HARVEST LANE
ASSET MANAGEMENT

Absolute Return Fund
November 2022 Update

	NTA
Unit Price - 30/11/2022	1.3364

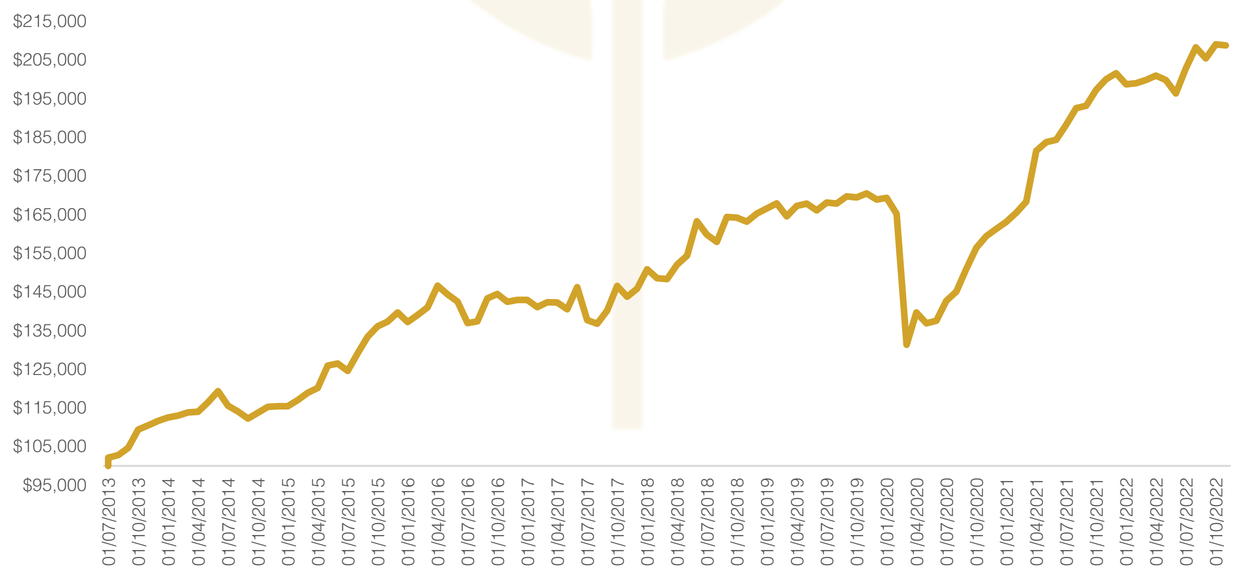
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	108.78%	13.76%	95.02%
Trailing 5 year return p.a.	7.74%	0.85%	6.89%
Trailing 3 year return p.a.	6.98%	0.51%	6.48%
Trailing 12 month return	4.36%	1.06%	3.30%
Trailing 3 month return	0.22%	0.65%	-0.43%
Trailing 1 month return	-0.13%	0.24%	-0.37%

* 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%	1.23%	0.34%	34.04%
FY22	2.11%	2.27%	0.33%	2.13%	1.39%	0.76%	-1.40%	0.12%	0.42%	0.57%	-0.55%	-1.74%	6.50%
FY23	3.31%	2.69%	-1.38%	1.76%	-0.13%								6.32%

Growth of $100,000 Since Inception



Manager Commentary

There was a fair bit of activity in what is usually one of the quieter months of the calendar year. October's trend of bids for beaten down tech stocks continued, with MSL Solutions (MSL.ASX) agreeing a binding deal with private equity firm Pemba Capital at a 64% premium to the prior close. Pemba popped up elsewhere as a substantial holder in Readytech Holdings (RDY.ASX), which found itself in receipt of a non-binding approach from Pacific Equity Partners looking to, at least initially, work with Pemba on the deal. Adveritas (AV1.ASX) caught the attention of a US suitor at $0.11 cash per share but the offer was swiftly rejected - no doubt due to a comparatively smaller control premium than other peers have enjoyed in recent months.

NEW Energy Solar (NEW.ASX) completed the sale of its entire portfolio, benefitting from a favourable AUDUSD swing since the transaction was first announced. Initially pegged at a $0.98 total payout, proceeds are expected to be closer to $1.025 all up. The portfolio received the first $0.80 per share distribution on December 1st.

US Masters Residential Property Fund (URF.ASX) formally issued a notice of conversion for the preference units (URFPA.ASX), removing some market scepticism preference unitholders would instead be made whole at ordinary unitholders' expense. Units in URF subsequently strengthened to claw back some of the price weakness observed in recent months.

A stalemate was broken in Aic Mines' (A1M.ASX) off market takeover for Demetallica Limited (DRM.ASX). Acceptances were sparse and Dematallica's board uncompliant, despite freeing the bid from conditions in late October, but November saw logic prevail - A1M improved the scrip ratio to a level sufficient to secure DRM endorsement and closed the month out on the cusp of the compulsory acquisition threshold. It delivered the portfolio a generous result for a safe, unconditional offer.

Suffice to say the portfolio and its constituents are tracking in line with expectations.

For all the activity across the market, the November M&A headlines were firmly focused on one (or technically two) deal(s). Pendal Group (PDL.ASX, target) and Perpetual (PPT.ASX, bidder) agreed to a cash and scrip merger back in August via a scheme of arrangement, and November's events surrounding the transaction are worth discussing in a little more detail given the impacts the outcome has for our broader strategy.

Since the deal was announced, Perpetual's share price had been under significant pressure falling from more than $30 to as low as ~$23. Shares suffered from a substantial increase in short interest, due to a combination of hedging the Pendal transaction and outright negative views on the merits of the merger. Sell side and media commentary focused on the idea a break up play of Perpetual would instead deliver better value for Perpetual shareholders than proceeding with the Pendal acquisition.

In November, a consortium comprising of Regal Partners and BPEA Private Equity made a non-binding offer to acquire Perpetual for $30 cash per share, conditional on the Pendal acquisition being terminated and structured precisely to extract value from breaking Perpetual up. With the small control premium offered and the Pendal deal already afoot, the offer was swiftly rejected, but there remained an overwhelming expectation that the consortium would return with a higher offer to force the Perpetual board's hand and engage under their fiduciary responsibilities. The consortium returned at $33 per share, were again rejected, but Perpetual conceded it had requested a delay to the Pendal acquisition in light of the developments. Translation: Perpetual were getting cold feet.

Schemes of Arrangement and Takeover Offers are governed by different law albeit with many commonalities. When things go to plan both transaction structures appear to work identically in achieving the same change of control outcome. However, Schemes of Arrangement afford target company shareholders fewer protections - a point this prescient article from Rodd Levy in the AFR elaborates on, and one we are acutely aware of through experience. Perpetual rightly has a fiduciary duty to consider all opportunities to maximise value for its shareholders, but the question is to what extent this obviates their legally binding, contractual commitments. The Scheme Implementation Deed Perpetual signed specifically stated they were not entitled to terminate the scheme to pursue an alternate transaction of their own.

Manager Commentary Continued

Perpetual, however, publicly maintained that it could walk by paying as little as $23m in liquidation damages (a ~1% break fee), should its fiduciary obligations require it to do so.

Without going too far down the rabbit hole, we saw a similar situation last year when Firefly Resources (FFR.ASX) and Gascoyne Resources (GCY.ASX) agreed to merge, before Westgold Resources (WGX.ASX) made an offer for Gascoyne conditional on the Firefly deal being scrapped. In that instance, Gascoyne relied on legal advice that it was unable to extricate itself from the deal. Westgold's offer lapsed with the conditions unable to be satisfied, and Gascoyne proceeded to acquire Firefly as originally envisaged. Importantly though, it was never tested in front of the Court.

Pendal and Perpetual, however, did seek clarification from the Court as to how the Scheme Implementation Deed would operate should Regal/BPEA firm up their proposal. The Court declared that should Perpetual exercise their fiduciary carve out under the deed, it did not exclude Pendal's right to seek specific performance. The declaration made it potentially significantly more costly for Perpetual to walk away from the deal, with that liability passed on to any prospective purchaser. Unsurprisingly, Regal/BPEA are yet to return with a higher offer for Perpetual in the time elapsed since.

It still remains a hypothetical at this stage. Without the Regal/BPEA offer formalising and a judicial decision sought, there is no case law to work off when another situation like this inevitably arises. It does, however, remind bidders of their legal obligations under contract law, and flags to target company boards that there are more remedies available to them than perhaps thought were a bidder to get cold feet. This transaction should reiterate the enforceability of Schemes of Arrangement and ultimately result in better target shareholder outcomes moving forward. One step towards levelling the playing field between Takeover Offers and Schemes of Arrangement.

Good news for us and our investors.

Kind Regards,

Luke Cummings

Chief Investment Officer and Managing Director

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

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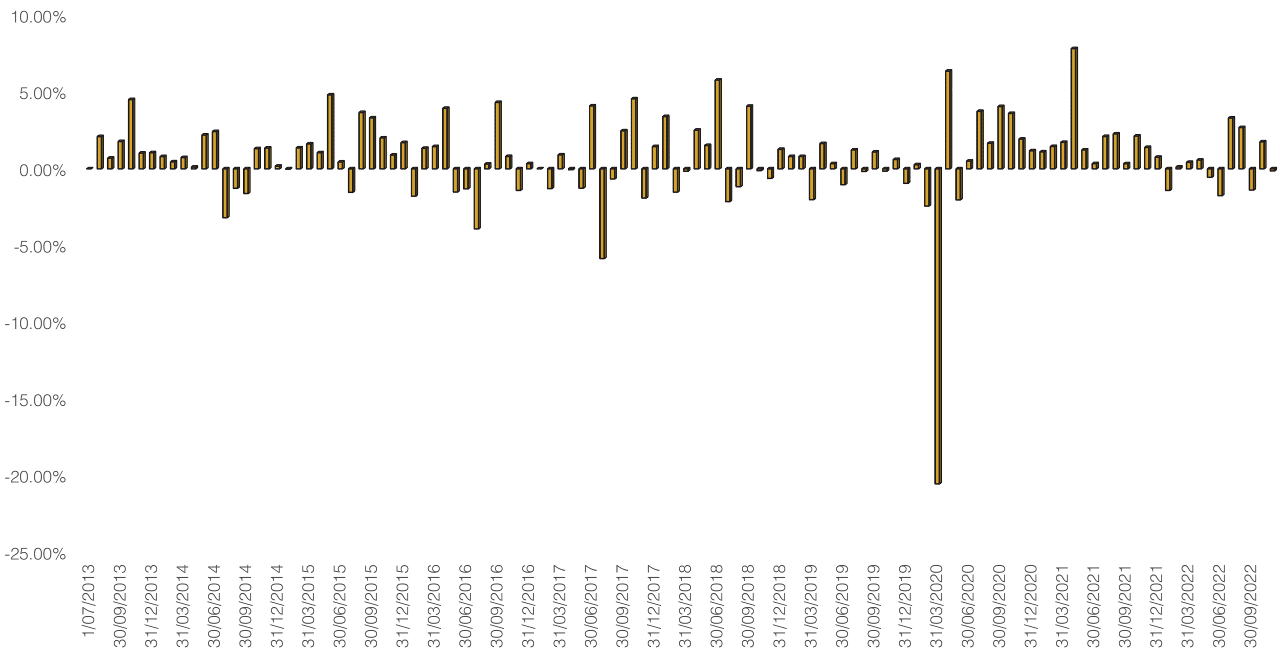
Monthly Returns History*



Fund Facts

Name	Absolute Return Fund
Structure	Retail daily priced unit trust
Inception	Monday 1 July 2013
Investment Objective	RBA Cash Rate + 6-8% (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
Responsible Entity	Equity Trustees Limited
Administrator	Apex Fund Services
Auditor	Ernst & Young
Custodian	J.P. Morgan Securities PLC

Portfolio Analytics

Average Full Financial Year Return[3]	8.59%
Average Monthly Return (since inception)	0.70%
% Positive Months	68.14%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	10.10%
Sortino Ratio	1.000
Sharpe Ratio	0.756
Correlation with ASX200 Accumulation Index	0.472
Beta	0.340
FY22 Distribution	Nil

[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 - 30/06/2022) 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. 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.

Target Market Determination

The Fund's Target Market Determination is available here. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

Disclaimer