Absolute Return Fund
September 2019 Update

	NTA
Unit Price - 30/09/2019	1.0882

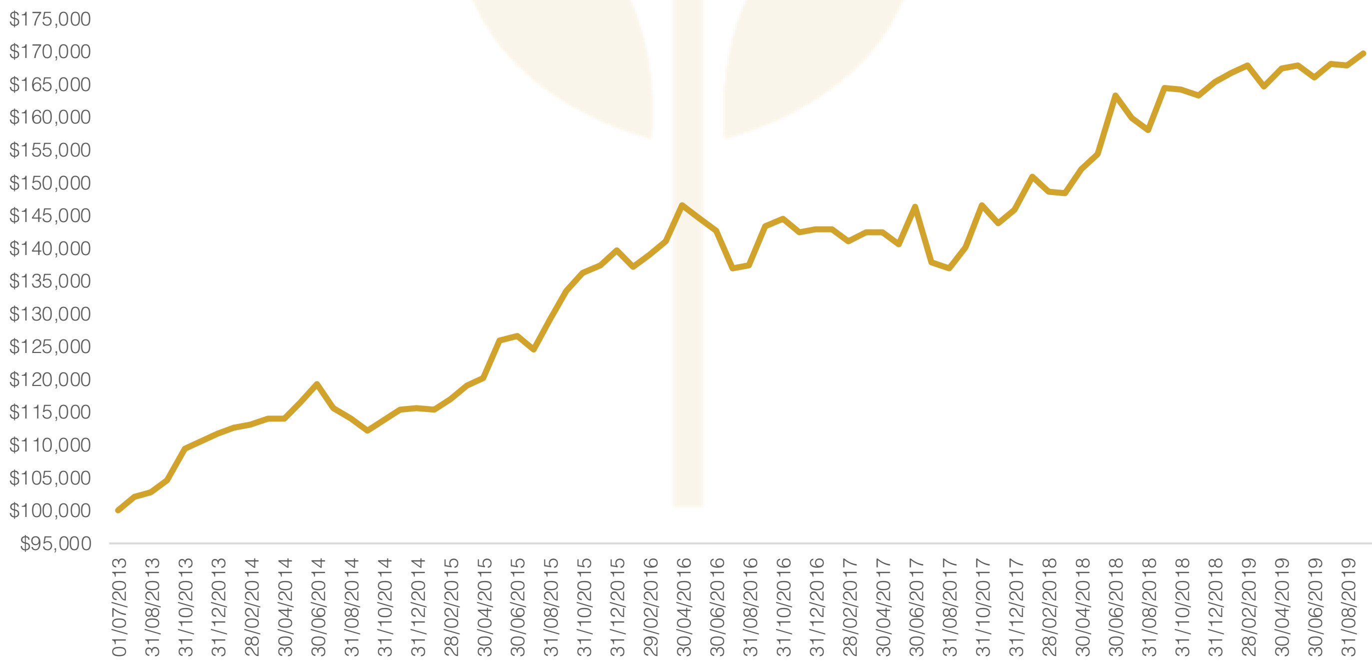
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	69.72%	12.11%	57.61%
Trailing 5 year return p.a.	8.62%	1.75%	6.87%
Trailing 3 year return p.a.	5.80%	1.47%	4.33%
Trailing 12 month return	3.23%	1.35%	1.88%
Trailing 3 month return	2.17%	0.25%	1.92%
Trailing 1 month return	1.10%	0.08%	1.01%

* 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%										2.17%

Growth of $100,000 Since Inception



Manager Commentary

The Absolute Return Fund closed out September with a pleasing 1.10% return to continue the positive run of this financial year. Another eventful month has seen further exciting opportunities emerge for the Fund, which has also found itself with more opportunities than available cash at this point in time. An enviable problem to have, the Fund finished September almost fully invested. Several full-sized positions in late stage transactions (most with bonus franking credits attached) are due to complete throughout October and early November, which should see a significant percentage of the Fund converted back to cash.

Two deals in Ruralco Limited (RHL.ASX) and Kidman Resources (KDR.ASX) completed very much as expected, with cash proceeds recycled straight back into other opportunities. Although delivering a decent return throughout the holding period, we were slightly disappointed that KDR failed to attract a competing proposal. The interest from Wesfarmers was widely speculated to pique the interest of some other large Australian miners looking to increase their exposure to lithium, however Wesfarmers was left alone in its (ultimately successful) pursuit, probably in no small part because the lithium price has fallen heavily since the deal was first announced.

In contrast, OPTrust burst onto the stage when it lodged its counter proposal for Pacific Energy (PEA.ASX), trumping QIC's $0.975 per share offer with its own priced at $1.085. OPTrust's proposal came six weeks after QIC's initial offer was first tabled, catching the market off guard as hopes of a counter had died down. With OPTrust's offer clearly a superior proposal, a matching right process was triggered through which QIC agreed to also lift its offer to a $1.085 equivalent. The limited conditionality (and bonus franking credits on offer) under the original proposal meant the Fund had established a comfortable full-sized position, and thus captured the full upside of OPTrust's counter; this was a significant contributor to September's positive result. Heading into October the QIC scheme remains on track to complete but there is a distinct possibility that OPTrust returns with another higher bid.

Echo Resources (EAR.ASX) found itself the target of Northern Star's (NST.ASX) $0.33 per share offer in the closing days of August. The offer was subject to standard conditions however the cooperation of the Echo board meant we were reasonably comfortable with the deal completing, and maybe even seeing another party enter the fray. However, following a lacklustre take up by shareholders (some of whom have been very vocal in declaring the bid opportunistic and undervalued) in the opening days of its offer, NST hit the accelerator and freed its offer from conditions. We now have a transaction on foot where our downside is protected at the $0.33 consideration and a disgruntled shareholder base agitating for a better offer. If the offer from NST is bumped, or a counter proposal was to emerge, we stand to gain significantly. If neither eventuates, our loss from here is negligible. We have positioned the Fund accordingly.

The Echo transaction is an example of one of our favourite types of transactions. The unconditional nature of the offer greatly reduces the potential downside whilst providing exposure to a potential counter bid or increase in consideration. It greatly skews the risk/reward of a particular transaction such that we can take large positions that deliver large returns if we're right, and minimal losses (if at all) if we're wrong .

Nor is Echo the only position subject to an unconditional bid - Azumah Resources (AZM.ASX) found itself in the cross hairs of its Joint Venture partner, Ibaera, who lobbed a wholly unconditional offer at $0.028 per share. In contrast to Echo, however, the bid is hostile with Azumah management strongly advising shareholders to take no action. Ibaera recently agreed to pay US$2.25m to earn a 4% stake in the Wa Gold Project, lifting its project equity from 42.5% to 46.5%. The earn-in agreement values the project at over A$83m on a 100% basis. AZM's 53.5% stake is therefore valued at just under $45m, or an equivalent $0.045 per share, a whopping 62% higher than Ibaera's unconditional offer. Add in the disclosure that Ibaera have more than enough firepower to fund the bid - even at fair value - and we have yet another opportunity to win big or lose very little.

Following the successful windup of the publicly listed Watermark Market Neutral Fund (WMK.ASX) earlier this year, and the current 8IP Emerging Companies Fund (8EC.ASX) liquidation, we are seeing further instances of boards and management looking to address significant discounts to net tangible asset backing observed in the market. Listed Investment Companies are prime candidates, however the opportunities extend beyond this to companies trading at large discounts to their cash backing.

Manager Commentary Continued

OneMarket Limited (OMN.ASX) is one such opportunity. Spun out of the Unibail/Westfield merger and listing in mid 2018, OneMarket started life on the ASX with a significant cash balance and a plan to aggressively grow the young business. More than twelve months later, large losses, a greatly diminishing cash balance, a business that by all accounts appears to be failing to gain traction, and a significant discount to actual cash backing, have all led the OneMarket board to propose that the business be wound up with excess capital returned to shareholders.

The proposal is very much in its early stages and thus there are still several factors that could impact the total amount of funds to be received on windup. Market commentary suggests some shareholders are hopeful of receiving between $1 - $1.10, whilst our internal modelling suggests it could come in even higher than this. Having traded as low as $0.67, the shares finished September at $0.935 following news of the windup. There remains a meaningful discount to the potential terminal value to be received, and we will continue to monitor the proposal and adjust our positioning as new information comes to hand and we are able to narrow down the range of potential outcomes. A supportive shareholder base should see the windup ratified. We are also looking for similar opportunities elsewhere in the market.

Finally, deals structured with varying forms of consideration (all cash, all scrip, or a mix) have seemingly proved to be an additional source of alpha for the Fund this year. First, the embedded optionality in the Xenith IP Group (XIP.ASX) scheme of arrangement saw us crystallise value well above the headline $2.15 per share. We now seem set to reap similar benefits from Sandfire's acquisition of MOD Resources (MOD.ASX). The scheme is set to complete in mid to later October with the default consideration set at 0.0664 SFR shares for every MOD share held at a headline value of $0.45 per MOD share. Recent weakness in SFR shares has seen the implied value of the scheme of arrangement fall, with a corresponding fall in the MOD share price. A cash option of $0.45 was also made available subject to a maximum amount of cash being paid out, which we elected. Based on the cash elections announced to market in late September we had expected a small scale back in our cash entitlement (with the shortfall in consideration to be made up in Sandfire scrip). However, developments since have led us to revise our expectations and we now think there's a good chance we will get the full amount of cash for each of our MOD shares.

The fund had originally hedged its position in MOD with a rather cautious approach to expected scale backs under the cash consideration. We have accordingly unwound a significant portion of the hedge to better align our position with the estimated scale back ratio announced late in the month. Should we receive our expected full allocation of cash with no scale backs, it marks a great transaction where we have made a profit on both legs of the trade to deliver a return above the headline price; the weakness in SFR scrip has seen us crystallise a current net profit on the short side of transaction on top of the expected $0.45 in cash proceeds for each of our MOD shares. Understanding the embedded optionality in varying deal considerations has been key to realising this excess value,.

In all it was a pleasing month for the Fund and an even more exciting outlook. We look forward to next month's reporting on events in October.

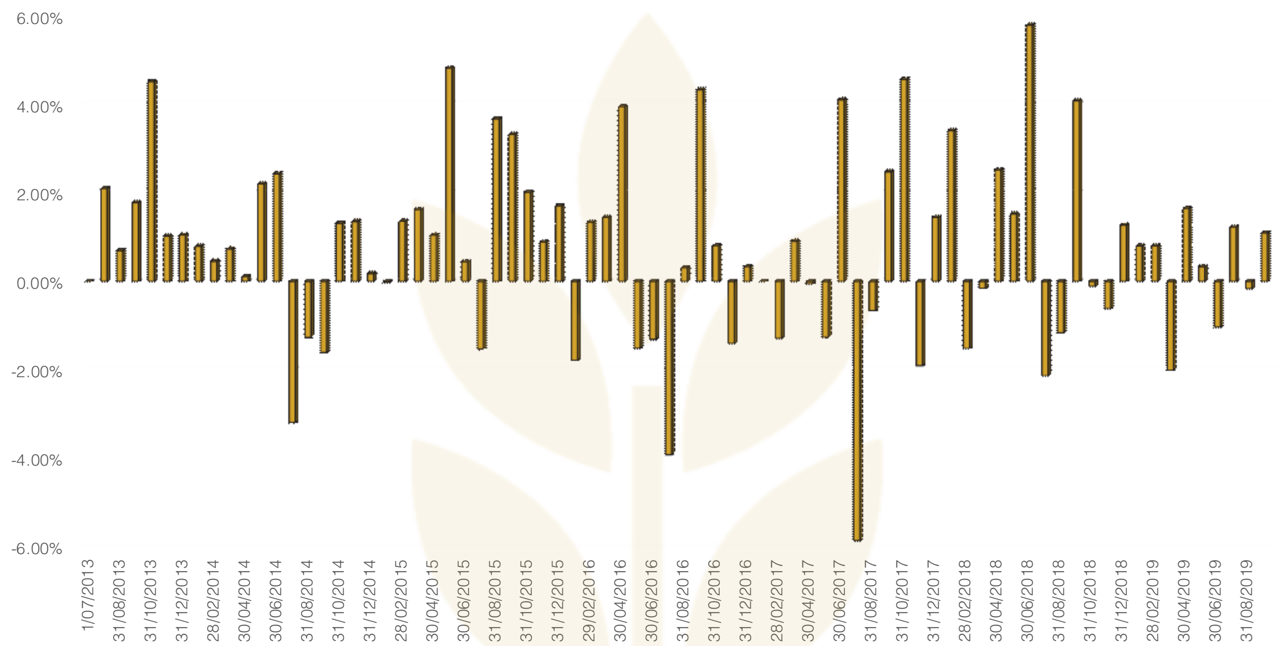
Kind Regards,

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
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	65.33%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.29%
Sortino Ratio	1.910
Sharpe Ratio	1.063
Correlation with ASX200 Accumulation Index	0.020
Beta	0.014
FY19 Distribution	0.0000

[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.
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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 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