Absolute Return Fund
August 2020 Update

	NTA
Unit Price - 31/08/2020	0.9290

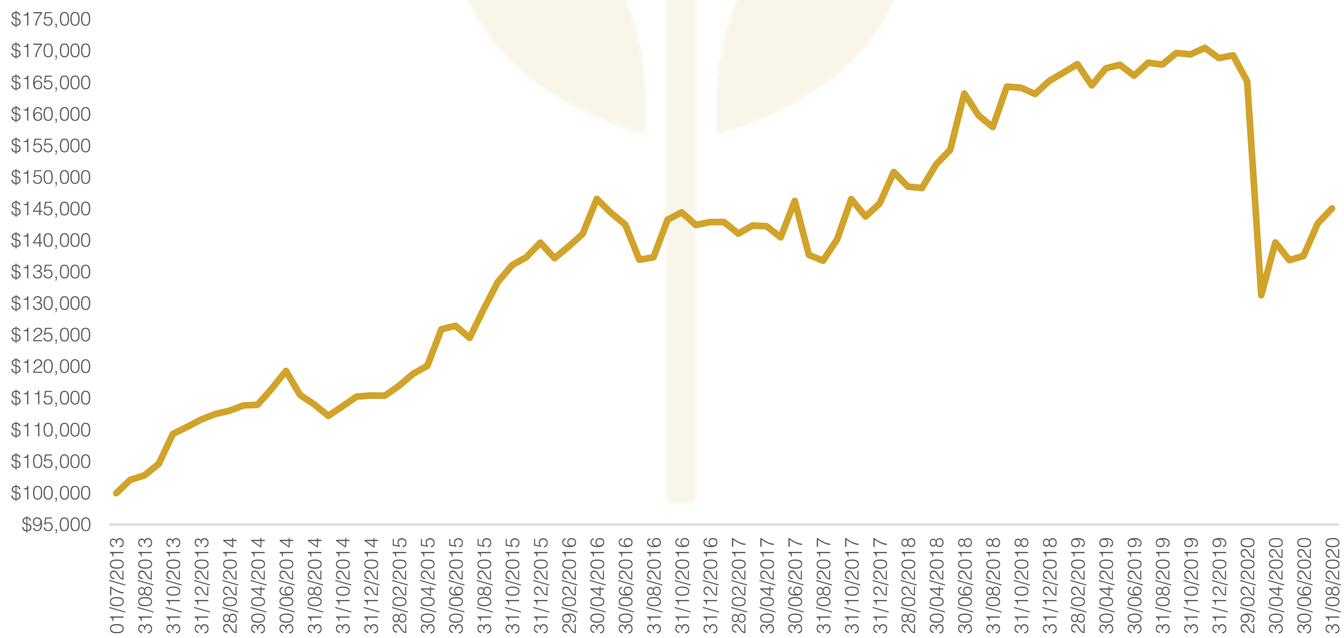
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	45.09%	12.55%	32.54%
Trailing 5 year return p.a.	2.35%	1.39%	0.96%
Trailing 3 year return p.a.	1.98%	1.14%	0.84%
Trailing 12 month return	-13.58%	0.52%	-14.10%
Trailing 3 month return	6.00%	0.06%	5.94%
Trailing 1 month return	1.66%	0.02%	1.64%

* 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%	-0.15%	0.61%	-0.94%	0.27%	-2.42%	-20.52%	6.37%	-2.02%	0.50%	-17.19%
FY21	3.75%	1.66%											5.47%

Growth of $100,000 Since Inception



Manager Commentary

August for Australian equities typically means one thing: reporting season. It has been one of the most anticipated reporting seasons in recent years given it was the opportunity to quantify the impact of COVID-19 on company earnings. As a result, we saw a lull in corporate activity during the month while the market paused to assess the damage, and if the 2.83% return posted by the ASX200 Accumulation Index (XJOAI) is anything to go by, it would appear things weren't as bad as many market observers may have expected. The portfolio enjoyed a positive return of 1.66% for August, albeit largely due to events unrelated to the broader market moves.

This pause in corporate activity didn't last long however and we have already witnessed a flurry of activity in the first week or so of the new month. Most pleasingly, this has benefited a number of our existing positions and, whilst there is still some way to go, September is already shaping up nicely as far as the portfolio is concerned.

One of the most interesting transactions we witnessed in August was announced on the final day of the month when Abano Healthcare (ABA.NZX) advised shareholders that it had successfully renegotiated a scheme of arrangement with private equity firm BGH Capital, the same bidder who walked away from a NZ$5.70 per share transaction in March by relying on a Material Adverse Change (MAC) clause to exit the deal. The revised deal was struck at a lower headline price of NZ$4.45, but a key condition of the deal, to the benefit of Abano shareholders, was that the new deal *could not be terminated due to a material adverse change*. This follows a similar renegotiated transaction from compatriot Metlifecare Limited (MET.NZX) who also accepted a lower offer price of NZ$6 (down from NZ$7) in July in exchange for a deal structure that was considerably less risky for Metlifecare shareholders the second time around.

For Abano shareholders there is a caveat; certain material adverse events can reduce the consideration payable by up to $0.75 for a floor price of $3.70 per share. Still, it seems that these revised deal structures may be the silver lining to the events of the last six months. The lack of enforceability and shareholder protections under Schemes of Arrangement became glaringly obvious as bidder's walked at will after COVID-19 struck. It would seem there is now meaningful change in the way target companies approach these transactions to bring the balance of power back to more even footing. More of it, we say.

Zenith Energy Limited (ZEN.ASX) concluded its draw out transaction with a private equity consortium, with shareholders waving through the scheme of arrangement after the price was lifted $0.04 to $1.05 in July. Part of the proceeds came via a fully franked special dividend that pleasingly delivered value above the headline price. Elsewhere, Alt Resources Limited (ARS.ASX) also came to a natural conclusion with bidder Aurenne reaching the 90% compulsory acquisition threshold. The majority of the portfolio's position was picked up at a substantial discount to terms and thus provided an excellent return relative to the risk.

Excelsior Capital Limited (ECL.ASX) sparked to life on the back of some good old fashioned shareholder activism. ECL's operations currently consist of an investment portfolio and electrical equipment manufacturing; two separate and distinct businesses that share no logical overlap under the Excelsior group. The investment portfolio has been a poor performer and the electrical business (CMI) is arguably worth far more than its current book value (and the share price) attributes to it. Both of these points came to the attention of a consortium of investors looking to capture latent value for all shareholders.

A section 249D was served by the consortium seeking to call a vote to sell CMI and return the proceeds to shareholders via a special dividend to make the most of the company's hefty franking credit balance. Based on comparable transactions, a median of 5.5x EBITDA would value the business at around $1.80 per share. Rebased to the Legend Corporation (LGD.ASX) transaction executed last year at an 8.2x EBIT multiple sees the implied value of CMI closer to $2.15, noting CMI has historically exhibited higher EBIT margins. ECL shares started the month at $1.21.

The section 249D was dismissed by ECL board as invalid on the basis that asset sales are at the discretion of the board and not shareholders, however the board did acknowledge that they had already commenced a review process to potentially divest the CMI business. The activist consortium changed tack and lodged another section 249D, this time requesting the entire company, investment portfolio and all, be wound up. The 249D will be honoured, and a meeting called over the next month.

Manager Commentary Continued

With Executive Director Leanne Catelan holding in excess of 50% of the register, any successful resolution requires her to play ball. The financial accounts published late in the month also show the vast majority of the investment portfolio had been converted to cash. It would seem there is more to play out in this holding yet.

In all, a pleasing month and by all accounts September is shaping up to be the same. We continue to make progress clawing back the portfolio's recent underperformance and are genuinely encouraged by the level of corporate activity we are currently witnessing. We look forward to providing further updates in due course.

Regards,

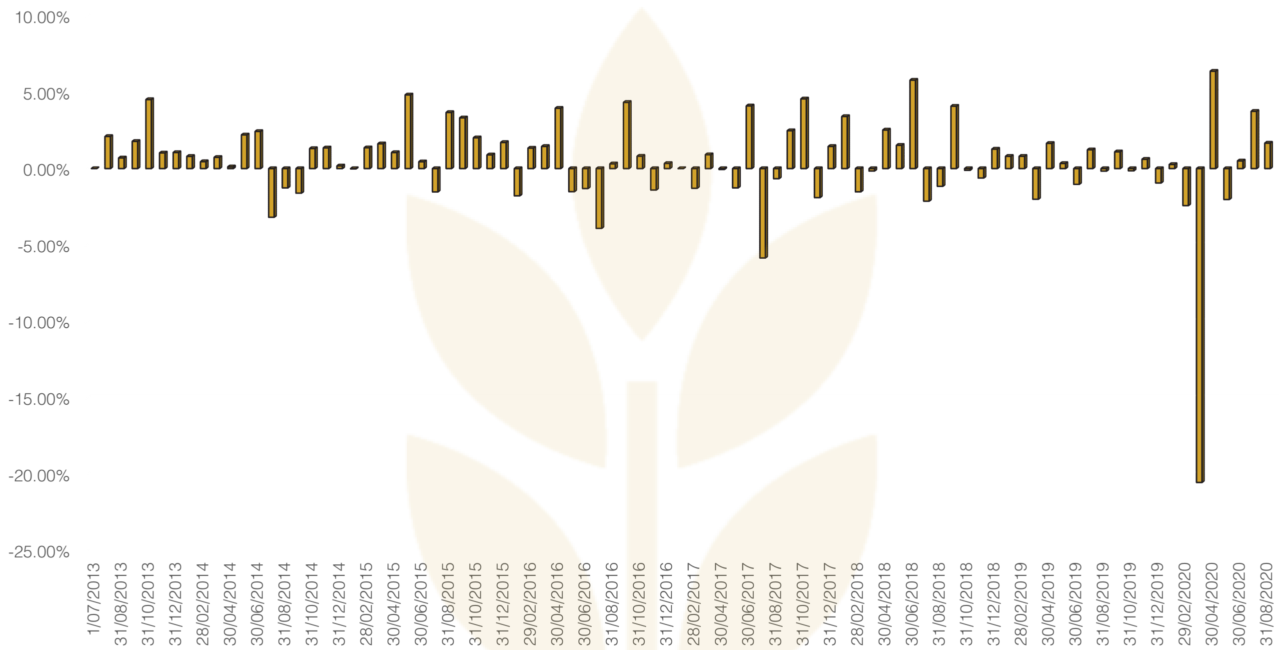
Luke Cummings

Chief Investment Officer and Managing Director

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

Absolute Return Fund
August 2020 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]	5.26%
Average Monthly Return (since inception)	0.49%
% Positive Months	63.95%
Best Positive Month	6.37%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.87%
Sortino Ratio	0.590
Sharpe Ratio	0.468
Correlation with ASX200 Accumulation Index	0.496
Beta	0.389
FY20 Distribution	0.0012

[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 - 30/06/2020) 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 return/risk 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 the RBA Cash Rate 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 16 December 2019 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.