

	NTA
Unit Price - 31/05/2021	1.1766

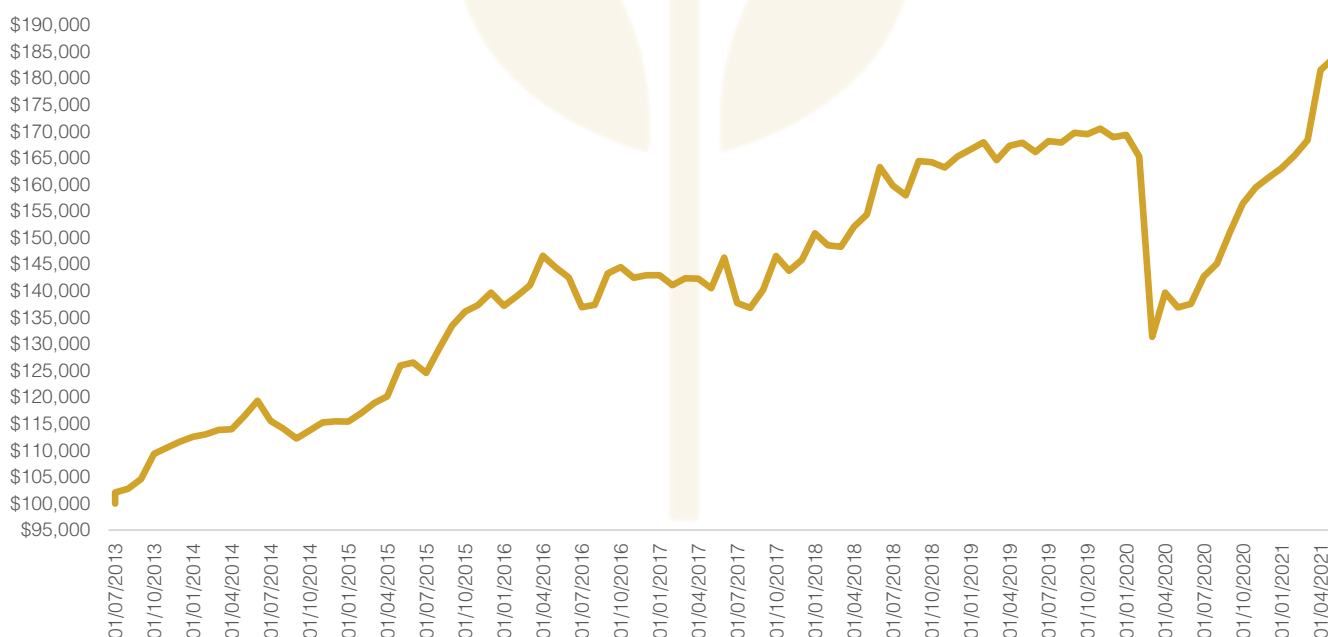
### Investment Returns (net of fees)\*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	83.76%	12.65%	71.11%
Trailing 5 year return p.a.	4.94%	1.11%	3.83%
Trailing 3 year return p.a.	5.98%	0.80%	5.18%
Trailing 12 month return	34.25%	0.16%	34.09%
Trailing 3 month return	11.04%	0.03%	11.02%
Trailing 1 month return	1.23%	0.01%	1.22%

\* 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%		33.58%

### Growth of \$100,000 Since Inception



## Manager Commentary

Much like last month's commentary, May's performance of 1.23% has largely focused around a handful of previously discussed positions, with most of the remaining positions in the portfolio closing out the month marginally higher than where they began. And once again, counterbids drove this month's return.

The market is only now starting to catch on to the increase in M&A activity we have seen since mid to late last year. Increased confidence in the domestic economy has seen larger ticket offers tabled and it's these larger bids that have started to gain traction in the media and the broader public. Of course, for every large transaction there are several that typically fly under the radar for various reasons; deal size or liquidity can often be constraints, or even complexity can see deals quickly thrown into the too hard basket. Fortunately for us, we are nimble enough to assess it all and choose our opportunities even if they go largely unappreciated by the rest of the market.

Our conversations with bankers and lawyers would indicate there is still more to come with a deep pipeline of deals on the horizon flagged. It has been a particularly strong period for us with May's result marking eleven successive months of positive returns. The indicated pipeline gives us confidence that we will have a substantial opportunity set to keep building on that performance as we move forward.

On to the portfolio, and the battle for Vitalharvest Freehold Trust (VTH.ASX) continues into another month, although the bidding war has slowed ahead of the expected completion in June. We have seen Roc return with a \$1.29 offer along with a qualification of what we have internally dubbed an "*infinity bid*" - Roc declared that should MIRA return with a higher offer, it intended to overbid it by a further \$0.01 and the same for any subsequent offer thereafter. To infinity and beyond, please. It hasn't deterred MIRA who came back with a revised offer and is now in front at month end with the highest bid of \$1.295 per share, with the trust having already paid out a \$0.025 distribution.

Similarly, the contest for Mainstream Group (MAI.ASX) remains ongoing. The auction appears to be slowing down as we head into June, although it would be remiss of us to call a premature end to it all. We started the month with the best bid of \$2.55 and ended it with terms at \$2.76. From a valuation perspective the takeout multiples seem a little too high to reconcile, however both SS&C and Apex are strategic buyers. There could yet be some more to play out before curtains are drawn.

We saw a handful of new deals announced this month, notably in APN Property Group (APD.ASX) where Dexus Limited has offered \$0.915 per share in cash. We've seen a trend in the way larger REITs are now shifting to increase exposure to a more capital light funds management business. Primewest (PWG.ASX) and Centuria Capital Group (CNI.ASX) first announced a merger in April, and now Dexus' move on APN Property is continuing that trend. Netting out APN's co-invested funds, Dexus is picking up the funds management component of the stapled entity somewhere around the 17x EBITDA region, which is roughly half the takeout multiple for Primewest. It's all relative of course, but APN has decent exposure to industrial and convenience retail assets that have been hot property (excuse the pun) of late. It's certainly a transaction and sector we're keeping a close eye on.

Recent transactions in WPP AUNZ Limited (WPP.ASX) and Asaleo Care Limited (AHY.ASX) have seen parent entities mop up minority interests in listed companies, and the trend continued with Cimic Group Limited (CIM.ASX) announcing its offer for Devine Limited (DVN.ASX) at \$0.24 cash per share. It's a long way from Cimic's offer of \$0.75 back in 2015 where it secured its current 59% stake, but key shareholder Brazil Farming has publicly committed to accept this time around in the absence of a better offer and so we expect the transaction to complete with minimal issues.

Before we sign off, we thought it best to provide investors with an update to a few administration matters. Most investors would by now be aware that we are currently in process of changing over the Fund's service providers at the conclusion of the existing contracts. Equity Trustees have already taken over the Responsible Entity function, with a change of administrators to Mainstream Fund Services and J.P. Morgan as custodian scheduled to complete in the second week of June. There will be a slight delay in the processing of application and redemptions as the changes are rolled out, so we thank you for your patience during this period. If you would like to discuss any of the changes in more detail, you are more than welcome to contact us via email or phone.

## Manager Commentary Continued

Lastly, we provided additional insight into the current M&A market as we see it on Livewire, where we have also published more detailed analysis of both the Vitalharvest and Mainstream transactions on Livewire during the month, supplementing the discussion in this newsletter. The links can be found below.

[What an M&A boom would mean for investors](#)

[Stand back: The M&A party is just getting started](#)

[The local stocks looming large in a target-rich M&A environment](#)

[Bringing merger arbitrage into the mainstream](#) (Mainstream – MAI)

[How merger arbitrage drove returns north of 50%](#) (Vitalharvest – VTH)

We look forward to providing further updates as the financial year draws to a close. It has been a great run so far, and we hope to be in a position to report another positive return for June in next month's newsletter.

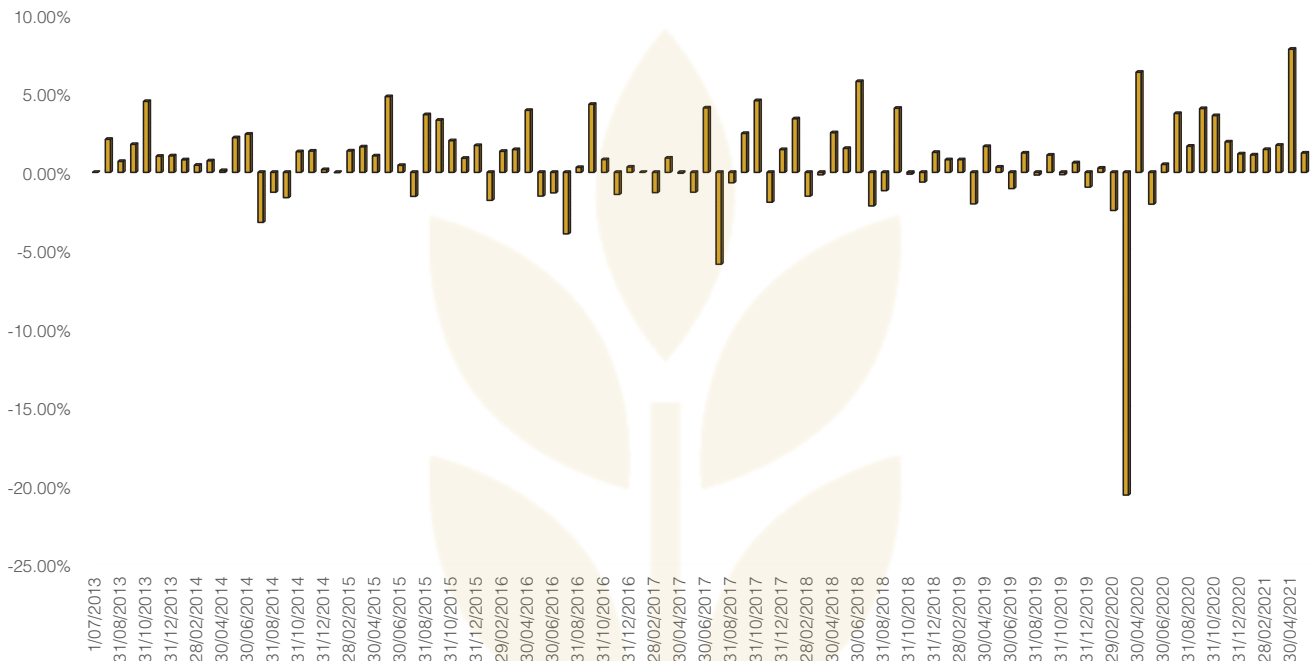
Kind Regards,

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 <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>	5.26%
Average Monthly Return (since inception)	0.69%
% Positive Months	67.37%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.81%
Sortino Ratio	0.920
Sharpe Ratio	0.701
Correlation with ASX200 Accumulation Index	0.474
Beta	0.372
FY20 Distribution	0.0012

<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 - 30/06/2020) 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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