Absolute Return Fund
April 2019 Update

	NTA
Unit Price - 30/04/2019	1.0726

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	67.29%	11.63%	55.66%
Trailing 3 year return p.a.	4.50%	1.57%	2.92%
Trailing 12 month return	10.02%	1.50%	8.52%
Trailing 3 month return	0.41%	0.38%	0.04%
Trailing 1 month return	1.65%	0.13%	1.52%

* 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 portfolio made quick time in recouping a significant portion of March's losses, posting a 1.65% return for April. The gain was attributed mainly to two positions that showcased the additional upside the strategy has in the presence of competing bids. The remainder of the portfolio saw broad based gains that rounded out a strong month.

Deal flow continued to remain strong, however fewer new positions were established compared to prior months as we await more favourable entries. Several deals announced traded far too close to the offer terms considering the embedded uncertainty in the transactions, and, in the case of Automotive Holdings Group (AHG.ASX), even traded at a material premium to the implied value of an offer from AP Eagers (APE.ASX) very much in its early stages.

MYOB Group (MYO.ASX) completed during the month after some agitation from Manikay Partners late in the transaction. Bidder KKR faced pressure from the US based hedge fund having lowered its offer price to $3.40 per share from the $3.77 initially offer to get access to MYO's books. KKR lowered their offer price citing substantial moves in global equities

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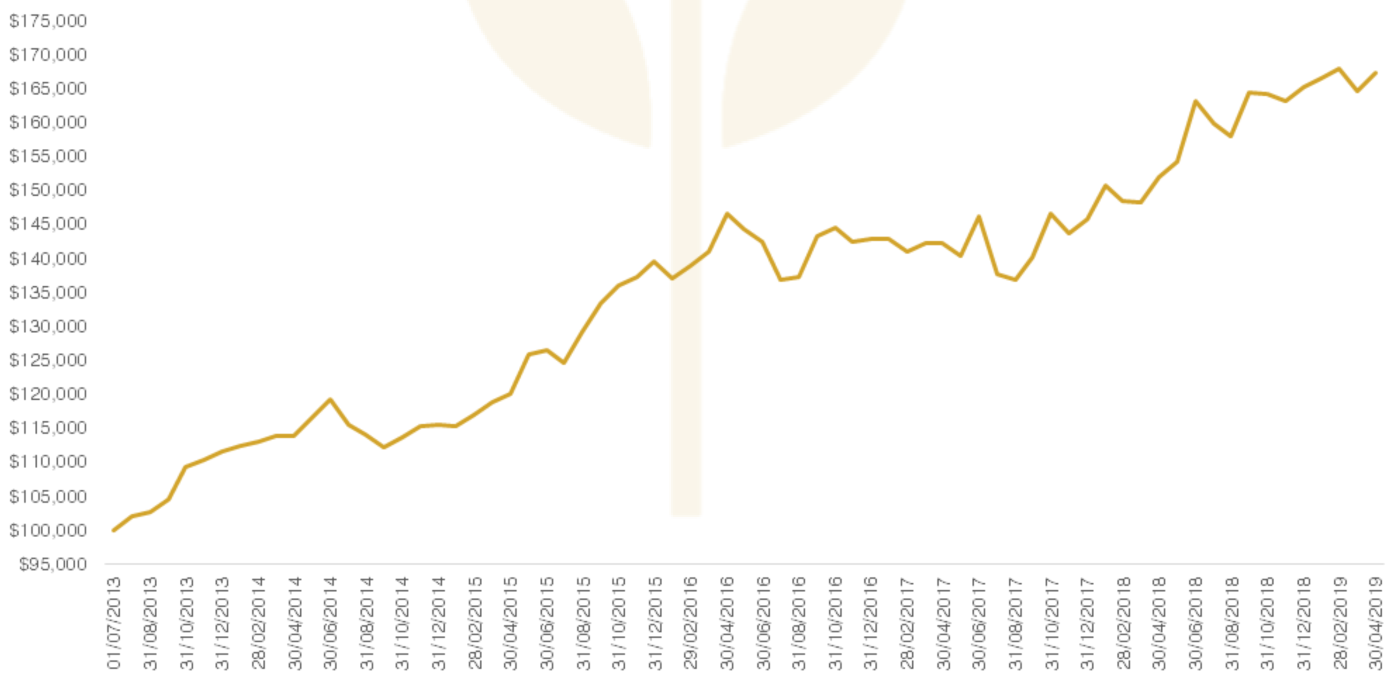
Growth of $100,000 Since Inception



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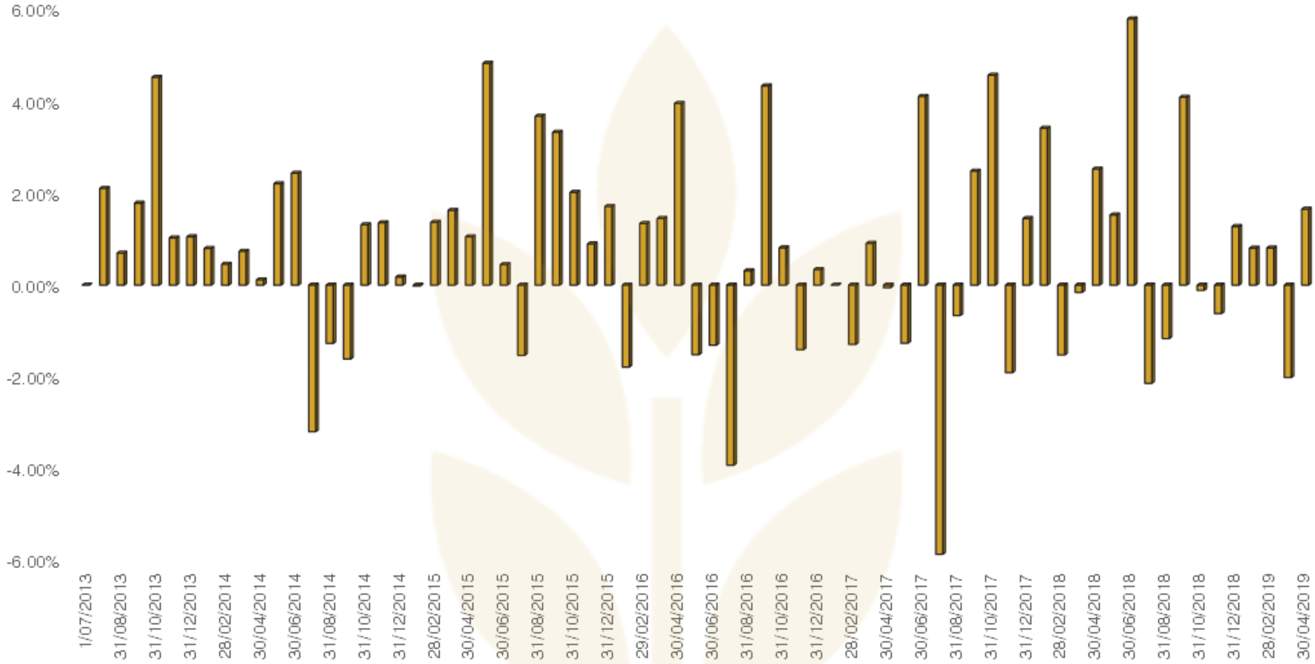
Monthly Returns History*



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)	0.76%
% Positive Months	65.71%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.50%
Sortino Ratio	1.8
Sharpe Ratio	1.017
Correlation with ASX200 Accumulation Index	0.0229
Beta	0.0157
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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Manager Commentary Continued

markets in the December quarter last year as a key factor. By March, global markets had recovered and then some, making the KKR haircut look increasingly opportunistic. Manikay purchased a 16.16% stake to make KKR's life difficult and agitate for a higher offer but came unstuck when KKR declared its offer price as best and final. Facing limited upside and a large potential loss should the deal not go through, Manikay folded, and KKR took the spoils.

The position in Healthscope (HSO.ASX) was closed out despite the transaction still being live. Similar to the holding in Navitas Limited (NVT.ASX) reported in March, trading in the shares observed such little discount to terms that the capital was better spent elsewhere. Both the Watermark Market Neutral Fund (WMK.ASX) and Watermark Global Leaders Fund (WGF.ASX) ceased trade during the month. The two LICs are being converted into the one unlisted unit trust, removing the persistent discount to NTA the shares were trading at on the public exchanges, and providing greater liquidity for investors. We were able to consistently pick up shares at a discount to NTA for minimal risk and are now awaiting the redemption proceeds heading into May to finalise a healthy return.

The highest profile transaction of the month saw Crown Resorts Limited (CWN.ASX) announce a preliminary, indicative bid from Wynn Resorts at $14.75 in a partial cash/scrip deal, the terms of which were still to be finalised. Trading resumed at a very small discount to the offer price which prevented the portfolio from entering a position; the uncertainty in the deal required a sufficient discount to terms to justify taking a position, which just wasn't available on the day of the announcement. Sensationally, Wynn withdrew their offer overnight, seemingly seething over the public release of the offer. Anyone taking a position in CWN expecting a successful transaction were greeted with a 10% decline the next day. Current trading in the shares suggests the market remains hopeful of Wynn returning to the table, and the portfolio may yet take a position if they do, but acknowledging the risk/reward metrics of any transaction is key to generating consistent risk adjusted returns. In this case, the numbers just didn't stack up.

Villa World Limited (VLW.ASX) remains a more prospective position in the portfolio and could be the subject of an ownership tussle over the coming months. The property developer has seen its share price suffer over the last twelve months as a depressed Australian housing market has increased settlement times for sales, in turn impacting the forecast profitability of the company. AVID Property Group threw down an offer in March that was at a decent premium to the share price, but equivalent to the Net Assets of the company.

Land and housing inventory is carried at cost on the balance sheet, and a specific tax ruling has allowed the company to pay out fully franked dividends whilst carrying a significant amount of accumulated losses. As a private entity, the company would no longer have the pressure of paying out dividends to shareholders and using the accumulated losses to offset any tax payable on its profits each year could free up a substantial amount of free cash flow to be put to future growth projects. It makes Villa World an attractive counter-cyclical play for the right bidder, something which may have been picked up by current largest shareholder and JV partner, Ho Be Land Ltd. Ho Be has spent the last six months aggressively buying up shares in Villa World, and continues to do so after the announcement of AVID's proposal. Ho Be has publicly stated its intention to diversify its earnings base, and its presence in market for VLW shares may be strategic to ensure it continues to have a seat at the table after a take-private transaction, or it may be the launching pad for a bid of its own. We continue to monitor the position and remain optimistic that any takeover of the company will be done at higher prices than the current offer.

Xenith IP Group Limited (XIP.ASX) was a large contributor to the monthly performance, and IPH Limited (IPH.ASX) emerged as victor over Qantm Intellectual Property Limited (QIP.ASX) in the industry consolidation play. IPH were made to work for it though, declaring a sweetener to their original offer for a grossed up value of $2.15 per XIP share. Qantm was unable to match, and IPH and Xenith moved quickly to consummate the agreement. Part of the offer consideration is to be paid as IPH scrip at a fixed ratio, which means an XIP shareholder will benefit from any increase in IPH's share price. Should IPH continue to trade at its current prices through to completion of the transaction, grossed up consideration will exceed the $2.15 headline value.

Finally, Universal Coal PLC (UNV.ASX) emerged from its trading halt at the end of March with a surprise announcement. The company had flagged a pending revision to the previously tabled Ata Consortium proposal, however returned to market with the news that while Ata had increased its offer to $0.36 from $0.35, the company had received a new bid

Manager Commentary Continued

from local operator AFRIMAT of up to $0.40 per share. A $0.02 dividend was declared irrespective of either proposal and the Universal share price understandably jumped upon resumption of trade.

Ata Consortium member, Wescoal, announced to market that it was withdrawing from the offer, leaving the Ata bid all but dead in the water. The AFRIMAT bid is similarly presented as indicative and non-binding, however our due diligence checks with management of both Universal and AFRIMAT gives us confidence that there is a very strong chance a firm transaction will materialise. We feel the downside of holding is quite limited relative to the upside; on a payout of only 45% of after-tax profits the company is yielding just under 10% on a rolling twelve-month basis. If management execute on the current growth pipeline, and history suggests they will, the yield will either increase or our invested capital will appreciate accordingly. We look forward to providing further updates as the transaction progresses.

In all, a pleasing month as the portfolio once again delivered a positive result. March's negative return reflects an unavoidable component of the strategy in that deal breaks can and do occur. In contrast, April's return highlights the resilience of the strategy in its ability to recover quickly after a particular position doesn't go our way. Corporate activity levels continue to show strength and the portfolio remains well positioned to capitalise for the remainder of the financial year and beyond.

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.