Absolute Return Fund
February 2019 Update

	NTA
Unit Price - 28/02/2019	1.0768

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	67.95%	11.38%	56.56%
Trailing 3 year return p.a.	6.50%	1.60%	4.90%
Trailing 12 month return	13.05%	1.50%	11.55%
Trailing 3 month return	2.91%	0.38%	2.53%
Trailing 1 month return	0.81%	0.13%	0.68%

* 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

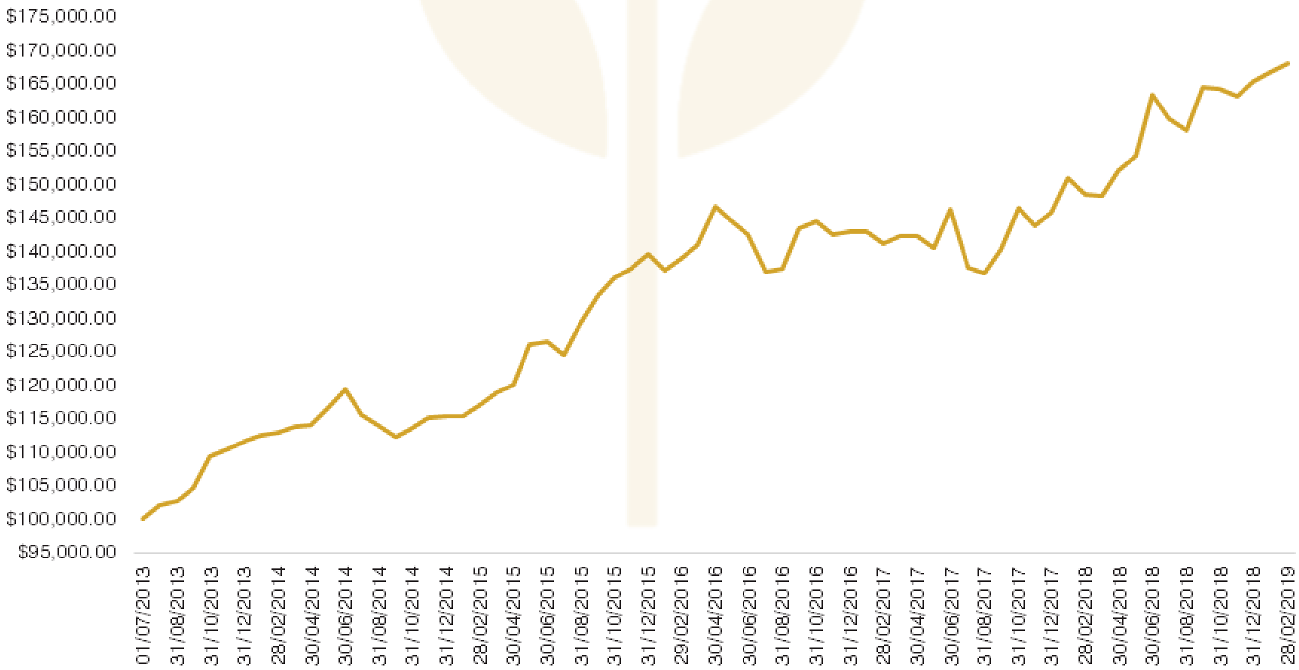
The Absolute Return Fund continued its consistent performance last month, posting a 0.81% return for February. Even as many of our positions steadily increase in price as their respective transaction endpoints approach, there remains sufficient implied discount in the portfolio to suggest that our recent run of good performance should continue for quite some time yet.

February looked to be a relatively quieter month in terms of deal flow until the last week of the month saw a flurry of M&A activity. Two larger sized transactions in PropertyLink Group (PLG.ASX) and Greencross Limited (GXL.ASX) were concluded intra-month, allowing us to rotate capital straight back into new opportunities. In total, five new deals passed our due diligence process, while several more are currently being monitored for inclusion in the portfolio at a later time.

Healthscope made a meaningful move this month after Brookfield's initial non-binding offer firmed up. The change of control transaction structure is unique in that it is a simultaneous scheme of arrangement and takeover offer designed

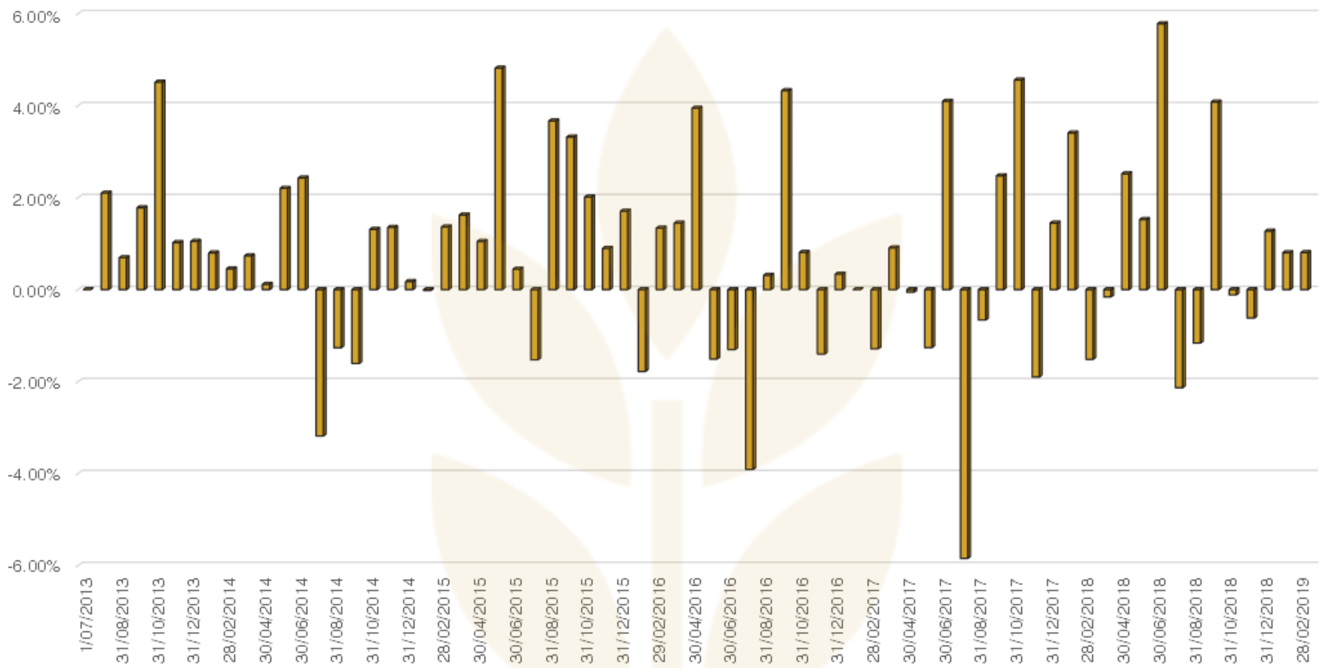
Continued page 3

Growth of $100,000 Since Inception



Absolute Return Fund
February 2019 Update

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	66.18%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	6.45%
Sortino Ratio	1.9
Sharpe Ratio	1.06
Correlation with ASX200 Accumulation Index	0.0199
Beta	0.0135
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.
* 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 Continued

to overcome a competing bidder in BGH. The scheme of arrangement has a higher consideration price of $2.50 than the $2.40 proposed under the takeover offer, but likely requires the cooperation of the BGH consortium to complete given the almost 20% stake the consortium controls and the 75% majority vote required to implement the transaction. BGH themselves have yet to drop out of the hunt and may potentially return with a better offer, however they are currently working through another bid for Navitas Limited (NVT.ASX), which may mean they already have their hands full. In any case, a deal looks almost certain to go through in one form or another, and we continue to watch for further developments as the transaction evolves.

Universal Coal (UNV.ASX) reported a fantastic half year result, with profit up 361% on the prior corresponding period. The company is subject to an indicative, non-binding offer from private equity firm Ata Resources for $0.35 per share, which is yet to gain acceptance of the independent board. We are firmly of the view that the bid in its current form grossly undervalues the company; to put it in perspective, the offer price reflects less than three times EV/EBITDA on FY19 guidance for a company with excellent cashflow conversion (98.4% based on first half numbers), and this is before the company posted first half results roughly 20% ahead of guidance. An impending revised offer has all but been confirmed by Universal as Ata and the independent board work together, however it had yet to be tabled by the end of the month. Withholding an interim dividend in cooperation with Ata for a revised offer may give some clues as to the consideration offered under a revised proposal; the company maintains a progressive dividend policy of 45% of Net Profit After Tax, which would equate to roughly 2.8c based on interim earnings of 6.26c per share. When an additional premium is added to the current offer, we could well see an offer priced in the low to mid-forties - a material difference to the current price.

Eclipx Group (ECX.ASX) was the largest underperformer this month. After dropping in January on the back of softer guidance than the market anticipated, acquirer McMillan Shakespeare (MMS.ASX) itself posted disappointing earnings results. The resulting effect saw the value of MMS shares plunge as much as 18%, taking the value of any scrip consideration for a successful transaction along with it. Whilst our position in ECX was partially hedged (via a corresponding short position in MMS), the lack of clarity around the timetable for the deal saw the implied deal spread widen and hence has the position currently showing a small loss as a result. We have however, not forgotten SG Fleet's (SGF.ASX) previous interest in Eclipx at an implied value of $2.52, well above the current trading price of $1.975. This already eventful trade likely has some way to play out yet.

Ruralco Holdings Limited (RHL.ASX) is a new addition to the portfolio after it received a bid from Canadian giant Nutrien at a grossed up $4.50 per share. Under the transaction, there is potential to pay out a fully franked special dividend that could see an additional $0.42 of value received under the transaction. The key concern surrounding the transaction is whether it will be waived through by the ACCC given the large concentration of market share the deal is likely to create. Both bidder and target remain confident, however, citing minimal barriers to entry for competition. The spotlight has been on local player Elders Limited (ELD.ASX), the last of the three dominant players in the market, as to whether they may launch their own offer to protect their market share. A tie up between the two has long been touted by market commentators; the two companies entertained the idea back in 2012 before Ruralco withdrew over Elders' balance sheet concerns. With the ACCC concerns and the mediocre discount to terms currently offered in market, the portfolio has only a relatively small position for now, however we will continue to monitor developments closely, as we do routinely.

Finally, NetComm Wireless (NTC.ASX), a supplier of hardware technologies to telecommunication carriers, received an offer from US based Casa Systems at $1.10 per share. The deal comes after NTC engaged Luminis late last year to shop the company around to potential bidders. The deal is pitched at a 54.9% premium to the undisturbed price of $0.71. While this may seem like a knockout bid, the $161m offer puts the bid on a forward EV/EBITDA multiple of between 8x - 9.6x on what appear to be depressed earnings as the company rotates from 4G to 5G product offerings. Casa itself trades on an EV/EBITDA multiple of 10.2x, meaning the acquisition is immediately earnings accretive even before the effects of captured synergies between the businesses. If a competing proposal should emerge, which is a very real chance given the short turnaround to receiving an offer, we take further comfort in the knowledge that the current bidder has capacity to increase its offer if required. We were fortunately able to establish a position at an attractive discount to terms.

In all, it was another pleasing month for the portfolio. We continue to see meaningful deal flow and remain optimistic about the outlook for returns over the remainder of the year.

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.