BCM and RSS divisions have also failed to materialise. With further downside expected on a deal break, we decided it was better to be safe than sorry. Whilst damage to the portfolio was fairly modest, it did mark one of relatively few occurrences in recent times whereby we have exited an otherwise binding transaction at a loss.

To finish on a more positive note, BGH struck what would prove to be the winning blow in the contest for Virtus Health Limited (VRT.ASX). In spite of an underwhelming trading update from Virtus, BGH decided to lift their takeover offer to \$8.15 and put themselves back in front of rival suitor Capvest. Once again, Virtus would offer Capvest their matching rights but were met with radio silence; the offer, it would seem, would not be raised for a fourth time. It paved the way for BGH to receive acceptances for a controlling interest in the company with the offer now set to complete in mid-June, but not before a final special dividend is to be paid. The additional franking credits are the cherry on top for a takeover contest that saw eight price increases.

We'll take that any day of the week.

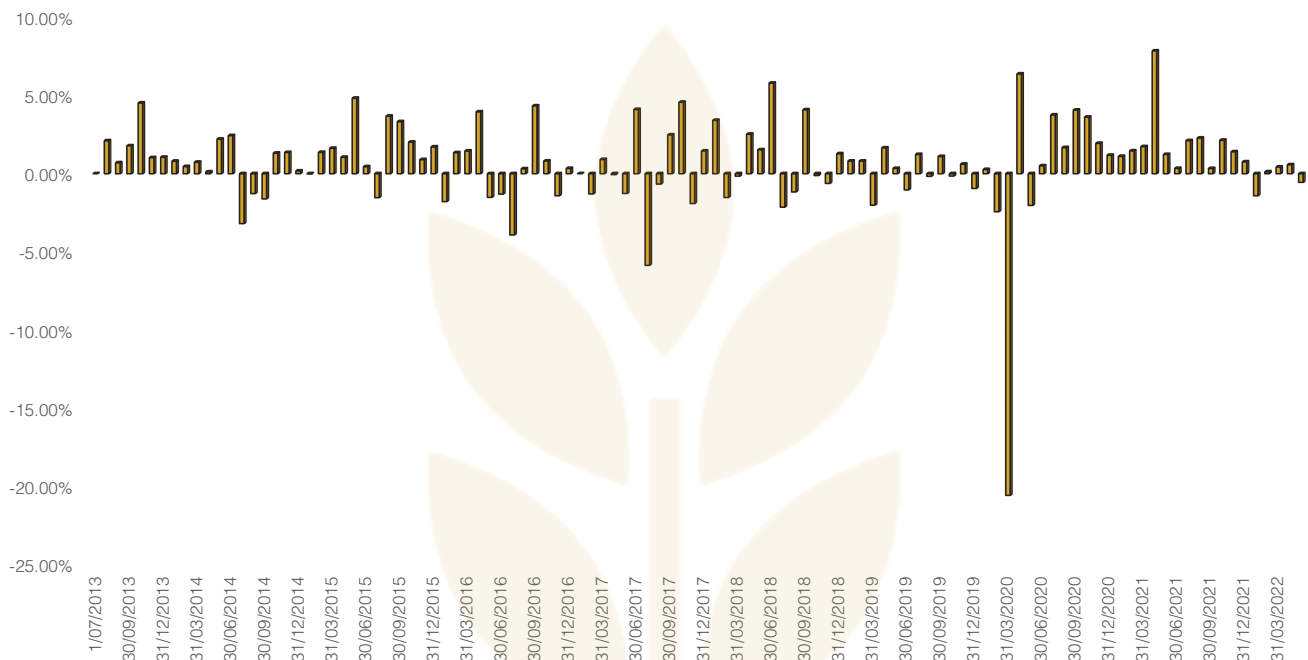
Kind Regards,

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	RBA Cash Rate + 6-8% (over 3 year period)
Manager Base Fee <sup>1</sup>	Capped at 1.25%
Manager Performance Fee <sup>2</sup>	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 <sup>3</sup>	8.86%
Average Monthly Return (since inception)	0.70%
% Positive Months	69.16%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.26%
Sortino Ratio	0.980
Sharpe Ratio	0.741
Correlation with ASX200 Accumulation Index	0.468
Beta	0.355
FY21 Distribution	0.00037

<sup>1</sup> 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.

<sup>2</sup> Performance fee is charged when the Fund's performance exceeds its benchmark (RBA Cash Rate).

<sup>3</sup> 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.

## 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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