

	NTA
Unit Price - 31/10/2021	1.2630

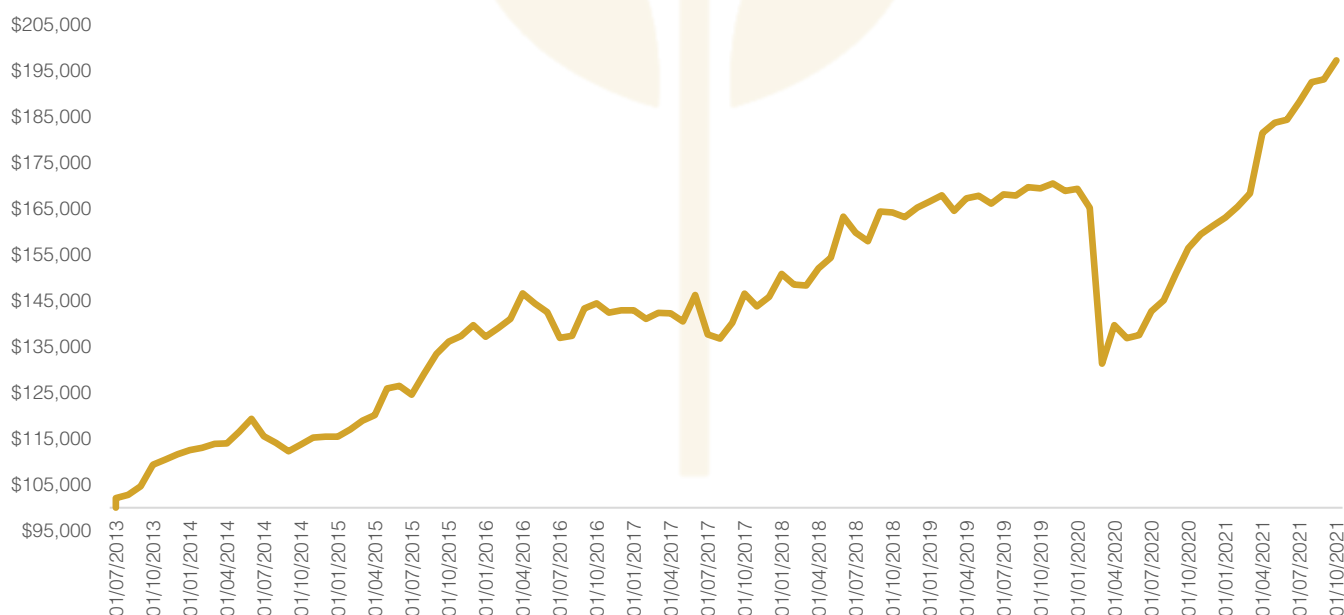
Investment Returns (net of fees)\*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	97.31%	12.69%	84.62%
Trailing 5 year return p.a.	6.43%	0.97%	5.46%
Trailing 3 year return p.a.	6.31%	0.60%	5.71%
Trailing 12 month return	26.14%	0.10%	26.04%
Trailing 3 month return	4.80%	0.03%	4.78%
Trailing 1 month return	2.13%	0.01%	2.13%

\* 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%									7.01%

Growth of \$100,000 Since Inception



## Manager Commentary

"Effectively every single ASX listed company is a target." - Alex Cartel, Takeovers Panel president.

Six deals in a day and ten for the week. Fourteen for the month.

We have more opportunities than cash currently, and with another four deals announced in the first two days of November, there's no indication it will slow down any time soon. Every sector is seeing activity, some situations are becoming contested, and completion rates are high (private equity notwithstanding). Both the breadth and quality of opportunities in front of us are underpinning our returns, and we intend to keep making hay while the sun shines.

The only place to start this month's commentary is Monday, October 18. Class Limited (CL1.ASX) agreed a scheme of arrangement with HUB24 Limited (HUB.ASX) in a predominantly scrip deal, while Ramelius Resources (RMS.ASX) revealed its recommended off market offer for Apollo Consolidated Limited (AOP.ASX). Senex Energy Limited (SXY.ASX) disclosed discussions with POSCO on a potential transaction. Having first offered \$4 per share, then \$4.20, then \$4.40, POSCO was granted due diligence but were told to increase their offer for any deal to be struck. iCar Asia Limited (ICQ.ASX) finally caught a binding offer after a torturously long wait (the company has been in play for twelve months), and Irongate Group (IAP.ASX) was on the receiving end of an offer from the ambitious 360 Capital Group (TGP.ASX) with help from friends at property juggernaut ESR. Not to be outdone, Home Consortium (HMC.ASX) drove its quest for scaled FUM in its acquisition of Aventus Group (AVN.ASX) via its Daily Needs REIT (HDN.ASX).

Because of the sheer volume of deals and the varying characteristics, there was a greater degree of pricing inefficiencies on resumption of trade, and particularly in the scrip based transactions. In some cases, the annualised returns we would ordinarily target were able to be hedged out on a gross basis and have since narrowed (thus contributing to this month's return). Specific to the Aventus deal, we feel the market even over corrected moving from an initial wide discount to terms to a wafer thin annualised return in only a handful of days. There are some ambitious assumptions on the accretive value of the merger for both parties, and we are less assured there's a genuine unlocking of value between the two REITs with this transaction. A 4% annualised return seemed unreasonably narrow, so we subsequently unwound the position to wait on the sidelines for a more favourable entry.

There were numerous other deals and opportunities announced throughout the month. Swick Mining Services Limited (SWK.ASX) first disclosed discussions of a merger with DDH1 Limited before signing a binding deal a week and a half later, a transaction that notably has further upside with the proposed spinout of Orexplore prior to completion. Cashrewards Limited (CRW.ASX) looks set to follow Youfoodz off the boards after an all too brief stint, catching a bid from largest shareholder and ANZ venture capital subsidiary, 1835i. Cashrewards and Youfoodz share further similarities in that the acquisition price is well below the December IPO last year.

Crescent Capital Partners is evidently in liquidation mode and several opportunities have been thrown our way. Following the demerger of Intega Group Limited (ITG.ASX) from Cardno Limited (CDD.ASX) in late 2019, both companies announced strategic reviews in June this year with the support of controlling shareholder Crescent. In October we saw the fruits of those efforts - Intega agreed a deal with Kiwa at 95% premium to the undisturbed June share price, while Cardno achieved a similar result in selling their Americas and Asia Pacific division for US\$500m and intend to return \$1.49 per share in cash on completion of the deal.

Crescent's last remaining ASX listed holding is Clearview Wealth Limited, which has also flagged a strategic review of its own back in September. The logical acquirer is major shareholder Sony Life, who was brought onto the register by Crescent back in 2016 at \$1.48 per share with the intention of following up initial 14.9% stake with a whole of company offer. The offer failed to materialise due to regulatory concerns, however these may have subsided in the years since. It's an opportunity we are monitoring for the time being.

One sector in which we've had fantastic results in recent years is in gold explorers. Unconditional offers are a more common occurrence, and the immensely profitable contest for Cardinal Resources (CDV.ASX) last year is the obvious example that springs to mind as to how much upside can be captured with substantially minimal risk. These sorts of

## Manager Commentary Continued

transactions are few and far between but can serve up a year's worth of returns in a short amount of time if positioned correctly.

The current environment for mid-tier gold miners is fantastic for us. There are large cash balances burning holes in pockets and very limited organic growth prospects. Combining both factors means there are plenty of gold juniors that present as attractive targets.

Apollo Consolidated Limited (AOP.ASX) first announced a recommended cash and scrip deal with Ramelius Resources at an implied \$0.56 per share, subject to conditions. The offer came after a period of exclusivity, however sifting through the bid materials it became apparent that Ramelius had moved quickly to lock up Apollo. The exclusivity period had only lasted three weeks before a binding deal was announced, and Ramelius had only gained access to the data room a month before that. There were also pre-bid acceptance agreements from directors to tender their shares just seven days after the offer opened, which would give Ramelius a crucial foothold on the register.

Ramelius' desire to rush quickly became apparent. Gold Road Resources (GOR.ASX), fresh from its failed tilt at Tropicana, took three days to lodge its own counteroffer.

\$0.56 per share. All Cash. Unconditional. 19.9% of the register already secured.

The unconditional offer limits our downside to a minimum \$0.56 per share and the upside is limited to what either bidder is prepared to pay. Indeed, on the first of November, Ramelius would increase its offer to \$0.62 per share in cash and scrip and drop all conditions. They would also announce the acquisition of their own 19.9% stake.

Gold Road has since notified its intention not to increase their offer, so sadly the prospect of a Cardinal type bidding war looks increasingly unlikely from here. In any case, AOP has been yet another winner for us in the gold space with an impressive return relative to the downside risk, and all in quick time.

Finally, for those interested in learning a little more about the strategy, I sat down with Aaron Fifield of the Chat With Traders podcast and outlined some of our methodology and considerations. The podcast can be listened to [here](#).

We head into November where October left off - deals aplenty and spoilt for opportunity. We look forward to updating in due course and hope to continue the momentum.

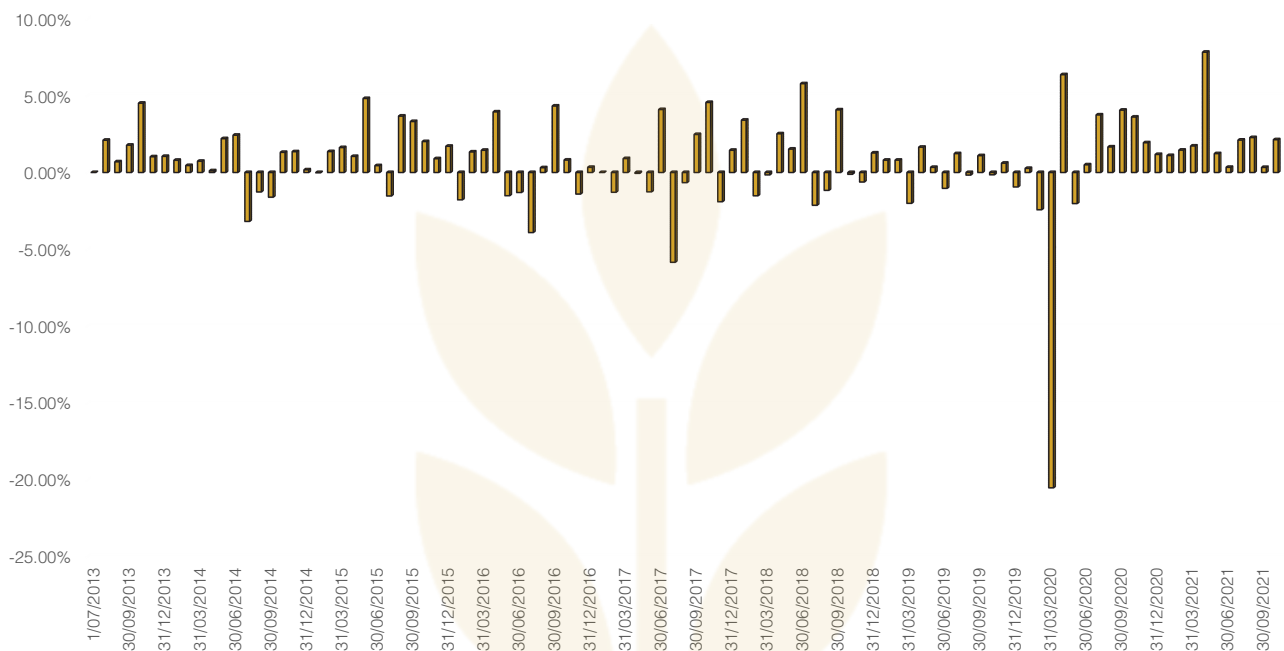
Kind Regards,

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>	8.86%
Average Monthly Return (since inception)	0.73%
% Positive Months	69.00%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.58%
Sortino Ratio	1.000
Sharpe Ratio	0.759
Correlation with ASX200 Accumulation Index	0.472
Beta	0.371
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.

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