

ACORN CAPITAL INVESTMENT FUND

INVESTMENT UPDATE
SEPTEMBER 2020



Acorn Capital Investment Fund Limited ACN 167 595 897

| | |
|-----------------------|-----------------------------------|
| ASX Code | ACQ |
| Date of Listing | 1 May 2014 |
| Shares on Issue | 53,623,042 [#] |
| NTA Before Tax | \$1.4714 |
| Share Price | \$1.23 |
| Market Capitalisation | \$65.96 million |
| Dividends | 7.5c [^] (fully franked) |
| Dividend Yield | 6.10% [*] |

Website www.ACQfund.com.au

[#] excludes shares to be issued under the entitlement offer announced September 14, 2020

[^] over past 12 months
^{*} implied on share price

Objective

The Objective is to create a diversified portfolio of listed microcap companies and then to invest opportunistically in unlisted entities that offer better relative value. The performance objective for ACQ is to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

Dividend Intention

ACQ intends to pay an increasing stream of dividends targeting at least 5% of closing post-tax NTA for each financial year, franked to the highest extent possible without the Company incurring a liability. This intention is subject to ACQ having sufficient profit and cash flow to make such payments.

Investment philosophy

The investment philosophy is based on a belief that there are pricing inefficiencies amongst emerging or microcap companies due to a lack of readily available external research conducted on such entities.

Acorn Capital believes that through a research driven investment process the pricing inefficiencies that exist in both listed microcaps and unlisted microcaps can be exploited to earn returns superior to those available in the broader market.

Unlisted microcap opportunities must be of better relative value on a risk-adjusted basis to displace existing listed portfolio investments in the corresponding sector.

Strategy

- Research-driven stock selection
- Economic sector diversified
- Style agnostic
- Long term investor
- Create diversified portfolios to reduce volatility

Manager profile

Established in 1998 Acorn Capital Ltd is a specialist Australian microcap manager

Monthly Update

In September 2020 ACQ recorded performance of +5.05% as compared to the S&P/Small Ordinaries Accumulation Index return of -2.82%. ACQ values listed securities using closing BID price. Valuing listed securities at LAST price would add \$0.0132 per share. During the month, ACQ completed an investment in Lumos Diagnostics (www.lumosdiagnostics.com) The ACQ share price increased from \$1.19 to \$1.23. The unlisted portfolio totals 22 investments.

Net Tangible Asset Backing Per Ordinary Share as at 30 September 2020 (all figures unaudited)

| | |
|---|--------|
| NTA before any tax effect | 1.4714 |
| NTA after tax excluding tax liability on unrealised gains | 1.4666 |
| NTA after tax | 1.3616 |

Performance as at 30 September 2020 (all figures unaudited)

| Period | 3 Months | 6 Months | 12 months | 2 years % p.a. | 3 years % p.a. | 5 years % p.a. | Since Inception % p.a. |
|---|----------|----------|-----------|----------------|----------------|----------------|------------------------|
| ACQ ¹ | +25.1% | +62.4% | +16.4% | +11.6% | +17.1% | +16.8% | +11.2% |
| Acorn Capital SIRCA Microcap Acc Index ² | +18.8% | +63.1% | +7.2% | +7.3% | +8.5% | +10.1% | +7.6% |
| S&P/ASX Small Ords Acc Index | +5.7% | +30.9% | -3.3% | +0.2% | +6.5% | +10.0% | +6.9% |
| S&P/Emerging Companies Index | +21.3% | +75.7% | +4.7% | +8.9% | +9.4% | +11.8% | +9.1% |

¹ Portfolio performance is unaudited and calculated as the movement in NTA before tax effects, which is post all management fees, performance fees and operating costs. Performance includes dividends paid and payable but has not been grossed up for franking credits received by shareholders. All figures are unaudited, and unlisted valuations are performed by Acorn Capital in accordance with ACQ Board approved policies.

² Acorn Capital / SIRCA Microcap Accumulation Index or Microcap Index data is verified three months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')

Portfolio Profile as at 30 September 2020

ACQ had 64%, 32% and 4% in listed investments, unlisted investments and cash, respectively. 64% of the unlisted portfolio was held in equity linked securities.

Equity linked securities include: convertible debt; debt with attaching warrants or options; preference shares; and similar instruments. Listed and unlisted investments are revalued in accordance with policies adopted by the Board of ACQ. ACQ unlisted investment valuations are reviewed monthly. Ordinary equity investments will generally be adjusted by movements in the relevant industry sector movement in Microcap Index² on a monthly basis to assist in reflecting market movements. Valuations of equity linked securities are reviewed monthly to determine whether market movements result in an impairment in the security held. Equity linked securities held in the portfolio are typically less correlated with market movements.

Top 10 Stocks as at 30 September 2020

The ACQ Investment Portfolio held 81 stocks as at 30 September 2020. The 10 largest stock holdings within the ACQ Investment Portfolio were:

| Company | Portfolio Weight |
|--|------------------|
| 1. CleanSpace Holdings (UL) | 8.2% |
| 2. Moula Money Pty Ltd (UL) | 7.4% |
| 3. Aroa Biosurgery Limited | 5.8% |
| 4. Telix Pharmaceuticals Limited | 5.5% |
| 5. Redbubble Limited | 4.7% |
| 6. Shine Justice Ltd | 3.0% |
| 7. Carbon Revolution Limited | 2.6% |
| 8. Calix Limited | 2.5% |
| 9. Innovative Asset Solutions Group (UL) | 2.4% |
| 10. Flare HR Pty Ltd (UL) | 2.2% |
| Total | 44.3% |

Note: (UL) = unlisted investment

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