Absolute Return Fund
April 2021 Update

	NTA
Unit Price - 30/04/2021	1.1623

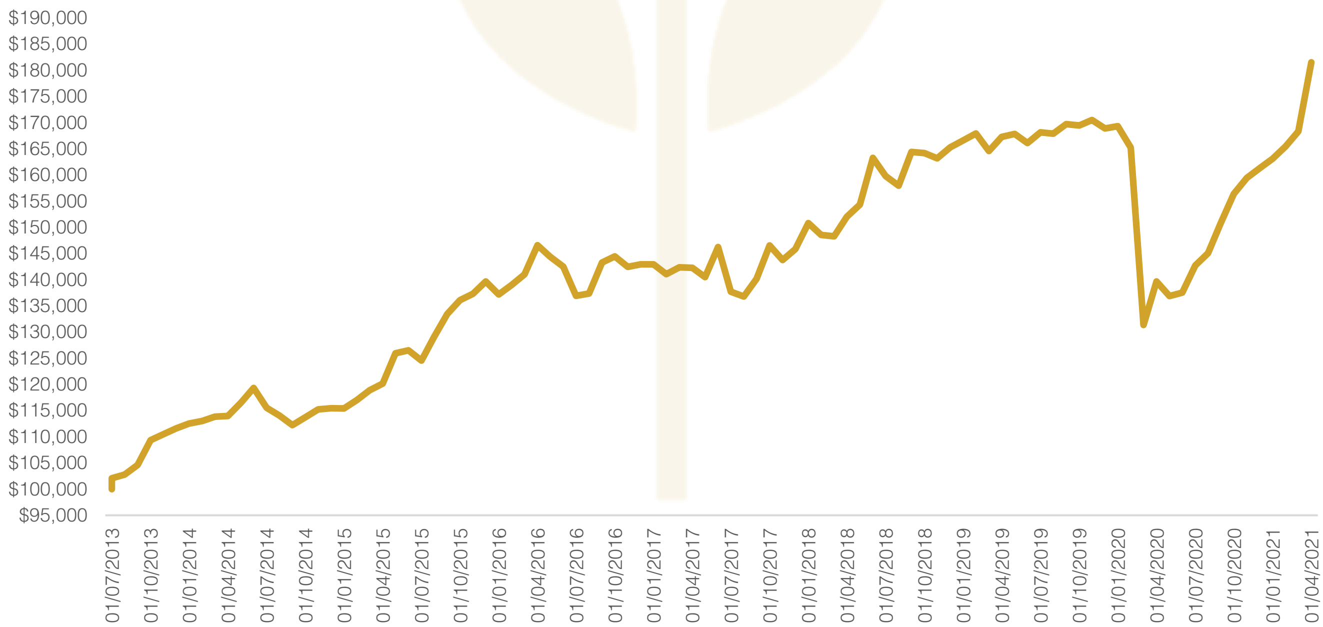
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	81.52%	12.64%	68.88%
Trailing 5 year return p.a.	4.36%	1.15%	3.22%
Trailing 3 year return p.a.	6.08%	0.84%	5.25%
Trailing 12 month return	29.94%	0.18%	29.76%
Trailing 3 month return	11.29%	0.03%	11.26%
Trailing 1 month return	7.83%	0.01%	7.82%

* 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%	4.06%	3.61%	1.94%	1.18%	1.10%	1.46%	1.73%	7.83%			31.96%

Growth of $100,000 Since Inception



Manager Commentary

This month's performance can be summarised by just one word: counterbids.

These are some of the best conditions for mergers and acquisitions we have seen for some time, and market expectations are that there's plenty more to come. Deal completion rates are high and revised offers and counterbids are the norm rather than the exception. It is a stark contrast to what we saw eighteen to twenty four months ago. It's unsurprising, then, that the bulk of this month's return can be attributed to counterbids and revised offers amongst multiple portfolio holdings.

As foreshadowed in last month's newsletter, Think Childcare (TNK.ASX) was a big beneficiary of an increased offer from trade buyer Busy Bees. Market prices had moved beyond Busy Bees' $2.10 offer on the back of an earnings beat and communication of a clear pipeline to almost double earnings over the next three years. Busy Bees returned to the negotiating table in early April, bidding against itself when it lifted its offer to $3.20 per share inclusive of a potential special dividend of $0.34. The offer remains non-binding, however we are comfortable that the deal will progress to binding following a short period of due diligence through to the middle of May. Inclusive of franking credits, total value to be received is expected at $3.345. There are still compelling returns on offer against a closing share price of $3.09.

Similarly foreshadowed last month, the contest for Vitalharvest Freehold Trust (VTH.ASX) marched ever onwards and continues into May - not bad for a deal that was originally scheduled to close in March. As we have learnt time and time again, it is never over until it's over. We entered April with a best offer of $1.145 inclusive of a distribution payable, and we closed out the month with the highest bid at $1.285.

The typical premium for control offered under takeover transactions is around the 30% mark. MIRA's original offer of $1 per share was a 27.4% premium, and we have since added a further 28.5% on top. We typically only enter a position once a deal has been announced and therefore miss a substantial portion of the control premium. In this case, the protracted contest between MIRA and Roc Capital has allowed us to capture the entirety of an equivalent premium.

MIRA has a strong appetite for acquisitions with live deals for other ASX listed targets in Vocus Group (VOC.ASX) and Bingo Industries (BIN.ASX), while Roc Capital has an industry superfund in its corner evidently willing to pay ever higher prices to own the underlying agricultural assets. Neither party has waived the white flag yet and we'd love nothing more than to report in next month's newsletter that the contest has spilled over into June.

In an agreed scheme of arrangement, there are typically exclusivity agreements negotiated that prevent target companies from soliciting other offers. Vistra's scheme with Mainstream Group (MAI.ASX) included a "go shop" clause to go out and find a better offer if they could. For us, a mechanism like this in a deal is like a red flag to bull. Where MYOB Group pioneered the "go shop" clause in its scheme of arrangement several years ago (although failed to find a superior offer), Mainstream will forever stand as a case study as to how it is done properly. Vistra's binding $1.20 offer announced in March now seems woefully inadequate in hindsight.

SS&C muscled their way into the contest with a $2 per share offer, a whopping 67% premium to the existing agreed deal. Clearly superior, Vistra were offered their standard matching right but declined to take it up. SS&C must have thought they'd done enough, but it's never over until it's over.

Late in the month following an update showing strong growth in Funds Under Administration, an undisclosed third party emerged with a non-binding offer at $2.20. SS&C took up their matching right and added a sweetener, lifting to $2.25. Then, Apex Group appeared with an offer at $2.35 (with our working assumption being that this was a different bidder to the undisclosed party offering $2.20). SS&C promptly took up its matching right. A day later, Apex offered $2.55 per share in cash. And that's where it was left at month's end.

The silver lining for Vistra in being so overwhelmingly outbid is that they managed to secure themselves a call option over 20% of the register at the outset. Vistra are entitled to 50% of any profits above a share price of $1.35 under the call option deed. At current prices, it's a consolation prize anyone would love to have.

Manager Commentary Continued

McPherson's Limited (MCP.ASX) provided a trading update late in the month in an attempt to fight off Gallin's current hostile on-market takeover offer at $1.34, and in tandem revealed the receipt of a non-binding offer from Arrotex at a higher consideration of $1.60. The release of franking credits under the proposal is allowed via a special dividend, and subject to sufficient profit reserves somewhere in the consolidated group, we can see a pathway to an additional $0.14 of franking. Gallin is currently considering its options.

Redflex Holdings (RDF.ASX) had its offer sweetened from $0.92 to $0.96 despite the IER offering up a valuation well below the consideration. No doubt the sweetener has been offered to placate some disgruntled substantial shareholders and get the vote across the line. Tilt Renewables (TLT.NZX) received a counter offer even after running a competitive process over the last few months, and as a result of the winning party taking up their matching right, terms have been increased from NZ$7.80 to $8.10.

Finally, some of the unlisted holdings are bearing fruit. We have legacy positions held in Murray Goulburn Unit Trust (MGC.ASX), Onemarket Limited (OMN.ASX), and Salmat Limited (SLM.ASX). Each holding was essentially a cash box at the time shares were suspended from trade, with liquidation procedures in place to return the cash to shareholders. In each case, we established our positions at a discount to the cash balance. The vast majority of the cash balances for each have already been distributed (and in excess of our cost base), leaving us with a free look at any potential further proceeds to come.

Murray Goulburn enjoyed a favourable court ruling against its insurer, AIG. Communication from the liquidators in late November last year guided towards an additional $0.026 per share, and the upcoming payout of the insurance claim plus costs now with the favourable ruling has revised expectations upwards to further proceeds of $0.04 per share.

Onemarket has similarly guided up to a further $0.07 per share on top of the $1.08 it has already paid out. Any further distribution is expected to be paid towards the end of this year. Salmat is in process of finalising payments to creditors before the final liquidation. We had anticipated surplus funds around $0.018 per share, but based on the liquidator's most recent report, the cash balance is in excess of our expectations. Additionally, Salmat has been able to realise equity holdings in a separate unlisted entity that had been carried at nil value in Salmat's financial statements, and as such we are hopeful of receiving proceeds above our original expectations.

We remain optimistic that there is still plenty of opportunity to build on April's particularly strong performance. The M&A environment is buoyant, there is a lot of embedded value still latent in the portfolio, and new deals continue to be tabled each week. We are focused on maintaining recent performance and see no reason as to why it can't continue for some time yet.

Kind Regards,

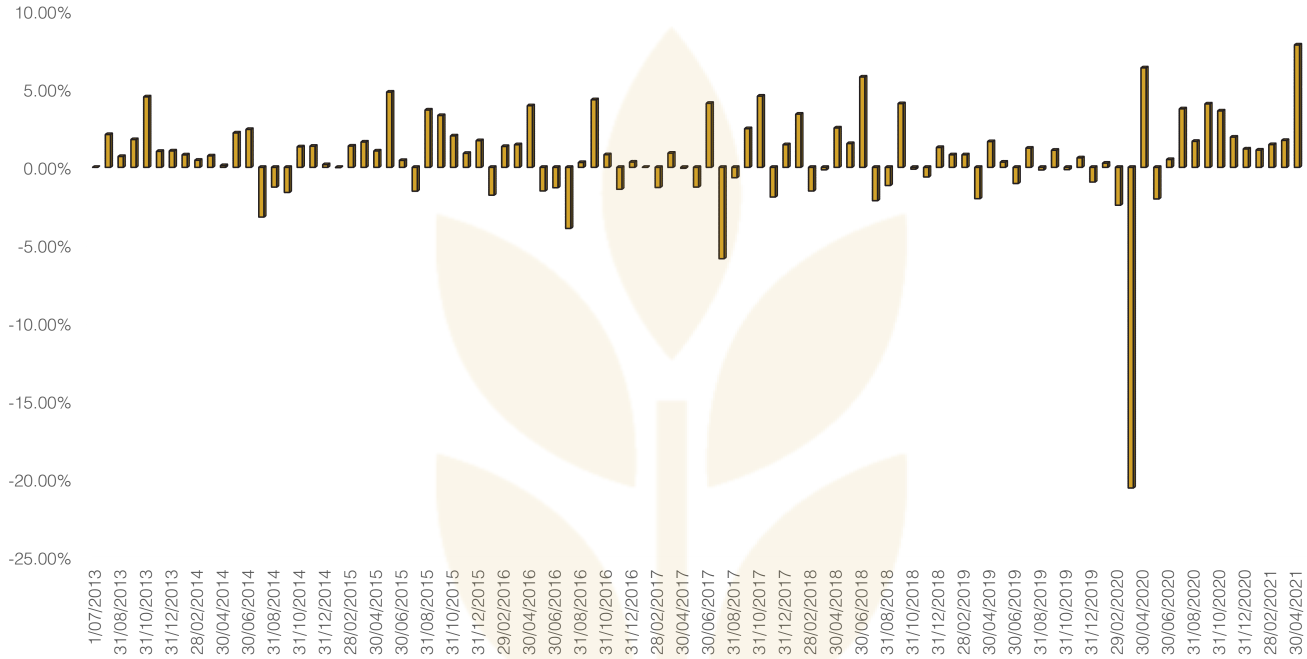
Luke Cummings

Chief Investment Officer and Managing Director

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

Absolute Return Fund
April 2021 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)	0.69%
% Positive Months	67.02%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.87%
Sortino Ratio	0.910
Sharpe Ratio	0.691
Correlation with ASX200 Accumulation Index	0.474
Beta	0.372
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