

	NTA
Unit Price - 30/06/2019	1.0651

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	66.12%	11.88%	54.24%
Trailing 3 year return p.a.	5.24%	1.54%	3.70%
Trailing 12 month return	1.73%	1.50%	0.23%
Trailing 3 month return	0.94%	0.38%	0.56%
Trailing 1 month return	-1.03%	0.13%	-1.16%

* 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

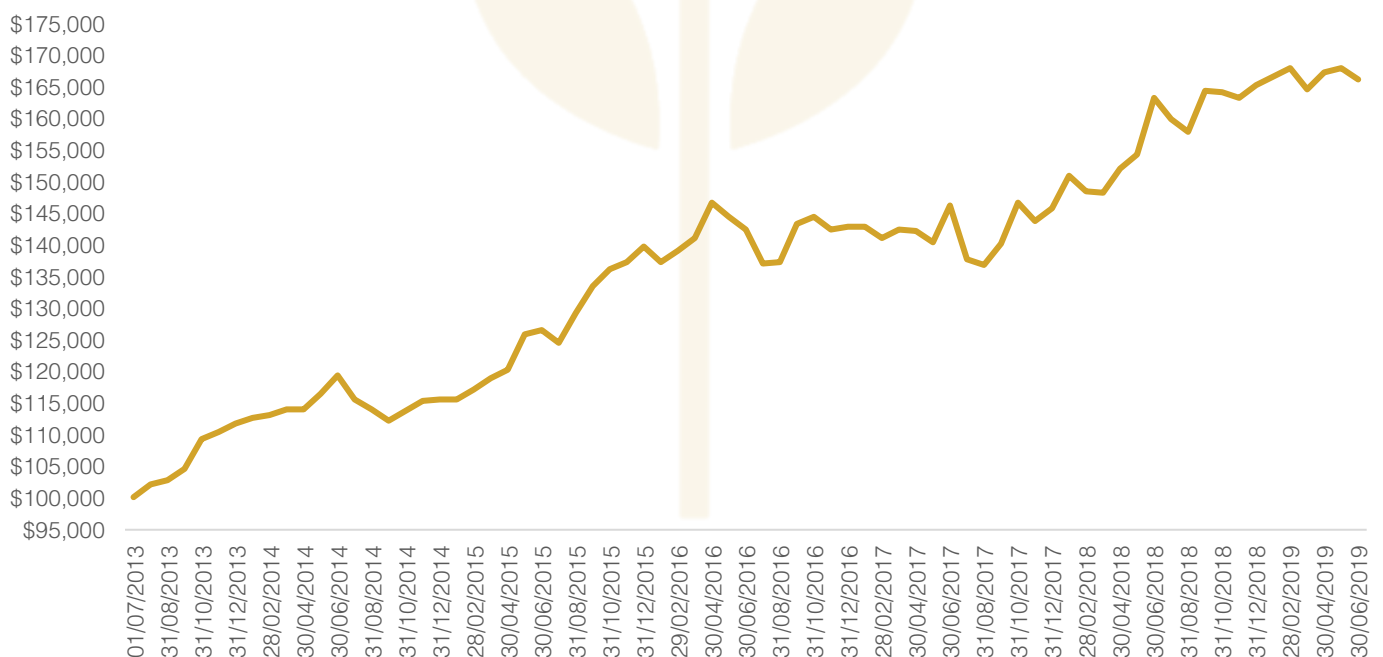
June delivered a rather subdued end to the year with the portfolio posting a modest decrease of 1.03%. There are positives to take away in that the strategy continues to deliver on its stated goal of producing positive, absolute returns; the difference between short term expectations and outcomes aside, the portfolio delivered a positive return for its sixth full year in operation and is yet to produce a negative result for any financial year period. Alternative strategies in general have found it difficult in the current market environment but we are no less optimistic about the future. Deal flow remains plentiful and we know from experience that periods of less than stellar performance are typically made up for in short order.

June's posted return notwithstanding, the portfolio did experience several positive developments throughout the month:

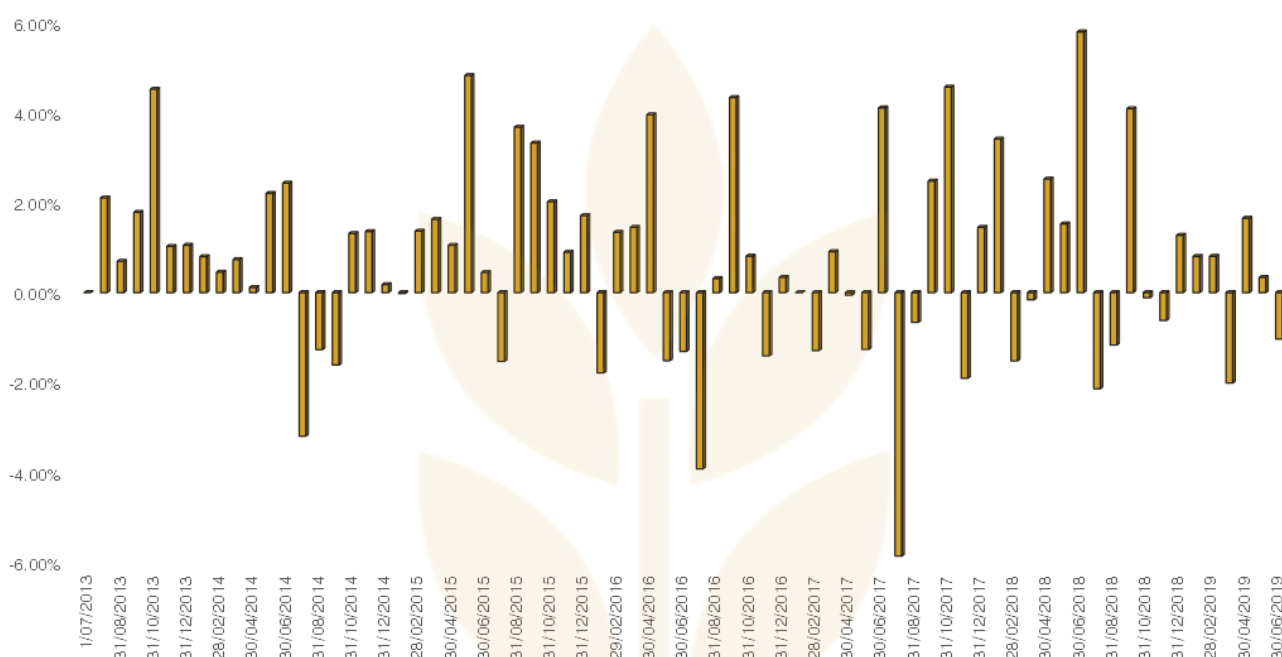
Murray Goulburn (MGC.ASX) saw a spike during the month following the announcement that it had reached settlement of one of two shareholder class action suits. The unit trust currently exists as a cash box following the sale of its core

Continued page 3

Growth of \$100,000 Since Inception



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	9.00%
Average Monthly Return (since inception)	0.73%
% Positive Months	65.28%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.43%
Sortino Ratio	1.730
Sharpe Ratio	0.976
Correlation with ASX200 Accumulation Index	0.011
Beta	0.008
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 - 30/06/2019) 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

operations to Saputo back in 2017. \$0.49 per share is retained, and, subject to the rulings of the two class actions or any settlement liabilities, any excess cash is expected to be returned to shareholders. MGC announced settlement of one class action for \$42m (or \$0.075 per share) and revealed that up to 100% of the liability will be covered through insurance. Having traded around the low thirties, the shares rocketed as the market realised a greater proportion of the \$266m in cash will be returned back to unitholders. The focus now turns to the remaining class action and its outcome or resolution. A favourable ruling, settlement, or insurance payout will see further returns delivered to what has already been one of the better trades for the portfolio.

Spicers Limited is set to end its colourful existence as an ASX listed company following shareholder approval for the Kokusai Pulp and Paper (KPP) offer. Flagged in January, the transaction was structured as a simultaneous scheme of arrangement and capital return, whereby KPP would acquire the business for \$0.043 per share and divest some legacy assets it did not require under the transition of ownership. Spicers would be able to sell these divested assets and distribute the excess capital back to shareholders in addition to the \$0.043 per share from KPP. In total, it was originally estimated that \$0.07 of value would be on offer. Having followed the progress of the asset sell down along with occasional due diligence checks with management, it became clear that more than \$0.07 of value was a strong possibility upon implementation. This was subsequently confirmed in late June, when the guided range was upgraded to between \$0.07 and \$0.072. We are still awaiting confirmation on the final number as we enter the new financial year, but we are pleased to have positioned the portfolio to fully capitalise on this anticipated uplift in consideration.

A small retained position in MOD Resources (MOD.ASX) also received some welcome news with Sandfire Resources (SFR.ASX) returning with a higher offer, following its rejected tilt back in January. Structured as a scheme of arrangement, MOD shareholders are being offered \$0.45 per share, up from January's \$0.38, and can elect to receive either cash or scrip as consideration. An initial wide discount to terms saw the portfolio add to its position on a favourable cost basis (rather surprising given the binding nature of the transaction), and this discount has since narrowed. The optionality in terms of consideration remains attractive, leaving potential to squeeze out more than \$0.45 per share of value, dependent on where SFR trades as the transaction draws closer to implementation.

GBST Holdings Limited (GBT.ASX) closed out June with the enticing prospect of a bidding war to start the new financial year. GBT received a bid from ASX listed competitor, Bravura Solutions (BVS.ASX) in an initial cash and scrip offer. There are commercial sensitivities associated with allowing a direct competitor access to its customer lists under a fully populated data room, and thus the initial BVS approach was conditional and non-binding. From the outside, progress on the bid appeared to stagnate throughout the remainder of April and May until a guidance upgrade in early June prompted BVS to bid against itself and lift its offer to \$2.72 per share in an all cash offer. By the end of the month, BVS has lifted its offer again to \$3.00. After market on the last trading day of the financial year, GBT announced that it had received further indicative bids from alternate parties and would not be progressing the BVS proposal.

One caveat surrounding the portfolio's position in GBT which is worth noting is the conditional, non-binding nature of the bids. The increased risk that any potential bidder might walk away following access to due diligence has meant that the portfolio has been somewhat constrained in its exposure to the trade.

These smaller position sizes in the face of non-binding bids are designed to limit the portfolio's capital loss in the event that the proposed transaction does not proceed (see Vocus commentary below), however, it also means that we do not fully capture the upside that would otherwise be available in situations such as both MOD and GBT. Such is the trade-off of the strategy, although the historical returns of both the portfolio and the strategy itself would indicate this to be a prudent approach to allow for sustainable, long term returns.

We will elaborate further on GBT in next month's newsletter as the position has seen a contested tussle in the first few days of July and has already delivered a meaningful contribution to performance (smaller position size and all).

On the other side of the coin (and as briefly referenced above), Vocus Group (VOC.ASX) delivered a surprise in how quickly both a private equity bidder in EQT and trade buyer in AGL walked away from their respective indicative offers. Neither party lasted more than a week or two inside the data room, which may have fuelled the market's perception

Manager Commentary Continued

that all was not right within the company when the share price fell well below its pre-bid undisturbed levels. Fortunately, the portfolio held only a small position, yet it was enough to detract from performance this month.

In all, June was a somewhat disappointing finish to the fund's sixth year in operation. Several deal breaks (most notably in ECX and to a lesser extent in VOC) in the second half of the financial year dampened the momentum. Such events are occasional by-products of the strategy and can distort the short term results from the long term return profile, noting that the strategy is delivering 8.83%p.a. in its now six years since inception. There are a lot of green shoots in the portfolio as we enter July to give us confidence in delivering attractive risk adjusted returns in the months and years ahead. We look forward to providing further 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.