Absolute Return Fund
September 2021 Update

	NTA
Unit Price - 30/09/2021	1.2366

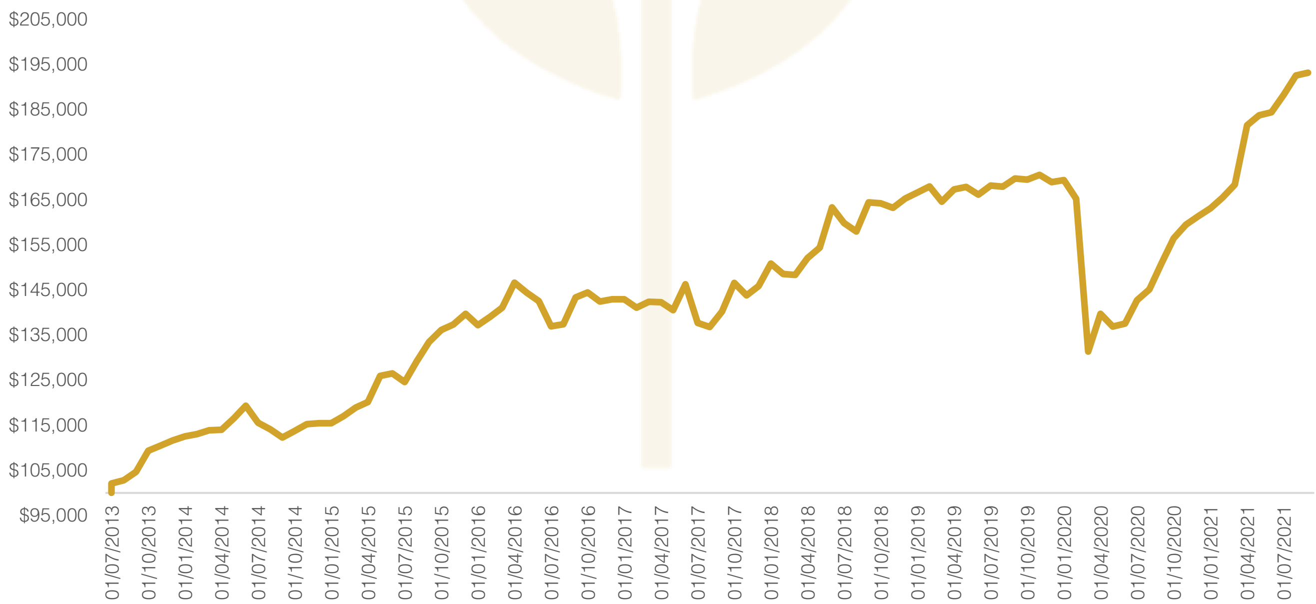
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	93.19%	12.68%	80.51%
Trailing 5 year return p.a.	6.15%	1.00%	5.16%
Trailing 3 year return p.a.	5.53%	0.64%	4.88%
Trailing 12 month return	27.96%	0.11%	27.85%
Trailing 3 month return	4.78%	0.03%	4.75%
Trailing 1 month return	0.33%	0.01%	0.32%

* 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%										4.78%

Growth of $100,000 Since Inception



Manager Commentary

The portfolio closed out September little changed from where it began, finishing the month with a modest gain of 0.33%. It's not always the case that the delivered returns match the underlying events of the month, however we feel this time around it is a reasonable assessment. A couple of contested scenarios were offset by withdrawn proposals elsewhere. The net effect was a reasonably steady month. An interesting feature of the majority of the aforementioned deals is that all were non-binding in nature and therefore, our exposure to each was limited given our caution toward such deals generally. More on that below.

Also of note is that the return in September came against a backdrop of increased volatility in global markets and broad-based 'risk off' sentiment. Having not witnessed these conditions for quite some time, it was pleasing to once again observe the defensive nature of the portfolio in these circumstances.

First, to the contested deals. Australian Pharmaceutical Industries Limited (API.ASX) fielded an unsolicited approach from Wesfarmers (WES.ASX) back in July that was promptly rejected on the basis the $1.38 cash offer undervalued the company. Despite the rejection, there were several attributes of the proposal that retained our interest (and by extension, the position). We have seen target companies rebuff takeover approaches recently, as was the case here, but it has largely been a function of setting a clearing price rather than an outright rejection - Japara Healthcare (JHC.ASX) and Spark Infrastructure (SKI.ASX) are just two examples of this recent strategy working. Wesfarmers had flagged that API was intended to form the basis of a new healthcare division within the conglomerate, and while API was minor in the scale of the Wesfarmers business, the strategic direction was not. We were of the view the situation was once again about finding an acceptable clearing price.

There were also media reports that merger discussions with Sigma Healthcare (SIG.ASX) had occurred not long before Wesfarmers arrived. A SIG/API tie up has long been expected and has been attempted several times already - the 2002 attempt was thwarted by the ACCC, while API tried to bid for SIG back in 2018. SIG ultimately decided it wasn't the right time and the deal was never consummated.

Fast forward to September 2021. Wesfarmers returned with a revised offer at $1.55 cash per share and it was enough for API to finally open their books for due diligence. Now with the prospects of an eventual deal increasing sharply and staring down the threat of a soon to be well capitalised competitor, SIG launched its own cash and scrip offer to value API at $1.57. That too was good enough, and now both WES and SIG are in the data room working to firm up their respective offers.

There are still a few hoops to jump through. Both offers are non-binding and the recent lockdowns in New South Wales and Victoria will no doubt require a bit of forward looking from both bidders. There is also ACCC risk that has precedent in preventing an API/SIG tie up. It is a slightly different landscape to what it was back in 2002 though. The deal twenty years ago would have consolidated the major industry players from three to two, however it's a case of four to three this time around. It's also a highly regulated sector and while competition would reduce, it's less clear that it automatically translates to higher prices for consumers.

Infrastructure continued to be the favoured asset class by bidders with AusNet Services (AST.ASX) announcing receipt of a non-binding proposal from Brookfield at $2.50 per share in cash. Although it was the first time details of the proposal had been notified to the market, it was the third time Brookfield had bid in the prior three weeks. Both earlier bids at $2.35 and $2.45 weren't enough to get the Ausnet board across the line, but evidently $2.50 was the magic number to not only get access to due diligence, but exclusivity too.

Which made it all the more surprising when the next day APA Group (APA.ASX) went hostile and lobbed its own bid in cash and scrip at an implied $2.60. Even further, APA had earlier offered $2.32 and had notified AusNet of its intentions to *increase its offer* only two days prior to AusNet signing away exclusivity to Brookfield. Ordinarily, there would be a fiduciary carve out under exclusivity agreements that overrides upon receipt of a superior offer, but the arrangement with Brookfield explicitly removes the carve out. APA has lodged an application with the Takeovers Panel as a result, arguing shareholders are being denied an efficient and competitive auction for the company. It seems a pretty fair argument, but it potentially understates the complexity of the task the Takeovers Panel faces in terms of the precedent its ruling will set for future transactions. It's certainly one we're following with interest.

Last month we discussed some of the non-binding deals on our radar and the wide discount to terms observed in the market pricing. For two of those transactions this month, the discount proved telling. Hansen Technologies (HSN.ASX) announced that after an extended due diligence period, BGH Capital had decided to withdraw its proposal with little explanation. Similarly, IRESS announced that after their suitor, EQT, had bid against itself several times for access to the books, both parties were unable to reach an agreement on the terms of the transaction. Both withdrawals saw the respective share prices of Hansen and IRESS fall closer to their undisturbed levels and were thus minor negative contributors to this month's result.

Of particular note is that both bidders were once again private equity firms. It's well known that we are sceptical of private equity approaches at the best of times and neither the Hansen or IRESS outcomes have done much to change that view. BGH admittedly

Manager Commentary Continued

have a better track record of completed deals, securing both Abano Healthcare (second time around after walking away from the first deal) and Village Roadshow last year, although in both instances they were forced to raise their offers to get both originally low-balled deals across the line.

EQT only has one public to private transaction to its name in recent years across the ASX and NZX, securing Metlifecare (MET.NZX) last year, however it was not without a protracted legal stoush trying to squirm their way out of the deal. The private equity firm took to the Australian Financial Review early last year in a bit of PR to declare their willingness to "pay up for great companies". The only activity of note until now being withdrawn proposals in Vocus and IRESS, and dragged kicking and screaming to complete the Metlifecare transaction, certainly doesn't lend weight to their credibility. It surely won't go unnoticed at the next listed company they come knocking at.

Over the last twelve months we have benefitted from some competitive situations or price increases where the first offer was a non-binding private equity offer - Think Childcare (TNK.ASX) the obvious flagbearer - and so on a risk/reward basis there is justification for some exposure, albeit at a far smaller position size than we might ordinarily take. For now, these two recently withdrawn proposals have increased our level of caution specific to non-binding deals, and more broadly we took the opportunity to further de-risk the portfolio throughout the month on that basis. It ensures that, much like this month, the damage is limited should we not get an outcome in our favour but, that the portfolio can still benefit in some way from the deal being firmed up or better yet, from an alternate approach.

Several new deals were announced during the month, and pleasingly some binding! Charter Hall in partnership with Hostplus announced a deal with ALE Property Group at a whopping premium to book value. Westgold (WGX.ASX) launched a takeover of Gascoyne Resources (GCY.ASX) in an effort to derail their dilutive scheme of arrangement with Firefly Resources (FFR.ASX). WAM Capital is arbitraging its premium to NTA and looking to spoil the merger of the two PM Capital Opportunities Funds (PAF.ASX and PGF.ASX). SmartGroup (SIQ.AX) has a non-binding deal on the table with a TPG Global and Potentia Capital consortium that includes an equity investment from Aware Super. The list goes on. New opportunities are even continuing to pop up in early October. There's certainly plenty to choose from.

There are also numerous deals that are currently scheduled to complete in the month ahead - Nusantara (NUS.ASX), Think Childcare (TNK.ASX), Valmec (VMX.ASX), Youfoodz (YFZ.ASX), Rhipe (RHP.ASX), Templeton Global (TGG.ASX), and Mainstream (MAI.ASX). Should they complete as expected, we'll be able to put the cash proceeds straight back to use. As international borders reopen, expectations are that we'll see a re-emergence of offshore bidders and for M&A activity to remain elevated into the new year.

Which is all good news for the portfolio.

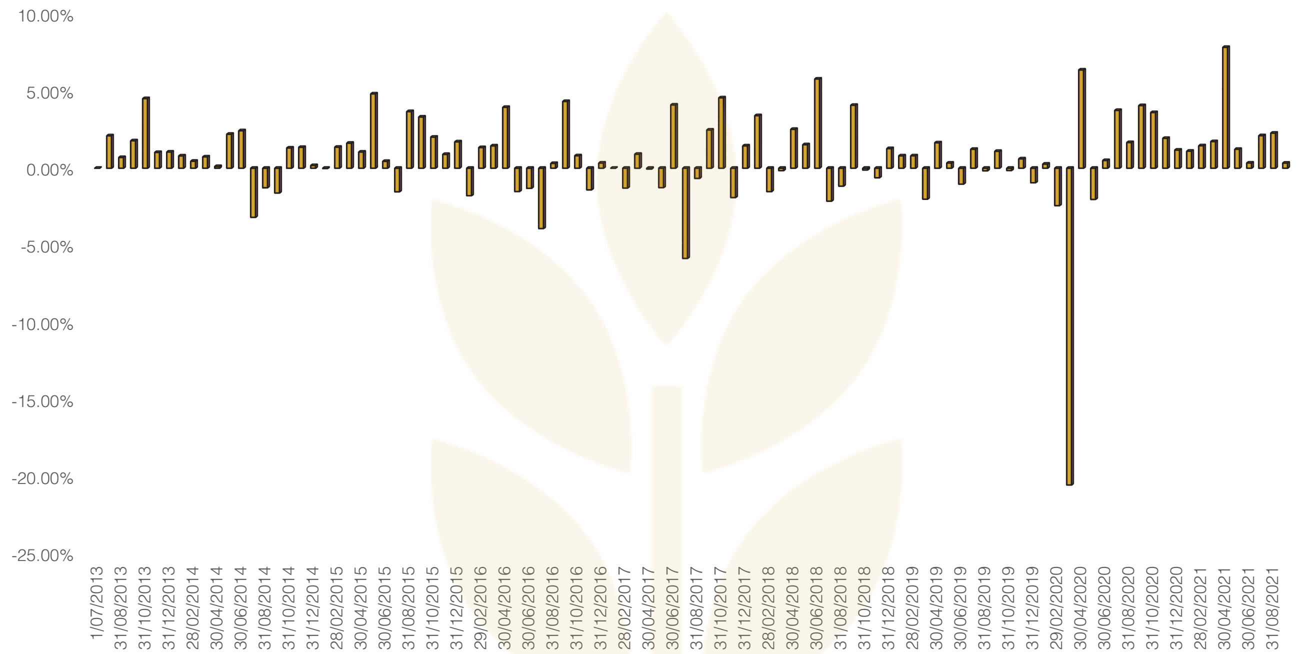
Kind Regards,

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)	0.72%
% Positive Months	68.69%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.62%
Sortino Ratio	0.970
Sharpe Ratio	0.740
Correlation with ASX200 Accumulation Index	0.474
Beta	0.371
FY21 Distribution	0.0004

[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 - 30/06/2021) 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.

Disclaimer