

	NTA
Unit Price - 31/12/2018	1.0597

Investment Returns (net of fees)*

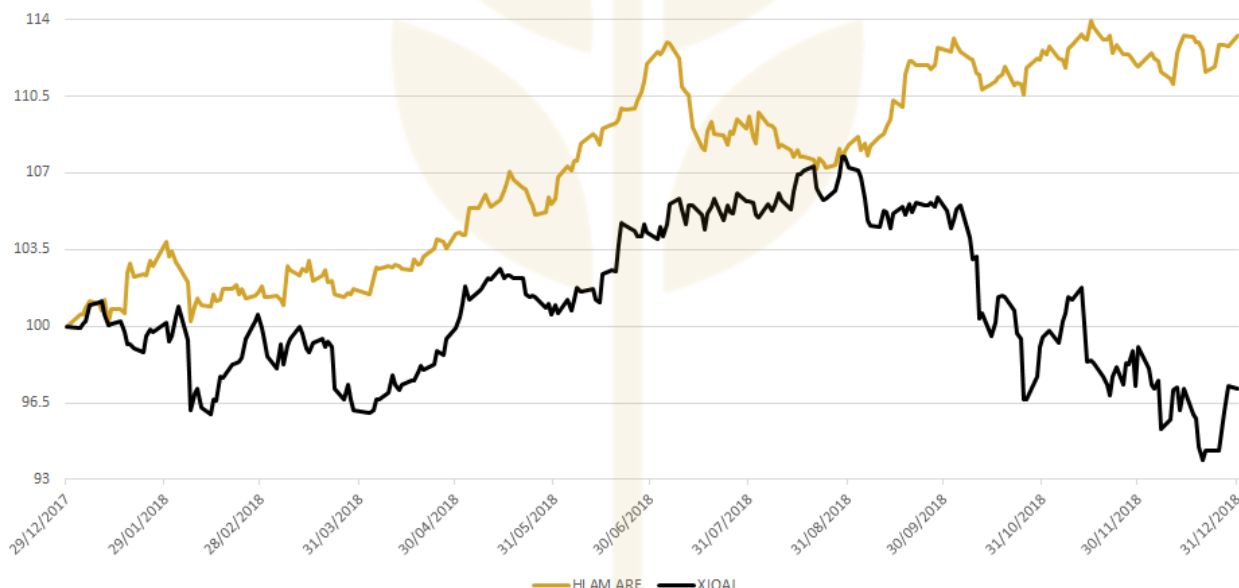
	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	65.28%	11.13%	54.15%
Trailing 3 year return p.a.	5.77%	1.63%	4.14%
Trailing 12 month return	13.30%	1.50%	11.80%
Trailing 3 month return	0.53%	0.38%	0.16%
Trailing 1 month return	1.27%	0.13%	1.15%

* 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.

Manager Commentary

The Absolute Return Fund closed out December with a solid return of 1.27%. This capped off a successful 2018 and an annual return of 13.30%. The portfolio has historically exceeded broader equity market returns since its inception despite not having the same level of risk and in what can justifiably be described as a period of "easy" market returns. The benefits of our strategy and inherent market neutrality has really shone through over time and particularly in 2018 as equity markets begun to show their true risk levels. Our beta of almost exactly nothing (0.014) highlights that the fund has not materially benefited (or suffered) from any underlying equity market movement. This means that when market tailwinds turn to headwinds, we do not get routinely hit like so many other strategies. We are one of relatively few genuine diversifiers available to investors, and a genuinely unique offering in the Australian market - factors which [have seen us recognised recently](#) as one of the best risk/return offerings in the market.

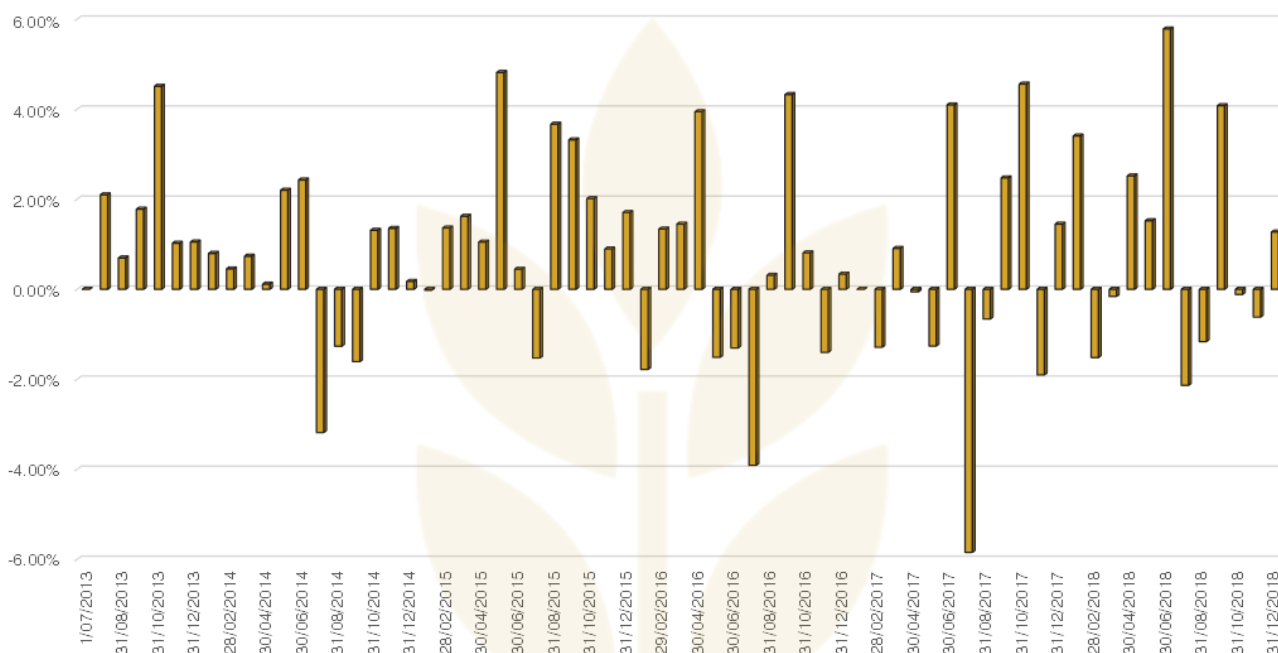
Harvest Lane Absolute Return Fund vs All Ordinaries Accum Index (XJOAI)



The ASX 200 Accumulation Index finished December down 0.12%, closing out a tough 2018 that saw all its gains through September wiped out in the final three months. The final quarter of the 2018 saw the index drop by 8.24% to post a full year return of -2.83%. In comparison, the Absolute Return Fund gained over the final difficult quarter of the year and of course over the full year with a double digit return. As you can see from our previous monthlies, we both anticipated and achieved a strong 2018 for our investors. Perhaps most importantly for new investors, we are very optimistic about our return potential for 2019 and beyond.

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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
Administrator	Fundhost
Auditor	Ernst & Young
Custodian	NAB

Portfolio Analytics

Average Full Financial Year Return ³	10.46%
Average Monthly Return (since inception)	0.79%
% Positive Months	65.15%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	6.45%
Sortino Ratio	1.87
Sharpe Ratio	1.043
Correlation with ASX200 Accumulation Index	0.0201
Beta	0.014
Last distribution paid (July 2018)	0.06728

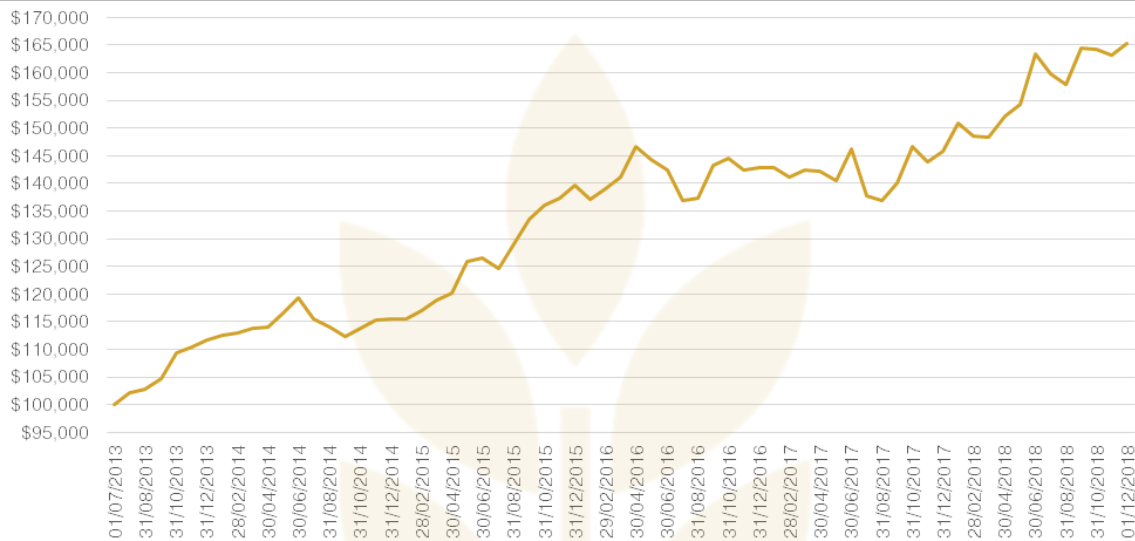
¹ Harvest Lane Asset Management does not receive any part of the management fee. Instead this is paid to the Fund's service providers and to recover all expenses.

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 - 30/06/2018) and does not include returns for the current year.

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Growth of \$100,000 Since Inception



Manager Commentary Continued

December was a comparatively quiet period in contrast to previous months, with numerous positions reaching their maturity in the early weeks of the month. A handful of new opportunities arose although the month was largely characterised by adding to existing positions where low cash levels had previously prevented us from reaching our preferred exposure levels.

Transactions in Investa Office Fund (IOF.ASX), Kangaroo Resources (KRL.ASX), Spookfish Limited (SFI.ASX), Capilano Honey (CZZ.ASX), Scottish Pacific Group (SCO.ASX), Zenitas Limited (ZNT.ASX), and Mitula Group (MUA.ASX) all drew to a close in December, with each delivering a tidy profit at decent annualised rates of return (Spookfish and Kangaroo Resources in particular).

The tussle for control of Explaurum Limited (EXU.ASX) took another turn (for the better this time) following November's failure to reach agreement on an increase to Ramelius Resources (RMS.ASX) earlier bid for the company. EXU had previously organised a strategic placement to Alkane Resources (ALK.ASX) to progress its Tampia project however, RMS upped its now best and final offer mid-month by adding a \$0.02 per share cash component to its bid and simultaneously announced that the bid would become unconditional subject to the Alkane placement not proceeding. The Explaurum board ultimately bowed to pressure from shareholders, quickly terminating the ALK transaction and throwing its weight behind the RMS offer.

MYOB Group (MYO.ASX) took the market by surprise by announcing the initial offer from KKR of \$3.77 per share had been revised down to \$3.40 following the completion of due diligence. After initially flagging its inability to support KKR's advance at that price point, MYOB announced a couple of days later that it had indeed entered into a scheme of arrangement with KKR at \$3.40 per share with specific "go shop" arrangements that allow the company to solicit competing proposals, with KKR committing to sell into a genuine superior offer as a sweetener. We are cognisant of the fact that existing private equity behemoth and substantial MYO shareholder Bain Capital has likely shopped its stake around prior to KKR's proposal emerging, and thus any potential competing bid has likely already come and gone, however KKR undertaking to support a superior offer may yet draw a third party out of the woodwork.

GrainCorp Limited (GNC.ASX) was one of the most newsworthy deals announced in December, primarily because of the seemingly aggressive nature of the bid. The newly formed Long Term Asset Partners (LTAP) offered \$10.42 cash per share via a scheme of arrangement. The peculiarity in the transaction arises from the fact that the supposed \$3.6b funding of the bid is to come entirely from debt financing, with the agricultural and cyclical risks reportedly underwritten by Allianz Insurance to ensure the debt can be repaid no matter what the circumstances. As a newly formed entity, LTAP has no history in completing a transaction, let alone one of this size. While the GrainCorp board has engaged LTAP to coax out a more certain proposal, the shares still trade at a significant discount to the offer price, reflecting the

Manager Commentary Continued

considerable risk that a completed transaction may fail to materialise. As always, we continue to monitor situations and their risks as they develop and adjust/establish positions accordingly.

Following a competitive tussle between MNF Group (MNF.ASX) and SB&G Group for the Inabox Group (IAB.ASX) business, MNF emerged victorious with a proposal that delivered \$0.90 in capital and a further \$0.12 in franking credits after shareholders voted in favour of the transaction. The contest looked to be heating up heading into December as SB&G revealed an offer at an equivalent grossed up value of \$1.07, however the \$0.05 of additional value was not enough to sway the IAB board's support for MNF's significantly more certain proposal. The latter offer required only shareholder approval to proceed, in stark contrast to SB&G's offer that remained subject to various conditions.

Franking credits are occasionally accrued as a part of our investment strategy and provide a nice "icing on the cake" for some of our investors from eligible tax brackets. For the avoidance of doubt, we reiterate that accrued franking credits are not incorporated into our unit prices or associated performance and are simply an additional potential benefit to investors. However, where there is an opportunity to immediately crystallise the value of franking credits so that every one of our investors stands to benefit, as was the case with IAB, we will always endeavour to take it in the interest of our investors. The fund closed out its position on a cum-franking basis, over and above the \$0.90 of capital per share to be returned under the MNF transaction.

Overall, the portfolio remains highly prospective as we move into 2019 and we believe that future returns can equal or eclipse those of recent times. We would like to take this opportunity to pass on our best wishes for the year ahead and we look forward to providing further portfolio updates in due course.

Kind Regards,

Luke Cummings

Chief Investment Officer and Managing Director

(on behalf of the team at Harvest Lane Asset Management)

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 risk/return 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 cash 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 such as Fundhost. 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

This information refers to investments in the Harvest Lane Asset Management Absolute Return Fund (ARSN 614 662 627) (Fund).

Any person seeking to make an investment should review the Product Disclosure Statement (PDS) for the Fund dated 26 November 2018 issued by the responsible entity of the Fund, Fundhost Ltd (ABN 69 092 517 087, AFSL No. 233045) (Fundhost). Before making any decision to make or hold any investment in the Fund you should consider the PDS in full. A copy of the PDS is available here www.harvestlaneam.com.au.

This information has been prepared without taking into account your individual objectives, financial situation or needs. You will need to consider whether an investment in the Fund is appropriate for you, having regard to those matters. You should seek legal, financial and taxation advice before investing. The investment manager of the Fund is Harvest Lane Asset Management Pty Ltd (ACN 158 314 697, Corporate Authorised Representative No.433046 of Harvest Lane Capital Pty Ltd AFSL No.425334). Investment returns are not guaranteed.