



ACORN CAPITAL

ACORN CAPITAL INVESTMENT FUND LIMITED

SEPTEMBER QUARTER 2018

ASX : ACQ



INNOVATION



EFFICIENCY



GROWTH



DIVERSITY



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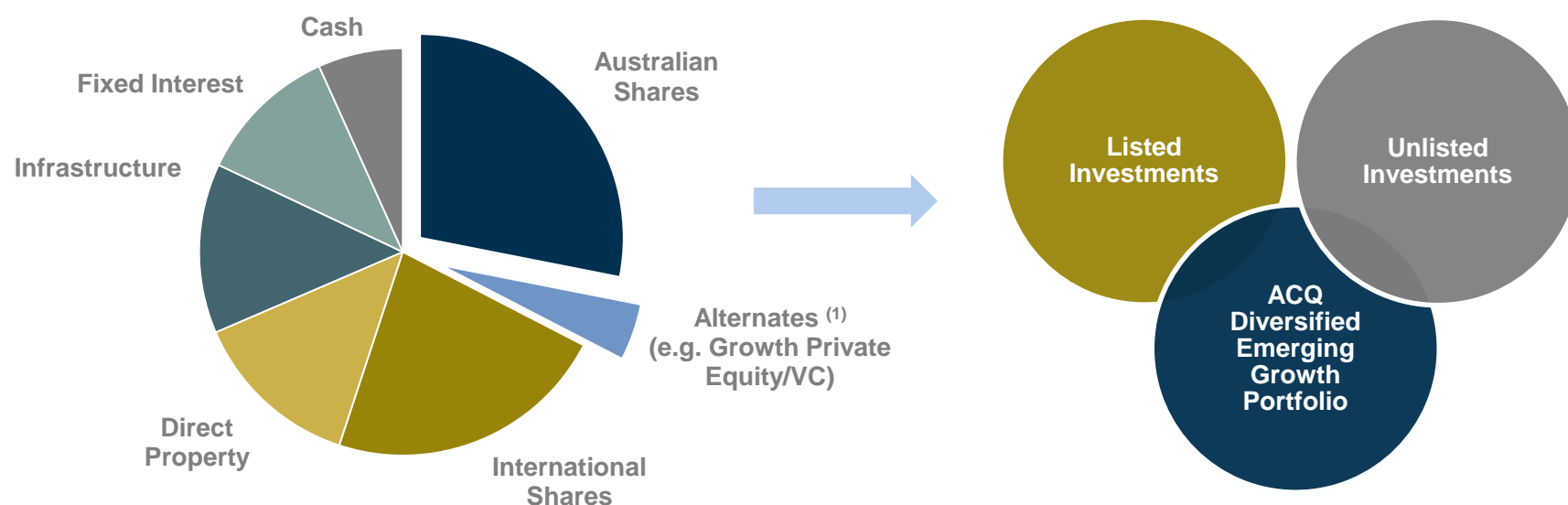
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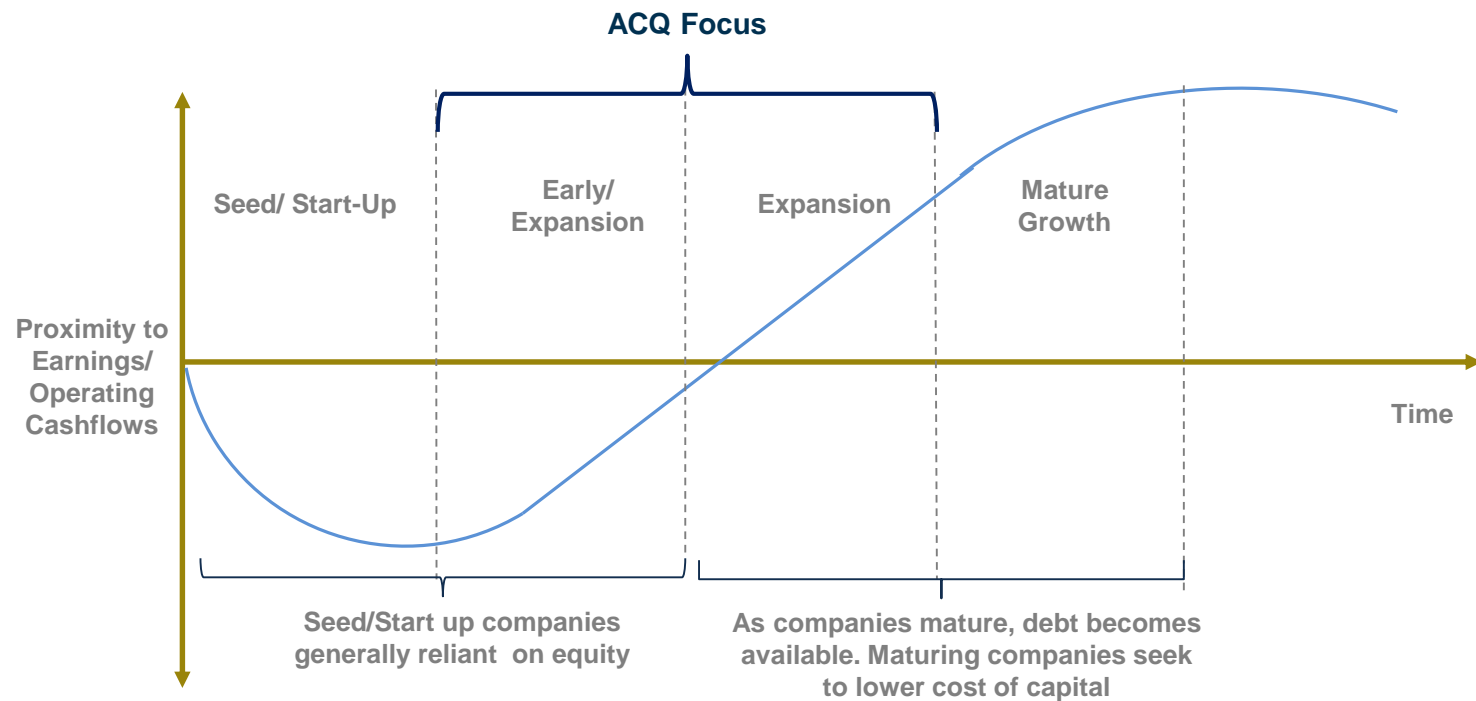


ACQ provides long term investors a differentiated and efficient platform to allocate capital to Emerging Companies





ACQ provides investors with access to innovation and entrepreneurialism in developing companies





Recent highlights

- For the quarter to 30 September 2018 the ACQ portfolio has returned +2.08%⁽¹⁾ as compared to the S&P/Small Ordinaries Accumulation Index of +1.10%
- On 27 August 2018 ACQ announced a 2018 final dividend of 3.5 cents per share, fully franked (@30%⁽²⁾) , payable 9 November 2018
- Annualised dividend cash yield based on current share price of 5.6%⁽³⁾
- ACQ Pre-Tax and Post Tax NTA as at 30 September 2018 were \$1.3996 and \$1.2898 respectively⁽⁴⁾
- As at 30 June 2018 ACQ has \$18.8m in its dividend reserve, which equates to approximately 5 years of dividend coverage assuming 7c per annum on current capital structure

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. ACQ anticipates a tax rate of 27.5% as it relates to dividends for the 2019 financial year

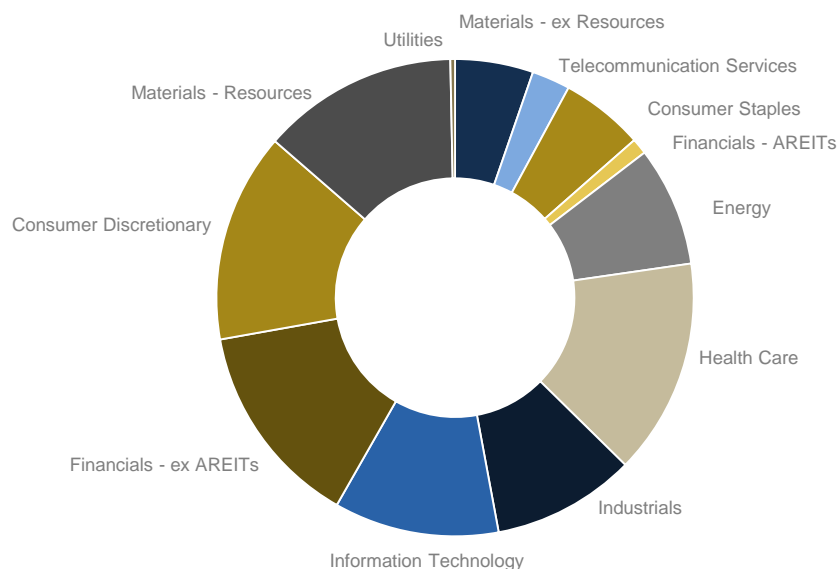
3. Based on a share price of \$1.25 as at 30 September 2018 and an annualised cash dividend amount of 7c per share

4. Unaudited

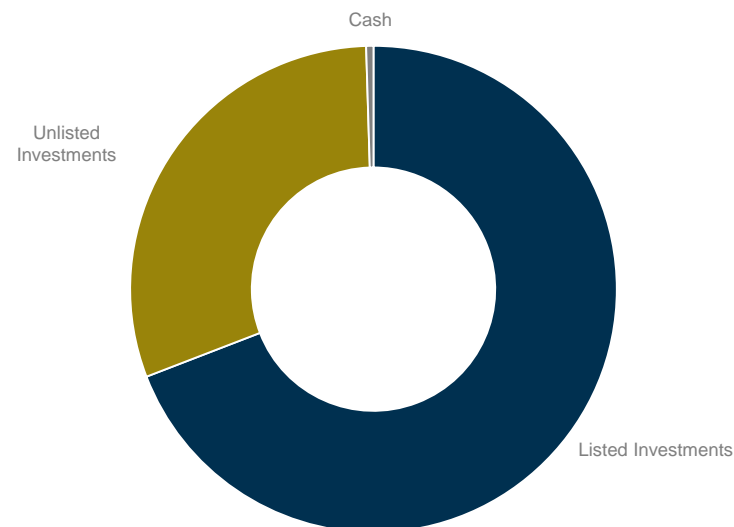


ACQ provides investors with a diversified exposure to Australian Emerging Companies

ACQ Sector Diversification



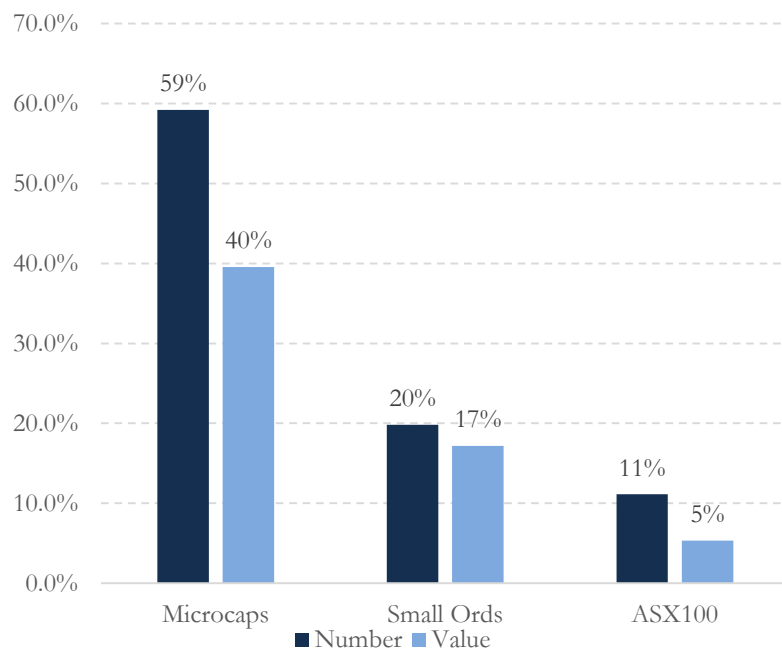
ACQ Portfolio Composition



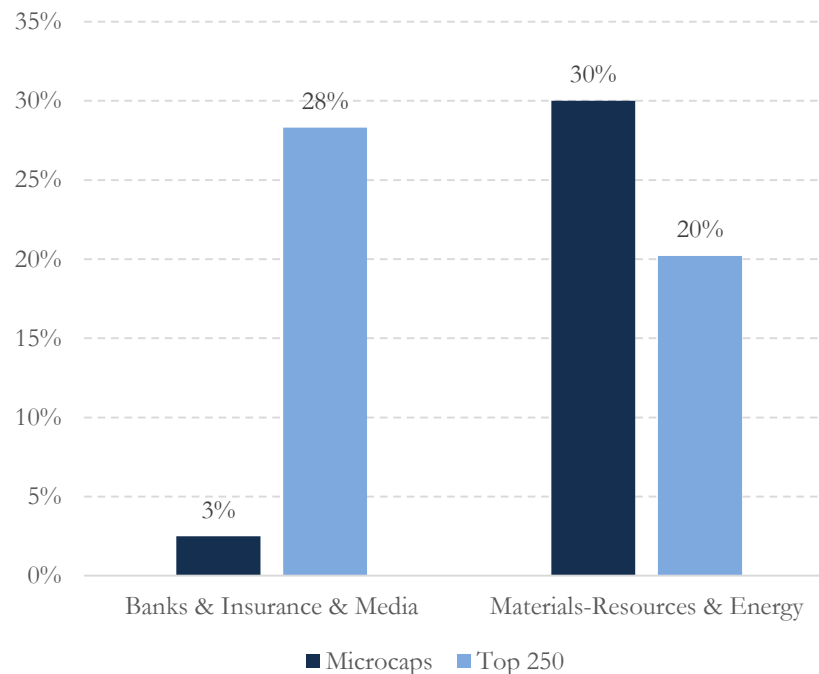


ACQ investment universe is compositionally different to that of larger capitalisation securities

Percentage of Developing ⁽¹⁾ ⁽²⁾ Companies



Industry Sector Exposure Comparison ⁽¹⁾



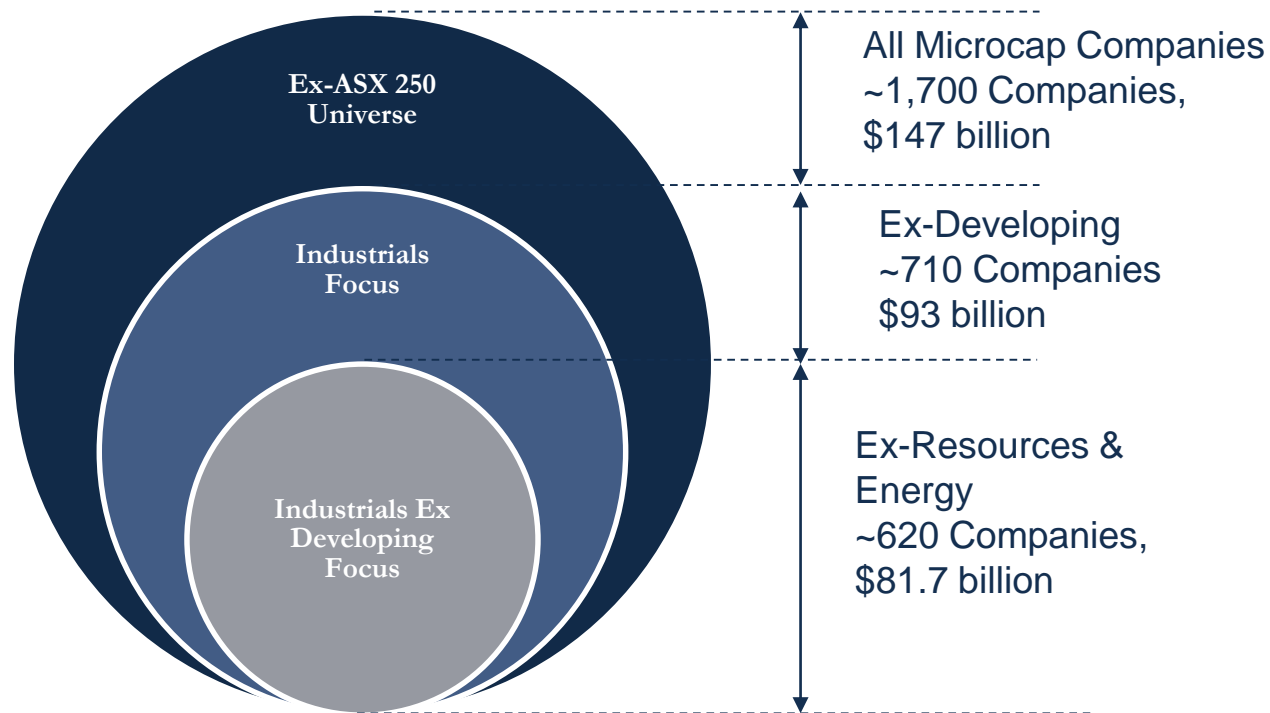
Source: Acorn Capital, as at 30 June 2018

(1) Calculated by number of companies using FactSet subject to data availability, (2) Developing companies are defined as those companies with revenues less than 10%



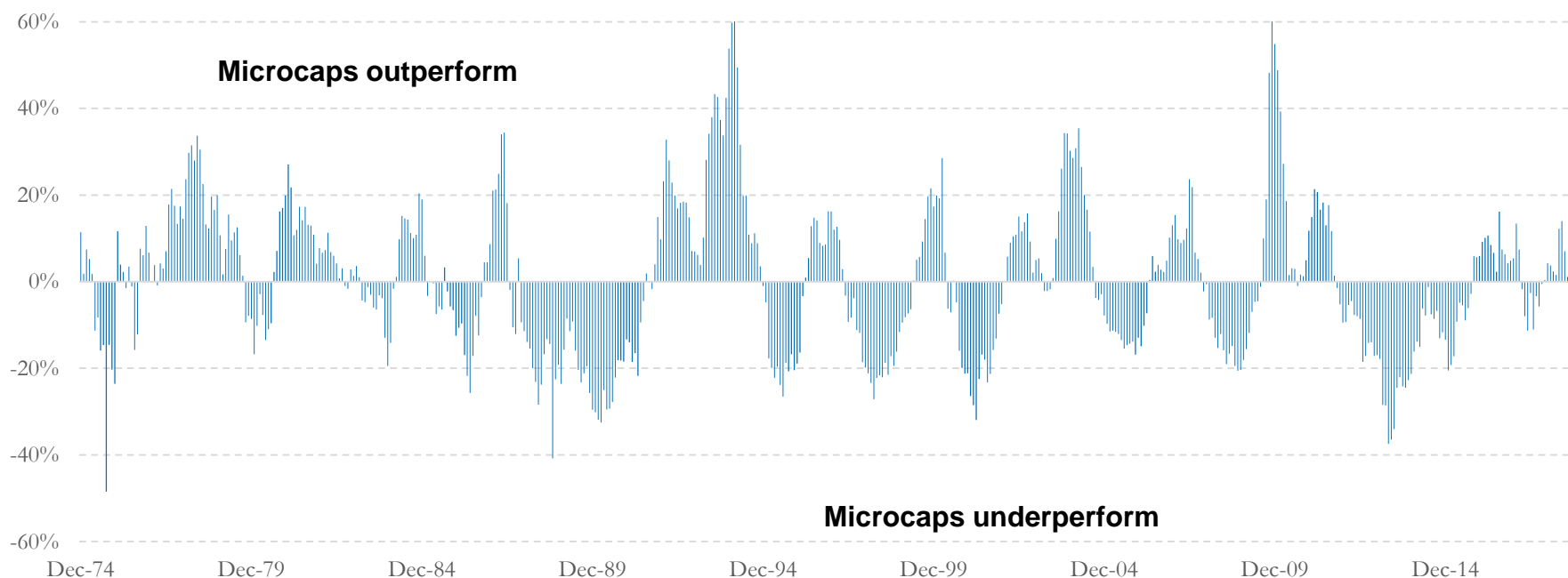
Acorn Capital seeks to identify the best available investment opportunities within industries in both public and private markets

Listed Emerging Company or Microcap universe requires a distinct capability in developing ⁽¹⁾ companies and Resources & Energy



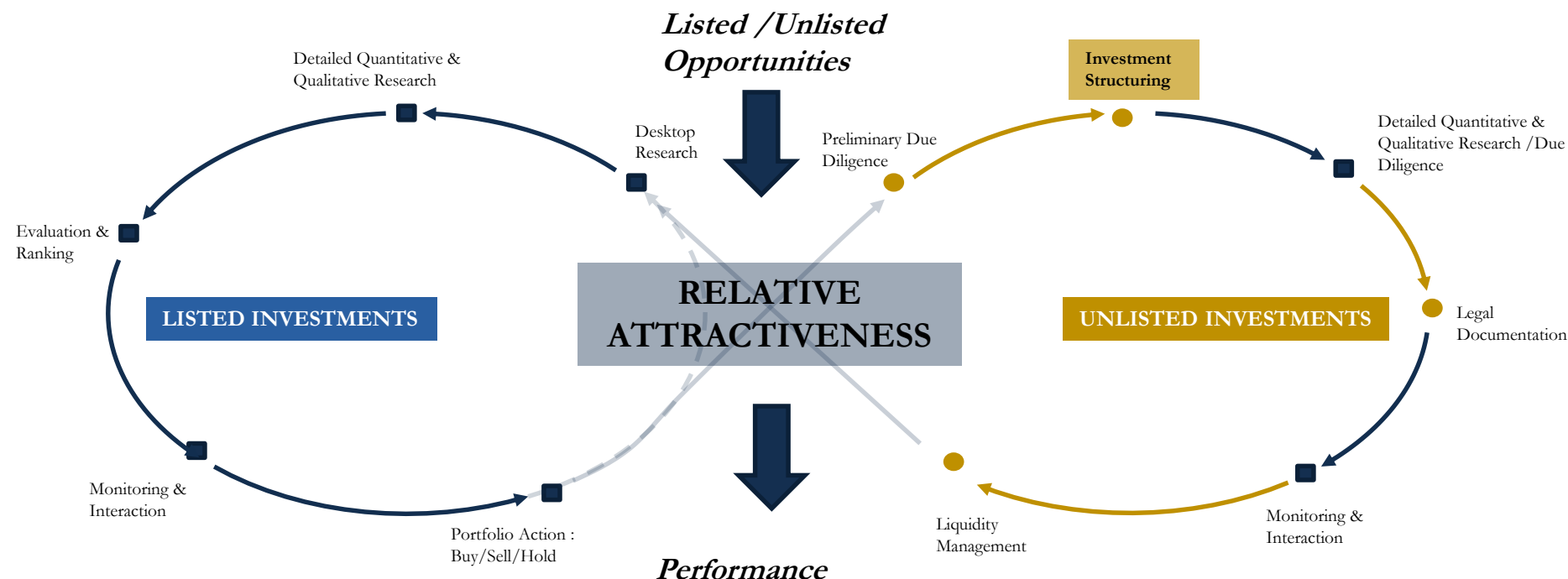


ACQ has outperformed all relevant indices over the past 12 months to 30 September 2018⁽¹⁾, despite the underperformance of the Microcap Sector relative to the All Ordinaries





The underlying investment process is to transition into unlisted assets only where they are relatively more attractive, accordingly no fixed weight in unlisted assets





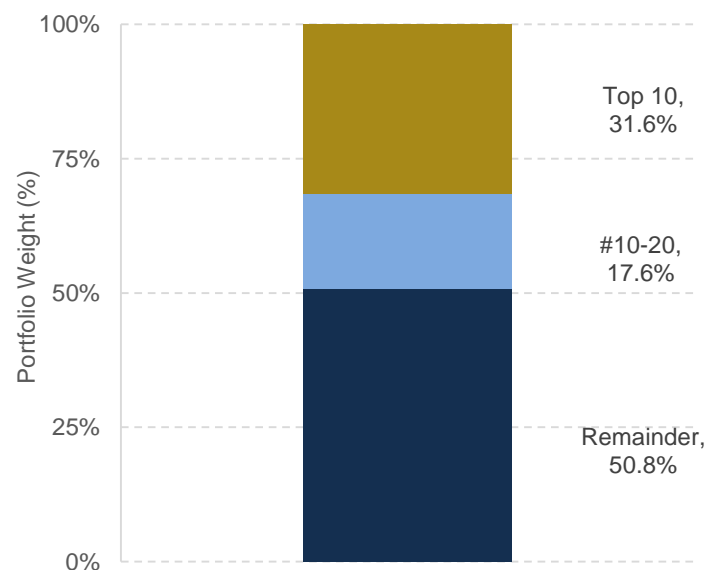
ACQ investment portfolio had 31.6% of FUM in top 10 investments

Top 10 Holdings

% Gross Portfolio

| | | |
|------------------|---|-------|
| 1. | Telix Pharmaceuticals Ltd | 5.5% |
| 2. | Calix Limited | 4.9% |
| 3. | Genea Limited (UL) | 3.9% |
| 4. | Redhill Education Limited | 3.5% |
| 5. | Redbubble Limited | 2.6% |
| 6. | Moula Money Pty Ltd (UL) | 2.6% |
| 7. | Carbon Révolution Pty Ltd (UL) | 2.5% |
| 8. | Innovative Asset Solutions Group Limited (UL) | 2.1% |
| 9. | Shine Corporate Limited | 2.0% |
| 10. | Helloworld Travel Limited | 2.0% |
| Top 10 Positions | | 31.6% |

Distribution of holdings by weight

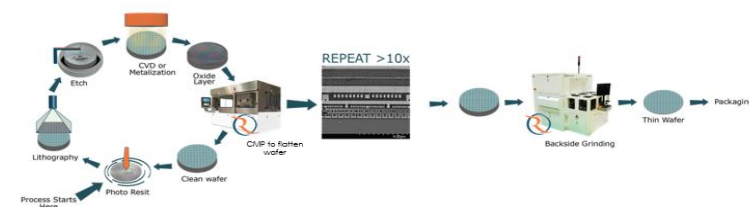




During the quarter ACQ completed an investment in Revasum, which is a manufacturer of semi-conductor fabrication machines

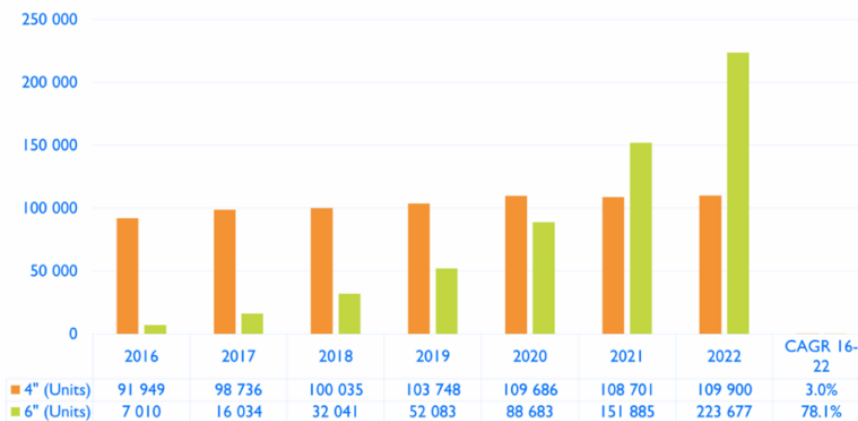
- Revasum specialises in grinding and polishing machines for substrates and device wafers, with higher throughput and surface finish results compared to competitors
- The business is leveraged to semi-conductor demand and proliferation of devices and sensors, with significant capex being deployed globally. Increased demand for greater efficiency and power, is leading to strong growth in Silicon Carbide, for future upside
- Product development risk is reduced by having existing proven machines in the market used by top tier semiconductor customers

Substrate Grinding & Polishing Equipment provider



Growing 6" SiC market projections

Market demand for n-type 4" SiC wafers vs n-type 6" (Units)





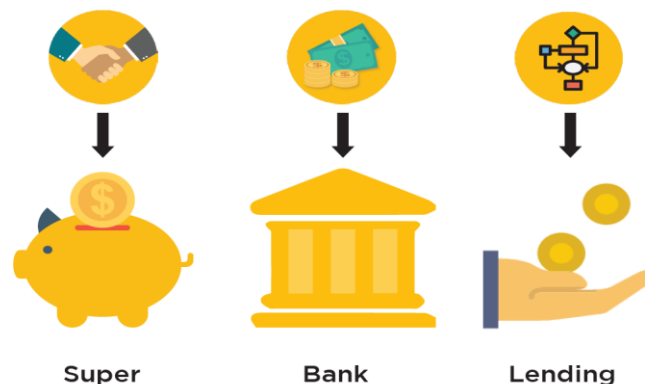
ACQ also completed an investment in FlareHR, a Fintech business providing HR Information Systems (HRIS) and Payroll services

- FlareHR has an innovative customer acquisition model that is disruptive in the HRIS space
- FlareHR has built a cloud based HRIS system that it provides free of charge to SME's.
- Once deployed the HRIS and integrated payroll model provides a platform to offer a range of services to employees

The solution for employers



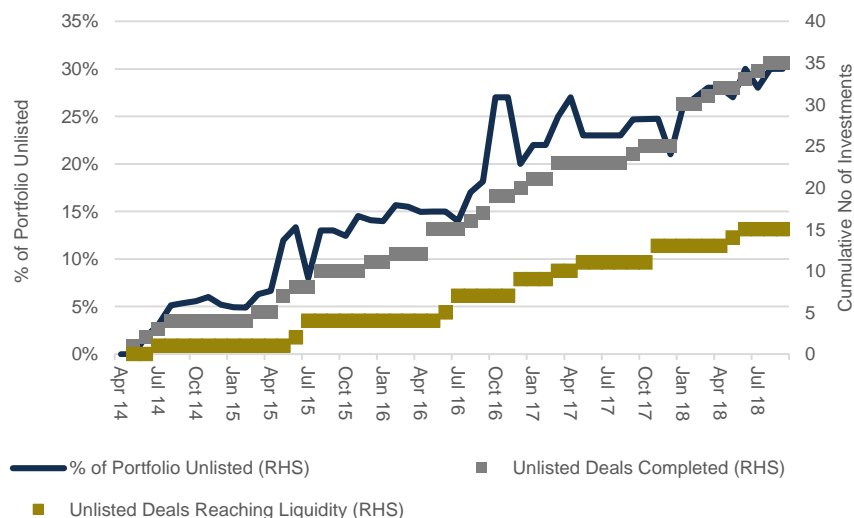
The opportunity with consumers



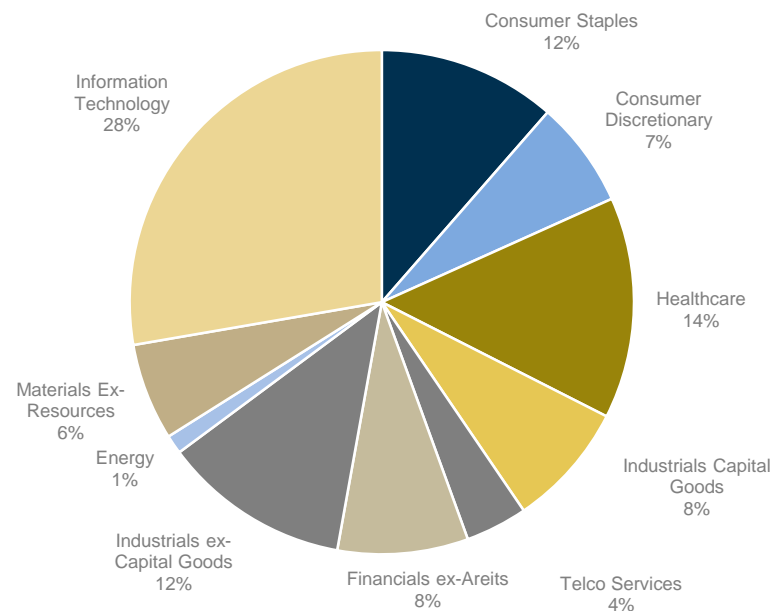


ACQ has invested \$38.5 m in 35 unlisted opportunities⁽¹⁾,
15 of which have reached liquidity events

Unlisted Investment Rate



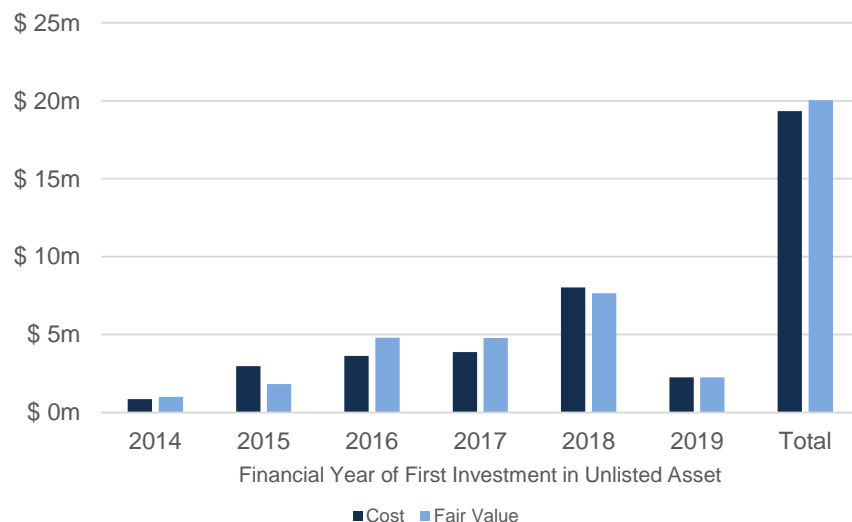
Sector Composition of Unlisted Investments⁽¹⁾





Acorn Capital has developed and tested its unlisted valuation processes over 10 years

For Unlisted Investments held as at 30 September 2018 a Comparison of Unlisted Investment Cost v Unaudited Fair Value by Financial Year Vintage of First Purchase⁽¹⁾



Key Observations with respect to Unlisted Valuations⁽¹⁾

- The chart demonstrates that overall portfolio returns have not been driven by unrealised gains on unlisted investments.
- 73% of all current unlisted investments were made since 30 June 2016
- As at 30 September 2018 ACQ has a total of \$21.6m invested in 20 unlisted opportunities currently valued at \$22.3m representing approximately 30% of ACQ gross assets ⁽¹⁾
- Of the 15 unlisted investments that have reached a liquidity event the weighted average uplift is 43% (average 53%) as compared to the unlisted portfolio valuation immediately preceding the liquidity revaluation event



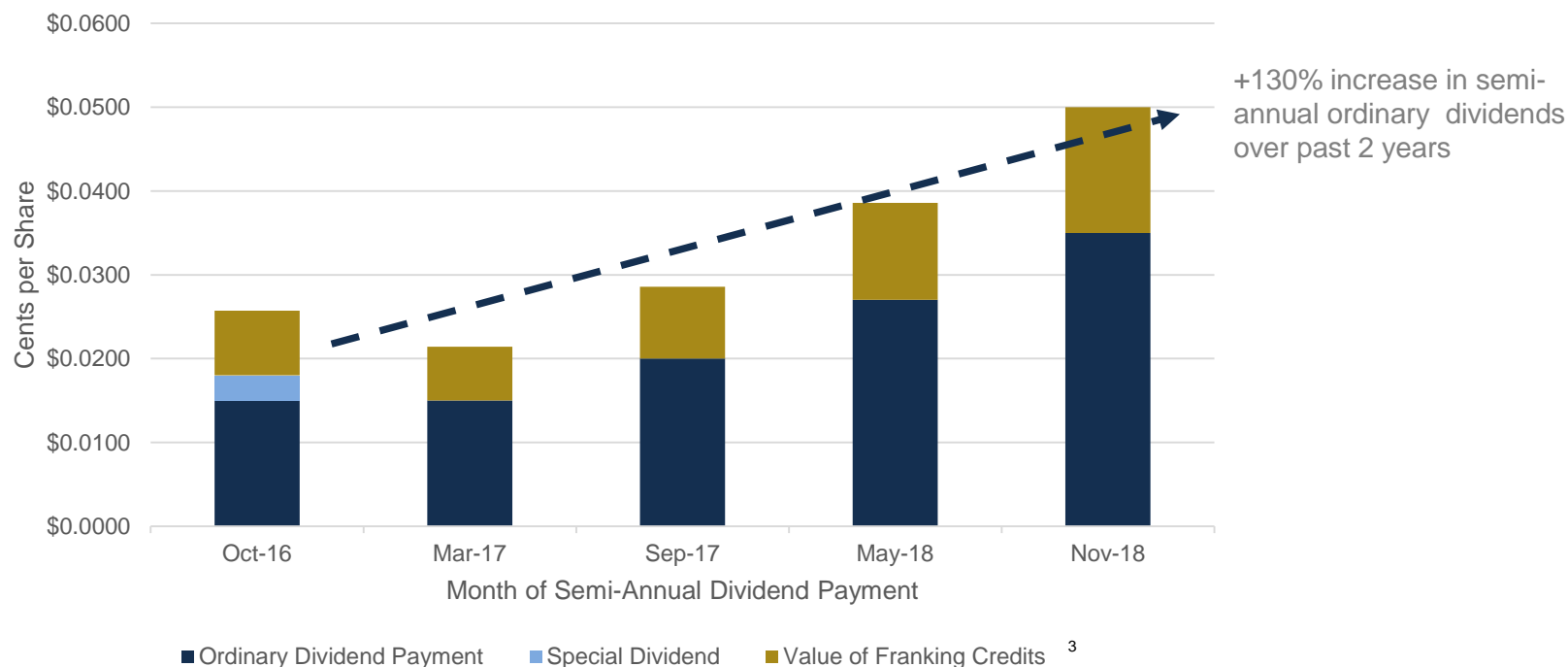
ACQ generated a portfolio return of 27.64%⁽¹⁾ for the 12 months to 30 September 2018

| Portfolio Return for Periods to 30 September 2018 | 3 months | 6 months | 1 year | 2 years p.a. | 3 years p.a. | Since inception p.a. ³ |
|--|----------|----------|---------|--------------|--------------|-----------------------------------|
| ACQ ¹ | +2.08% | +6.99% | +27.64% | +10.76% | +20.25% | +10.83% ⁴ |
| Acorn Capital / SIRCA Microcap Acc. Index ⁵ | +2.09% | +1.99% | +11.43% | +7.22% | +12.21% | +7.89% |
| S&P/ASX Small Ords Acc. Index | +1.10% | +8.86% | +20.32% | +11.31% | +16.97% | +10.09% |
| S&P/All Ords Accumulation Index | +1.86% | +10.05% | +14.68% | +11.56% | +12.37% | +7.94% |

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2. Source: Factset, excludes any value of franking credits
3. Inception is 1 May 2014
4. Acorn Capital estimates that the unaudited pre- management & performance fee portfolio return post operating costs is 13.2% p.a. from Inception using last trade price for the valuation of listed securities.
5. Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')



Fully franked dividends have been growing since October 2016





ACQ gives investors access to listed and unlisted companies distinguished by their smaller size and stage of development through a single diversified portfolio



Further Information

www.ACQfund.com.au