HARVEST LANE
ASSET MANAGEMENT

2024 Year In Review

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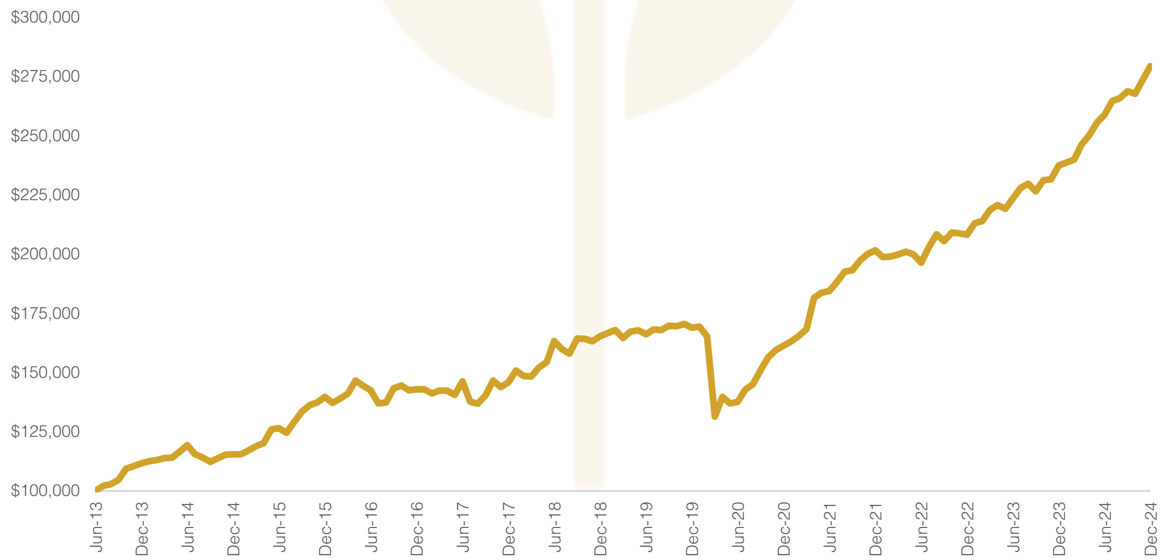
Absolute Return Fund 2024 in Review

Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Annualised return (since inception 01/07/2013)	9.34%	1.95%	7.39%
Trailing 5 year return p.a.	10.59%	1.99%	8.60%
Trailing 3 year return p.a.	11.49%	3.18%	8.31%
Trailing 12 month return	17.64%	4.35%	13.29%
Trailing 3 month return	3.94%	1.09%	2.84%
Trailing 1 month return	2.04%	0.36%	1.68%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
CY13							2.10%	0.70%	1.78%	4.51%	1.02%	1.05%	**11.64%**
CY14	0.80%	0.45%	0.73%	0.11%	2.20%	2.43%	-3.18%	-1.26%	-1.61%	1.31%	1.35%	0.18%	**3.42%**
CY15	-0.02%	1.36%	1.62%	1.05%	4.82%	0.45%	-1.53%	3.67%	3.32%	2.01%	0.90%	1.71%	**20.98%**
CY16	-1.78%	1.34%	1.45%	3.94%	-1.51%	-1.30%	-3.91%	0.31%	4.33%	0.81%	-1.40%	0.34%	**2.32%**
CY17	0.00%	-1.29%	0.91%	-0.06%	-1.26%	4.10%	-5.84%	-0.66%	2.47%	4.56%	-1.90%	1.45%	**2.06%**
CY18	3.41%	-1.52%	-0.16%	2.52%	1.52%	5.78%	-2.13%	-1.16%	4.08%	-0.11%	-0.62%	1.27%	**13.30%**
CY19	0.80%	0.81%	-2.01%	1.65%	0.34%	-1.03%	1.23%	-0.17%	1.10%	-0.15%	0.61%	-0.94%	**2.19%**
CY20	0.27%	-2.42%	-20.52%	6.37%	-2.02%	0.50%	3.75%	1.66%	4.06%	3.61%	1.94%	1.18%	**-4.48%**
CY21	1.10%	1.46%	1.73%	7.83%	1.23%	0.34%	2.11%	2.27%	0.33%	2.13%	1.39%	0.76%	**24.95%**
CY22	-1.40%	0.12%	0.42%	0.57%	-0.55%	-1.74%	3.31%	2.69%	-1.38%	1.76%	-0.13%	-0.30%	**3.26%**
CY23	2.36%	0.41%	2.21%	0.93%	-0.71%	2.00%	2.00%	0.76%	-1.40%	2.11%	0.13%	2.55%	**14.08%**
CY24	0.49%	0.53%	2.68%	1.58%	2.12%	1.28%	2.24%	0.45%	1.11%	-0.42%	2.28%	2.04%	**17.64%***

Growth of $100,000 Since Inception (assuming reinvestment of distributions)*



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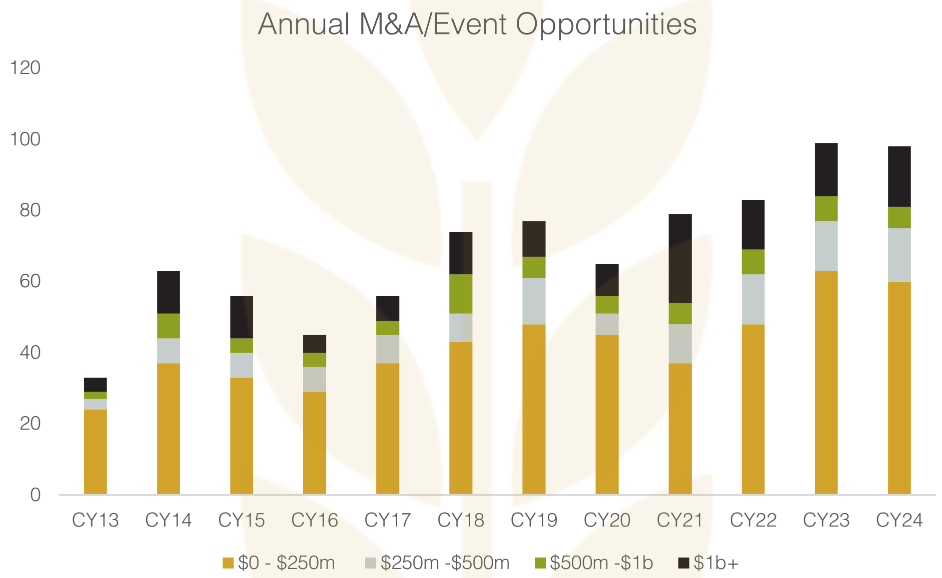
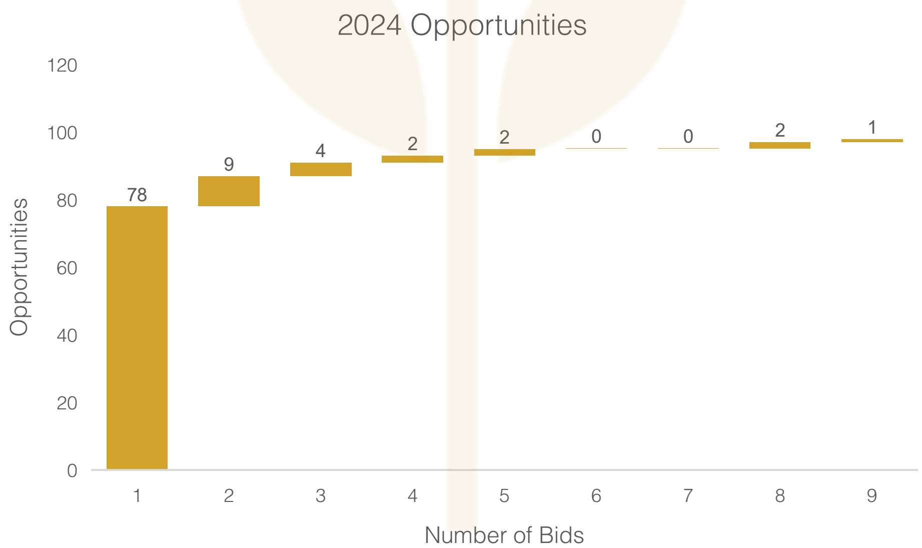
Manager Commentary

As we look back at 2024 it is pleasing to see that it was another good year for Australian M&A and broader corporate activity. Public market deal volume came close to eclipsing a blockbuster 2023 and against that backdrop The Harvest Lane Absolute Return Fund delivered a 17.64% net return for investors the 2024 calendar year. We think a great result.



Of the 98 new opportunities we came across, 20 saw more than one offer (whether through competitive tension or otherwise), which is actually slightly below the long run average of our data set at around 25% of deals. In contrast, we participated in only 58 of the new opportunities and yet still maintained exposure to 15 of the 20 contested ones (and don't think we missed much with the other 5!). A few opportunities from 2023 had bidding wars spill over into the new year, notably Namoi Cotton (NAM.ASX) and Pacific Smiles (PSQ.ASX), which certainly helped calendar year returns as well.



The numbers highlight that not all opportunities are created equal, and that the importance of a diligent screening process is two fold; aversion of deal breaks is a must for capital preservation, but also that a higher skew to competitive auctions can produce some wonderful outcomes.

Manager Commentary

We have gone back through our investor newsletters over the year and picked out some of the highlights from each month. It is by no means exhaustive of the opportunities we came across, but a reflection on where both process and outcome aligned in an otherwise broad and dynamic portfolio.

January 2024

Perseus (PRU.ASX) made a cleverly timed offer for Orecorp (ORR.ASX), taking advantage of a slump in the share price of rival bidder Silvercorp (SVM.TSX) which saw its implied consideration of their recommended scrip offer plummet. Cash is king in contested takeovers, and Perseus' final all-cash offer of $0.575 was enough to swing the board recommendation and the overall outcome. Orecorp was one of the top 10 investments for the fund for FY24.

February 2024

Another top 10 investment played out in February where Probiotec's (PBP.ASX) scheme implementation deed with Indonesian listed Pyridam headed towards completion. The $3 per share consideration, plus a $0.035 dividend payable in March and a further $0.04 dividend payable before June, represented a more than ~10% gross return from February's closing share price and close to ~40% annualised inclusive of franking credits. It was an attractive spread for a binding deal with minimal conditions (and, importantly, was not subject to any financing condition).

March 2024

Singaporean listed Olam Agri and Louis Dreyfus Company (LDC) got back in the ring again, some 17 years after their battle for Queensland Cotton Holdings (QCH.ASX) in 2007. This time Namoi Cotton (NAM.ASX) was in play and in March Olam came over the top of Louis Dreyfus with a non-binding bid for Namoi at $0.59 per share via a scheme, reverting to $0.57c per share if the scheme fell over. History started to rhyme. More was to come.

April 2024

Zhaojin Capital finally increased its bid for Tietto Minerals Limited (TIE.ASX) from $0.58 per share to $0.68, and Boral negotiated the release of franking credits under the Seven Group (SVW.ASX) offer via a special dividend (not bad considering the bid was already "best and final"). Including Perseus' existing offer for Orecorp Limited (ORR.ASX), all three transactions traded unconditionally in April and offered compelling returns for what was essentially risk-free opportunity.

Namoi Cotton Limited (NAM.ASX) got up to its 6th bid!

May 2024

A 'wind-up' or liquidation play took centre stage for the month of May (as we've talked about many times in the past, around 10% of our investments are special situation investments that are not takeover arbitrage).

Global Data Centre Group (GDC.ASX) was in process of divesting all assets and returning the capital to shareholders and progressed well during May. A sale agreement was executed for their interest in Etix Everywhere for A$175m, a 52% premium to the asset's $115m carrying value and evidently well above market expectations. After the sale of a Perth data centre, the last residual asset was a ~1% interest in Airtrunk, which was subject to one of the hottest sales processes of the year with a torrent of media coverage.

Having started the month at $2.25 per unit, Global Data Centre units closed out May at $3.04.

Manager Commentary

June 2024

The financial year was ruled off and the Harvest Lane Absolute Return Fund did well. The Fund posted 1.28% in June to close out FY24 with a 15.80% return net of all fees for the year, marking the Fund's third best financial year return since inception back in 2013.

Our position in Calima Energy Limited (CE1.ASX) was a strong contributor to returns during the month. The company sold its main operating asset earlier in 2024 and returned $80m from the sale, equivalent to $0.1263 per share from a total cash backing of roughly $0.135 per share. We were consistently able to pick up shares at a discount to the declared capital return proceeds and it wasn't until after the shares went "ex" in mid-June that the market attributed a positive value to the retained cash of $0.009 per share. Having invested on the metrics of the capital return alone, the value received for the stub was all cream.

July 2024

We were pleased to see long awaited ACCC clearance for Datasite's $220m takeover of Ansarada Group (AND.ASX) after the regulator saw no competition concerns from the proposed merger. Shares had been trading at a steep discount to deal terms over fears the ACCC may block the deal when it suspended its review back in May pending further information. Our channel checks indicated the delay was procedural rather than as a result of genuine competition concerns (and the ACCC had not even issued a *Statement of Issues*). Indeed, the bidder lacked presence in Australia and the provision of document hosting has low barriers to entry for competitors. Sanity prevailed and the discount to terms shrunk, making Ansarada a key contributor for the month.

August 2024

We saw Pacific Smiles Group Limited's (PSQ.ASX) scheme with National Dental Care sensationally voted down early in the month, but not before substantial de-risking ahead of the vote mitigated the impact to the portfolio. There had been many twists since the company was put in play nine months earlier and more came to light later in the year. Genesis Capital were obviously unlikely to be content sitting passively with its 19.9% interest.

September 2024

The contest for Namoi Cotton Limited (NAM.ASX) came to a head with LDC emerging victor. Facing further delays in receipt of regulatory approvals and therefore unable to reduce the conditionality of their offer, Olam increased from $0.70 to $0.75 per share as an incentive to hold off accepting LDC's unconditional bid at $0.67. It worked to preserve the auction for a while, but LDC ultimately responded by lifting to $0.77 conditional on Samuel Terry Asset Management's (STAM) 25% stake being tendered in. STAM were obliging, and Olam subsequently announced its withdrawal from the contest.

While obviously sad to see the auction come to a close, it was great result for a transaction that began almost twelve months earlier as a non-binding offer at $0.51. We hope there are many more like it in the years to come.

October 2024

Global Data Centre Group (GDC:ASX) guided to (and subsequently declared post month end) a $2.00 distribution to be received by the end of November, with the balance to follow once the AirTrunk sale completes. The market was pricing an 11.8% gross return on our numbers ($3.50 in proceeds from the October close of $3.13), however we thought that was too simplistic an equation that missed the actual opportunity.

Manager Commentary

Adjusting out the declared distribution of $2.00 for a true sense of actual "capital at risk", it was more like a 32.7% gross return ($1.50 in remaining proceeds on an adjusted $1.13 close). The annualised returns looked fantastic at an assumed six month timeline to receipt of cash proceeds.

For us, the risk and reward appeared dramatically out of sync and we positioned accordingly.

November 2024

November saw plenty of deal flow once the outcome of the US election was known, and many of them high quality opportunities to put cash to work.

ASDAM Holdings announced an intention to make a takeover offer for Quickstep Holdings (QHL.ASX) at $0.40 per share. Selfwealth Limited (SWF.ASX) announced receipt of a non-binding proposal from Bell Financial Group (BFG.ASX) at $0.22 cash per share with a scrip alternative, but the very next day was trounced by AxiCorp Financial Services announcing its own non-binding offer at $0.23. Bell and Selfwealth quickly agreed a binding deal at a revised $0.25 per share.

SG Fleet Group Limited (SGF.ASX) were forced to break cover on a $3.50 per share cash offer from Pacific Equity Partners that went binding subsequent to month end, while AVJennings Limited (AVJ.ASX) has opened up a dataroom for AVID after a non-binding $0.67 proposal.

December 2024

An early December update from Global Data Centre Group (GDC:ASX) revealed us as too conservative on our assumptions - pro forma NTA stands at $3.55 equivalent inclusive of a windup provision (vs our assumption of $3.50) and the AirTrunk sale completed within the calendar year. More cash and earlier than we expected, we'll take that every day of the week.

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In all, 2024 was another big year of transactions and opportunities, falling just short of the record set in 2023. We have seen various articles in the financial media predicting a "rebound" in M&A activity in 2025 even referencing 2023 as the "trough" of the M&A cycle. Such commentary is usually with reference to larger ticket transactions (with smaller ones overlooked) and investment bankers' fees tied to deal value rather than volume. For us, volume drives the opportunity set as our conscious decision to remain small and nimble means we can participate in transactions of all sizes.

Undoubtedly activity has been strong post COVID relative to the historical average, but we've also become better at finding opportunities. Continual refinement of the strategy and investment in infrastructure has increased our bandwidth to cast a wider net, analyse more opportunities, and filter for the most prospective of those.

If 2023 was indeed a trough and activity is expected to rebound from 2024 levels, then we are sure to be in for an active year ahead!

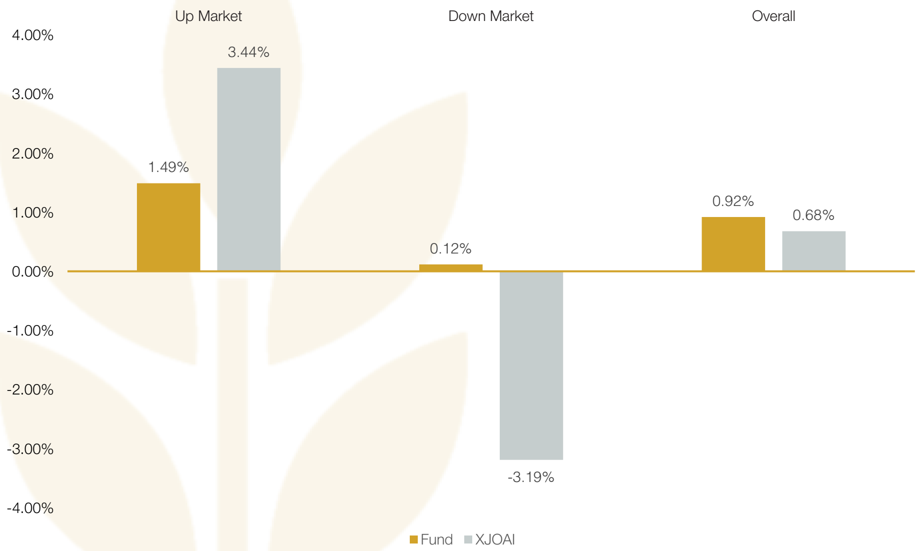
Kind Regards,

Luke Cummings, Ben Bailey, and Nic Sproats

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

Trailing Data and Capture Analysis (Three Year Rolling)*

Three Year Rolling	
Return (% p.a)*	11.49%
Annualised Volatility	4.70%
Beta	0.198
Sortino Ratio	1.095
Sharpe Ratio	1.692
Best Month	3.31%
Worst Month	-1.74%
Largest Drawdown	-2.29%



Fund Facts

Name	Absolute Return Fund
APIR	FHT0042AU
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 1.125%
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	Barrenjoey Markets Pty Ltd

Portfolio Analytics (Since Inception)

Average Full Financial Year Return[3]	9.72%
Average Monthly Return (since inception)	0.79%
% Positive Months	71.01%
Best Positive Month	7.83%
Worst Negative Month	-20.52%
Maximum Drawdown	-22.44%
Annualised Standard Deviation	9.31%
Sortino Ratio	1.070
Sharpe Ratio	0.814
Correlation with ASX200 Accumulation Index	0.465
Beta	0.321
FY24 Distribution	0.1060

[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 - 30/06/2024) 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 select merger arbitrage opportunities and other corporate events 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