

# **ACORN CAPITAL INVESTMENT FUND LTD**

**DECEMBER QUARTER 2019**

ASX: ACQ



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## Key facts at a glance as at 31 December 2019

Pre-tax NTA	\$1.3863	Gross portfolio return since inception <sup>(1)</sup>	+13.18%p.a.
Post-tax NTA	\$1.2854	S&P/Small Ordinaries Accumulation Index since inception <sup>(2)</sup>	+8.66%p.a.
ACQ share price	\$1.22	S&P/Emerging Companies Accumulation Index since inception <sup>(2)</sup>	+8.97%p.a.
2019 Final Dividend + Interim 2019 Interim Dividend	7.0c	Number of Investments	80
Implied cash dividend yield (based on share price)	5.7% <sup>(3)</sup>	Number of Unlisted Investments Current in Portfolio	21
% Franked <sup>(4)</sup>	100%	% of Portfolio Unlisted	29%
Shares Outstanding	53.4m		

(1) Acorn Capital estimates as at 31 December 2019, reported portfolio return since inception is 10.2% p.a. Refer page 16 for more information.

(2) Inception is 1 May 2014

(3) Based on the ACQ share price as at 31 December 2019

(4) Dividends paid that relate to the 2019 financial year are anticipated to be franked at a rate of 27.5%

## Why is ACQ is a listed investment company?

- The investment strategy deployed by ACQ has a longer term investment horizon (7 years) providing investors access to a portfolio of emerging companies
- The portfolio of emerging companies includes securities that are relatively illiquid (as compared to larger capitalised companies)
- It is the relative illiquidity in the portfolio, particularly in relation to the unlisted portion that necessitates an investment company structure. Portfolio illiquidity in open ended fund structures may result in an inability to meet unitholder cashflow demands without adverse consequences to other investors
- A stable capital base assists in the execution of the investment and maintenance of a balanced portfolio
- Acorn Capital believes that the ASX listed environment provides retail investors access liquidity and an investment universe that may be otherwise difficult to gain exposure to



## Recent Highlights

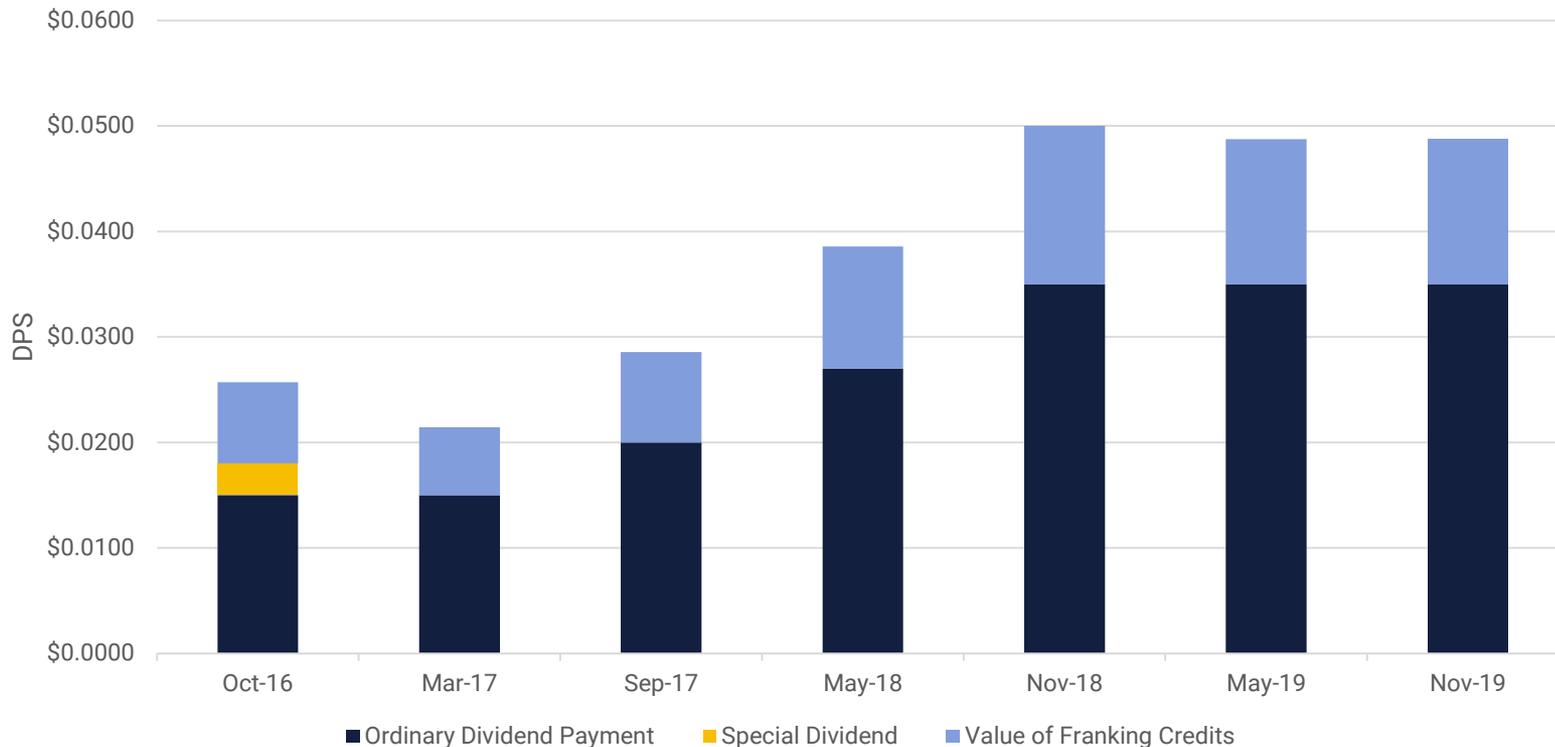
- Portfolio has returned +15.08%<sup>(1)</sup> for the 2020 financial year to date (31 December 2019), +11.19% above the S&P/Small Ordinaries Accumulation Index
- Strategy deployed by ACQ has seen the investment portfolio outperform all major indices over 3 years, 5 years and since inception <sup>(2)</sup><sup>(3)</sup>
- Completed two new unlisted investments in Splend and Marketplacer
- Completion of a material funding round for Moula underpinning its strong operational performance and valuation
- Successful IPO of Carbon Revolution
- Paid a 3.5c fully franked dividend

(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) 1 May 2014

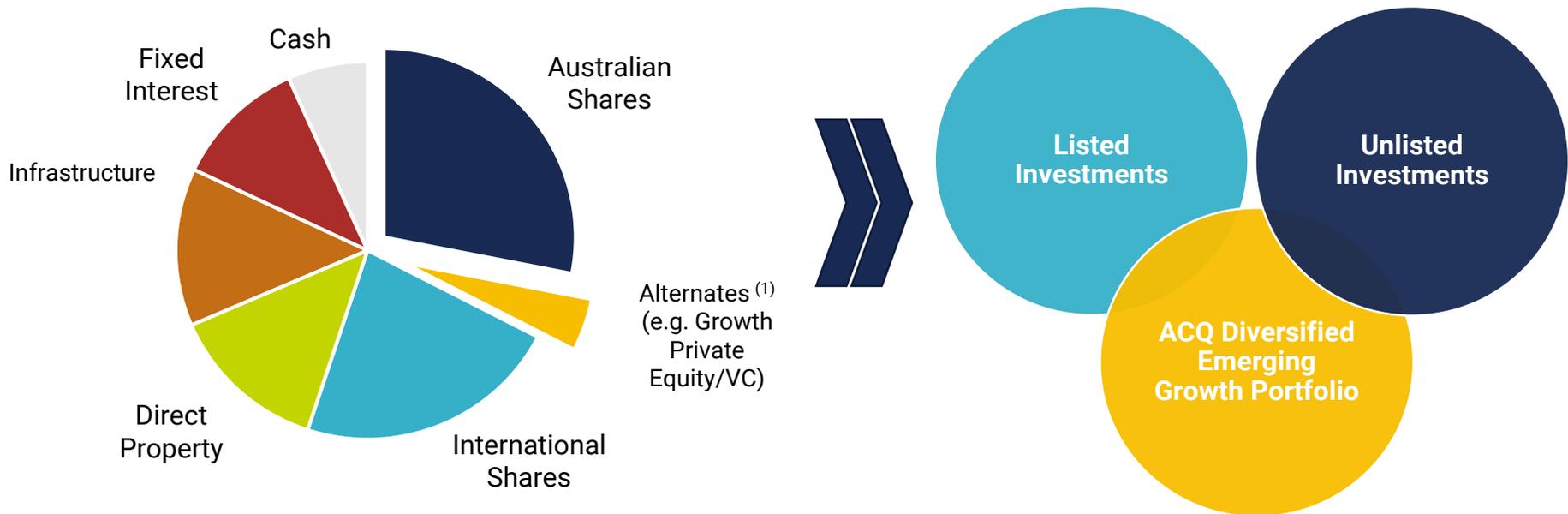
(3) Refer detailed performance information in this presentation

# ACQ has paid out 18.5 cents per share in fully franked dividends since inception <sup>1</sup>



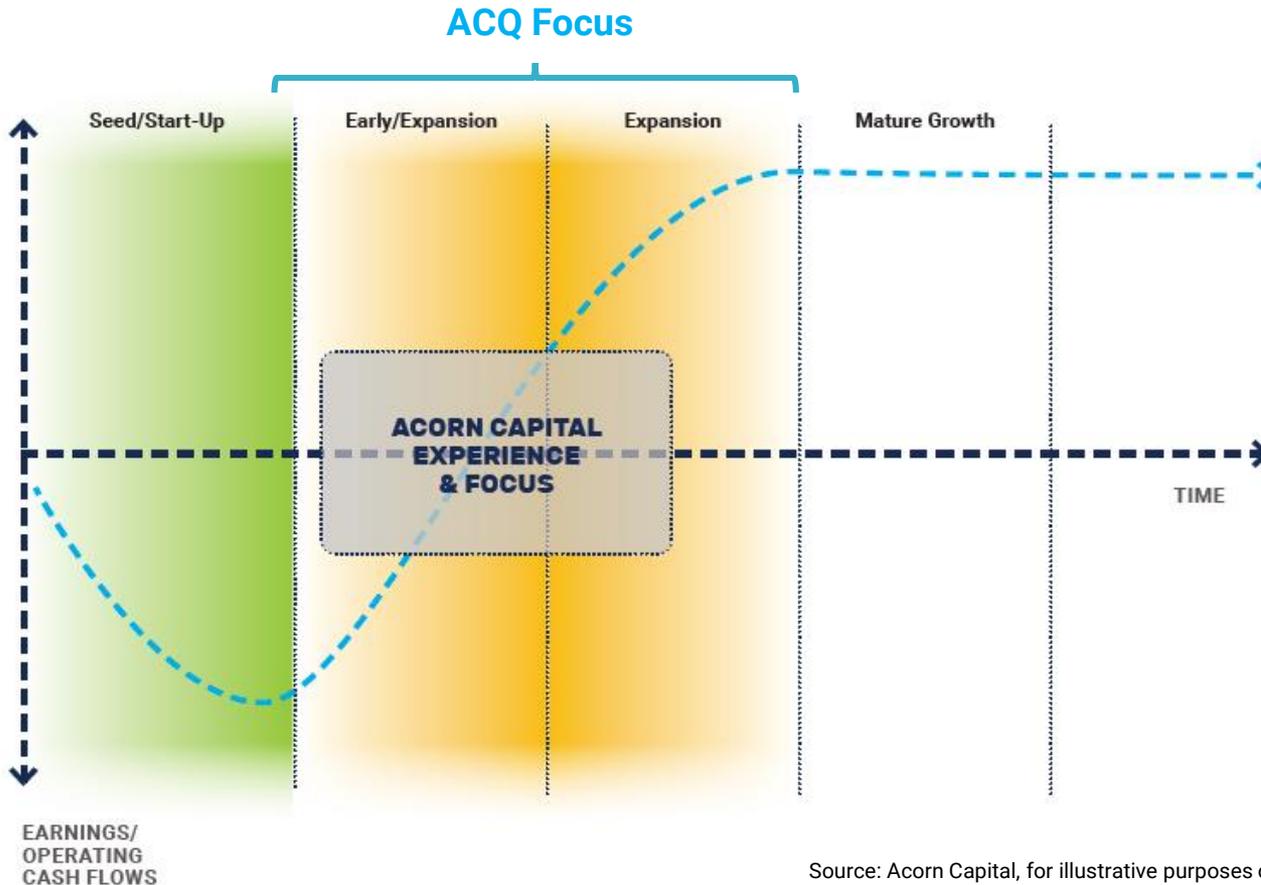
(1)ASX listing date 1 May 2014

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



(1.) Acorn Capital illustration of Asset Allocations in a Diversified Portfolio

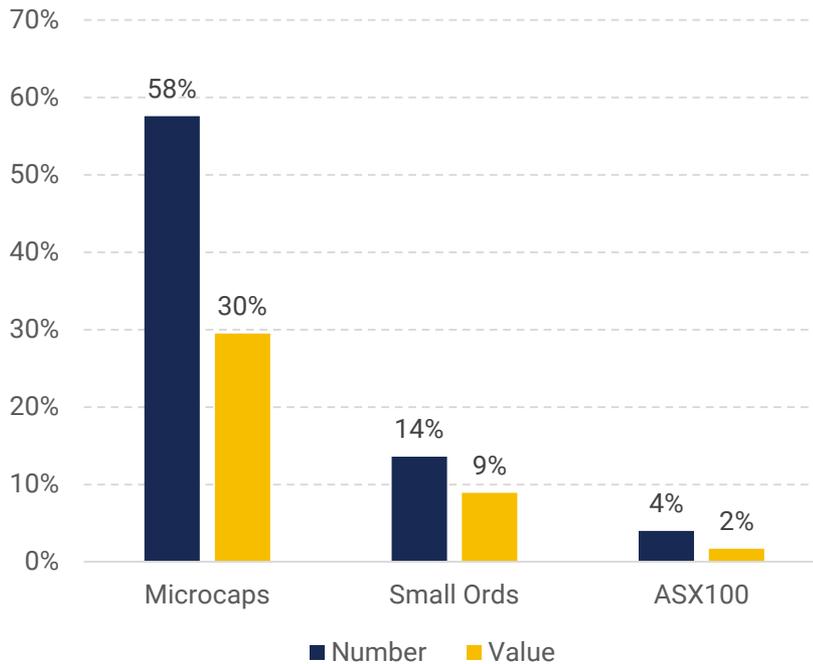
# ACQ provides investors with access to innovation and entrepreneurialism in developing companies



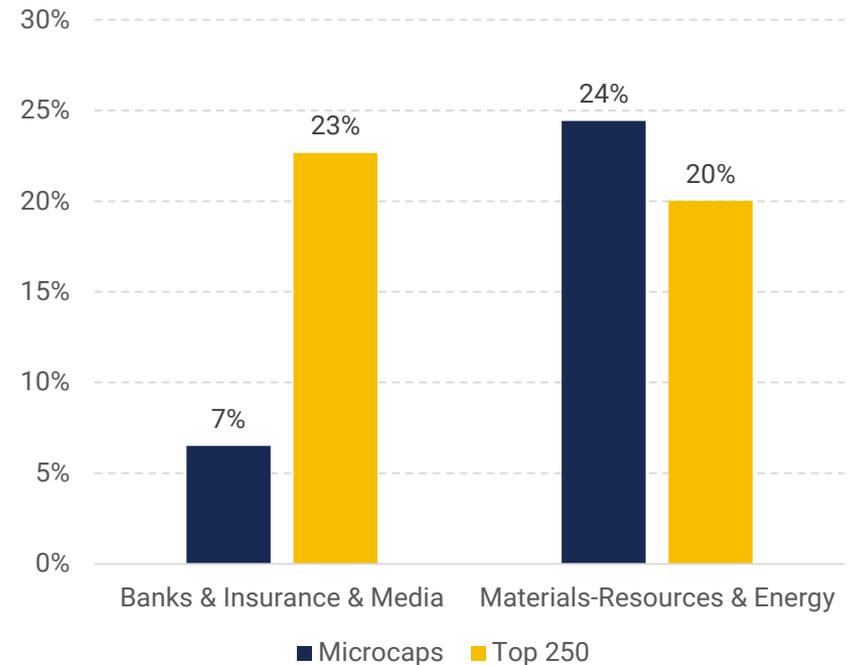
Source: Acorn Capital, for illustrative purposes only

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

Percentage of Developing Companies



Industry Sector Exposure Comparison (1)

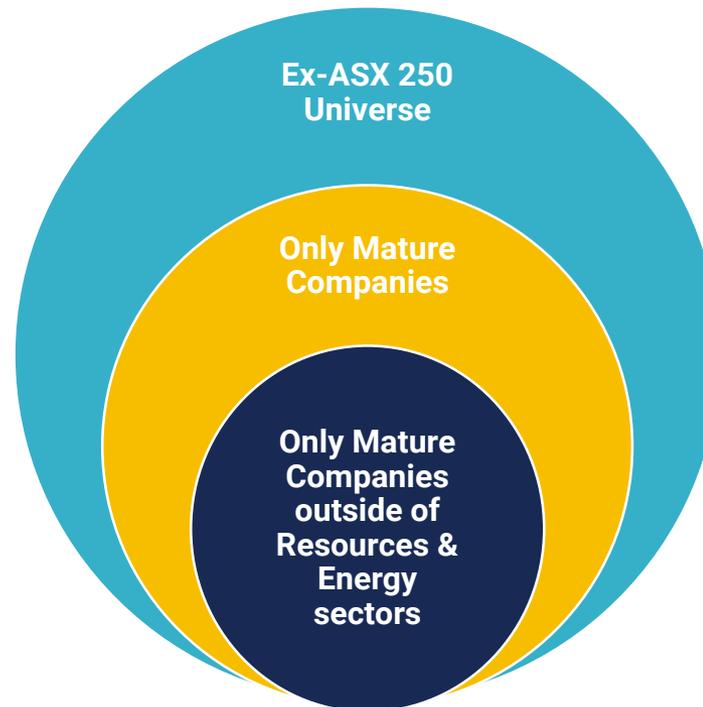


Source: Acorn Capital, as at 31 December 2019

(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% of market capitalisation

# Acorn Capital seeks to identify the best available investment opportunities within industries in both public and private markets in either mature or developing companies

- Investing in the Listed Emerging Company or Microcap universe requires a distinct capability in developing <sup>(1)</sup> companies and the Resources & Energy sector
- Excluding these opportunities significantly reduces the investible universe



All Microcap Companies (ex LICs)  
~1,510 Companies worth \$128.5B

Excluding Developing Co's  
Reduces universe to ~640  
companies worth \$90.6B

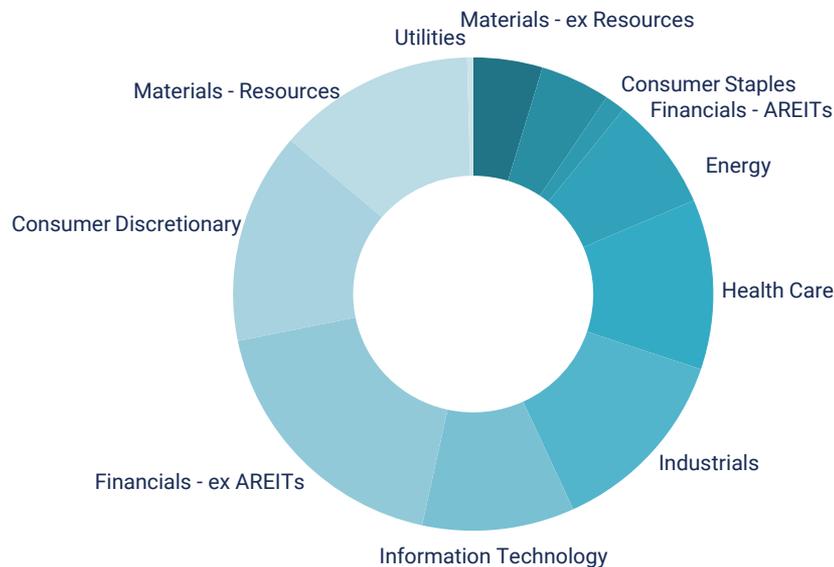
Excluding Resources & Energy  
stocks  
Further reduces universe to ~550  
companies worth \$78.9B

Source: Acorn Capital, as at 31 December 2019

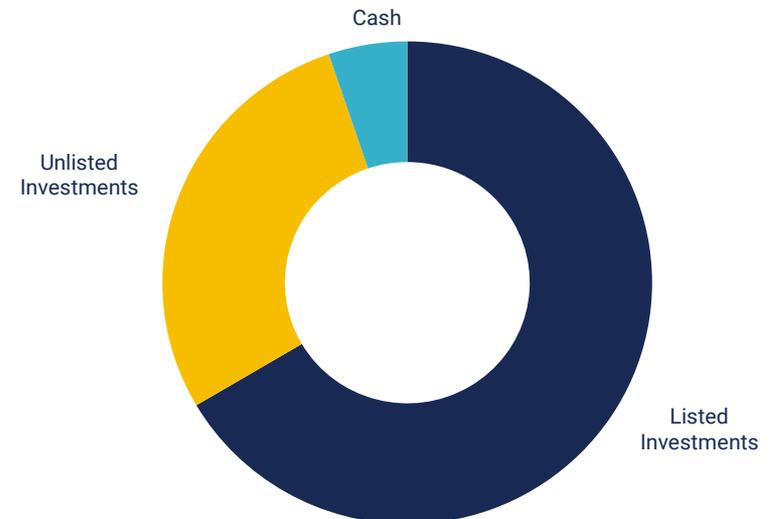
(1) Developing companies are defined as those companies with revenues less than 10% of market capitalisation

# ACQ provides investors with a diversified exposure to Australian Emerging Companies

ACQ Sector Diversification

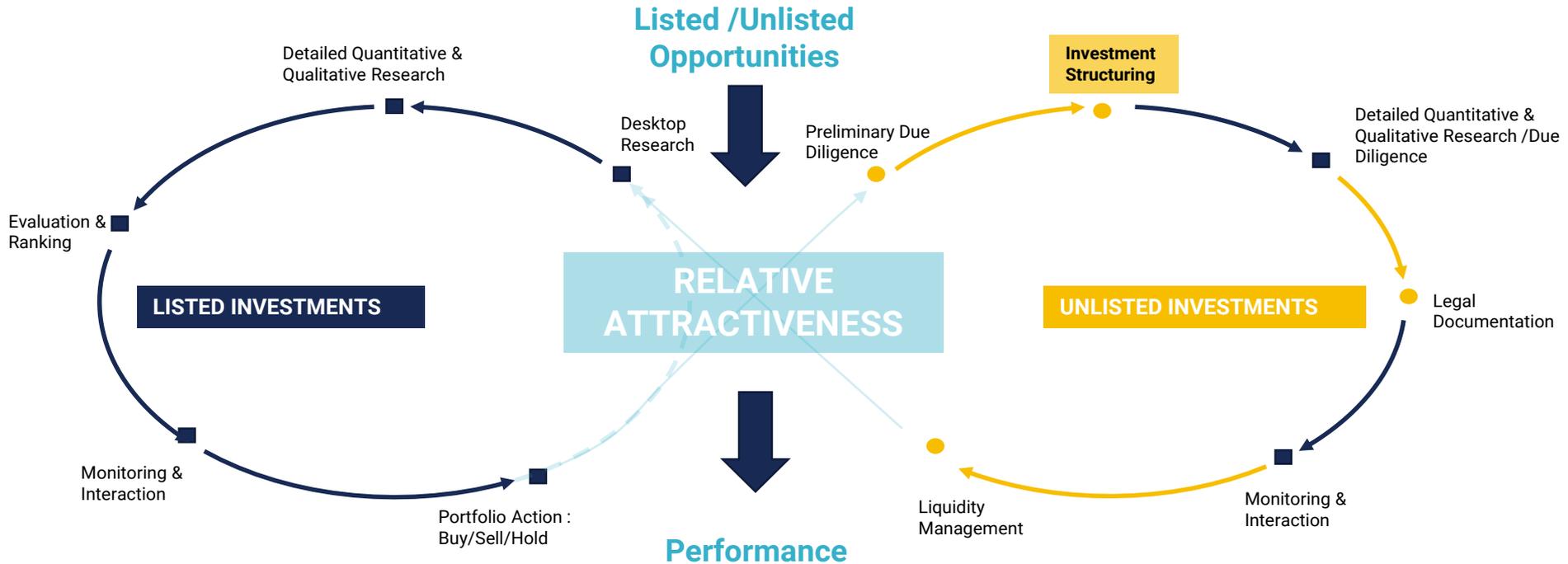


ACQ Portfolio Composition



Source: Acorn Capital, as at 31 December 2019

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



Source: Acorn Capital, for illustrative purposes only

# ACQ investment portfolio had 43.4% of FUM in top 10 investments

## Top 10 Holdings

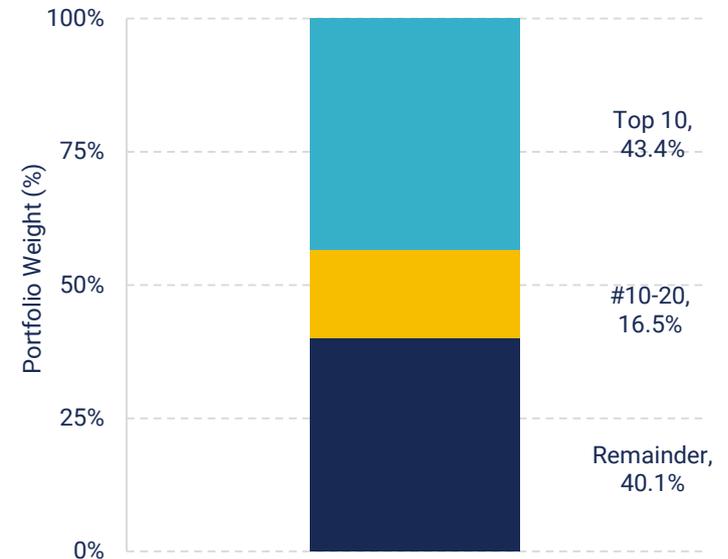
	% Gross Portfolio
1. Moula Money (UL)	8.5%
2. Telix Pharmaceuticals	7.4%
3. Carbon Revolution	5.4%
4. Calix	4.5%
5. Shine Corporate	3.8%
6. Sundance Energy	3.6%
7. Innovative Asset Solutions (UL)	2.7%
8. Redhill Education	2.6%
9. Flare HR (UL)	2.5%
10. Lifestylepanel (UL)	2.5%

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**Top 10 Positions** **43.4%**

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## Distribution of holdings by weight

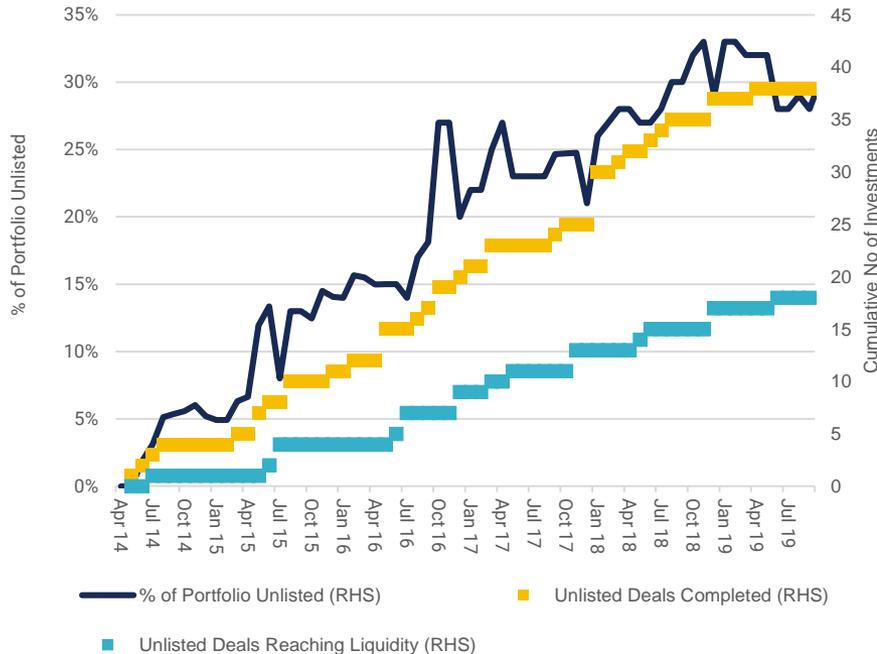


Source: Acorn Capital, as at 31 December 2019

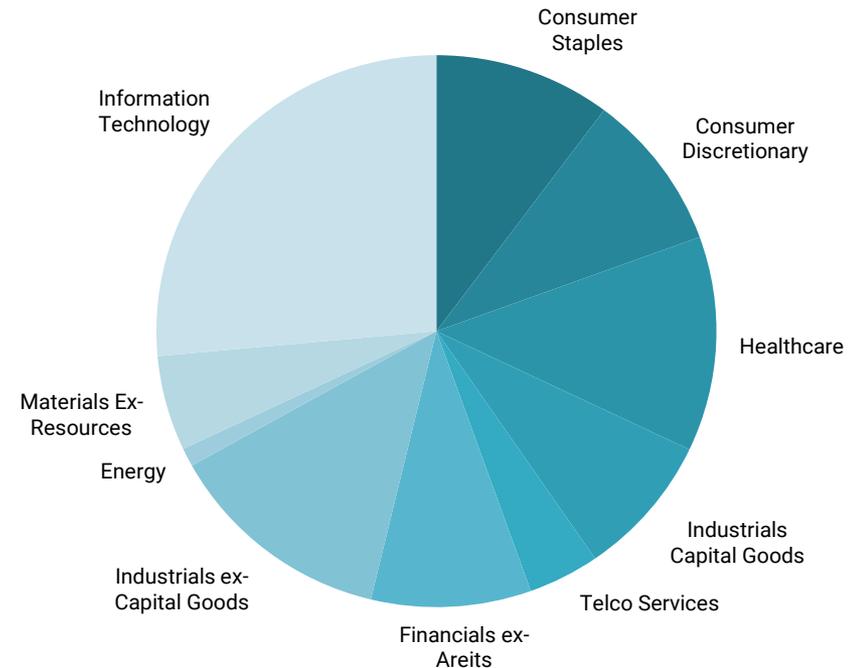
(1) Since ACQ listing on ASX in May 2014

# ACQ has invested in 40 unlisted opportunities<sup>(1)</sup> 19 of which have reached liquidity events

**Unlisted Investment Rate**



**Sector Composition of Unlisted Investments<sup>(1)</sup>**



Source: Acorn Capital, as at 31 December 2019

(1) Since ACQ listing on ASX in May 2014

## Successful IPO of Carbon Revolution on the ASX in November 2019

- Acorn Capital first invested in Carbon Revolution in 2015 and participated in subsequent private funding rounds
- Largest fund manager investor in Carbon Revolution prior to listing in 2019
- Highlights the investment process that identifies expansion stage companies
- Example of a disruptive world class Australian based innovation that encompasses the thematics of advance manufacturing and advanced materials.



## MARKETPLACER<sup>™</sup>

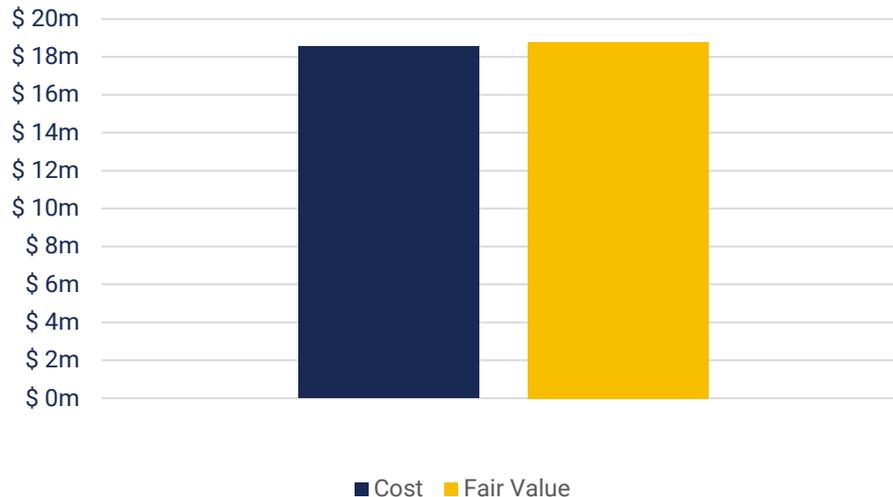
- Marketplacer provides a B2B software solution to e-commerce businesses to provide them with a marketplace capability
- Proven platform (eg BikeExchange, Jayco, Myer) with global application
- Enhances offer to existing e-commerce customer base through the “limitless” isle without the inventory constraints

## splend<sup>↗</sup>

- Splend provides cars to on-demand drivers through in the fast growing ride share sector (for companies such as Uber, Didi and Ola)
- Utilises telemetry to assist in optimizing driver revenue and cost management
- Operations in Australia, UK, Canada and Mexico

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

For Unlisted Investments still held as at 31 December 2019  
Comparison of Unlisted Investment Cost v Unaudited Fair Value <sup>(1)</sup>

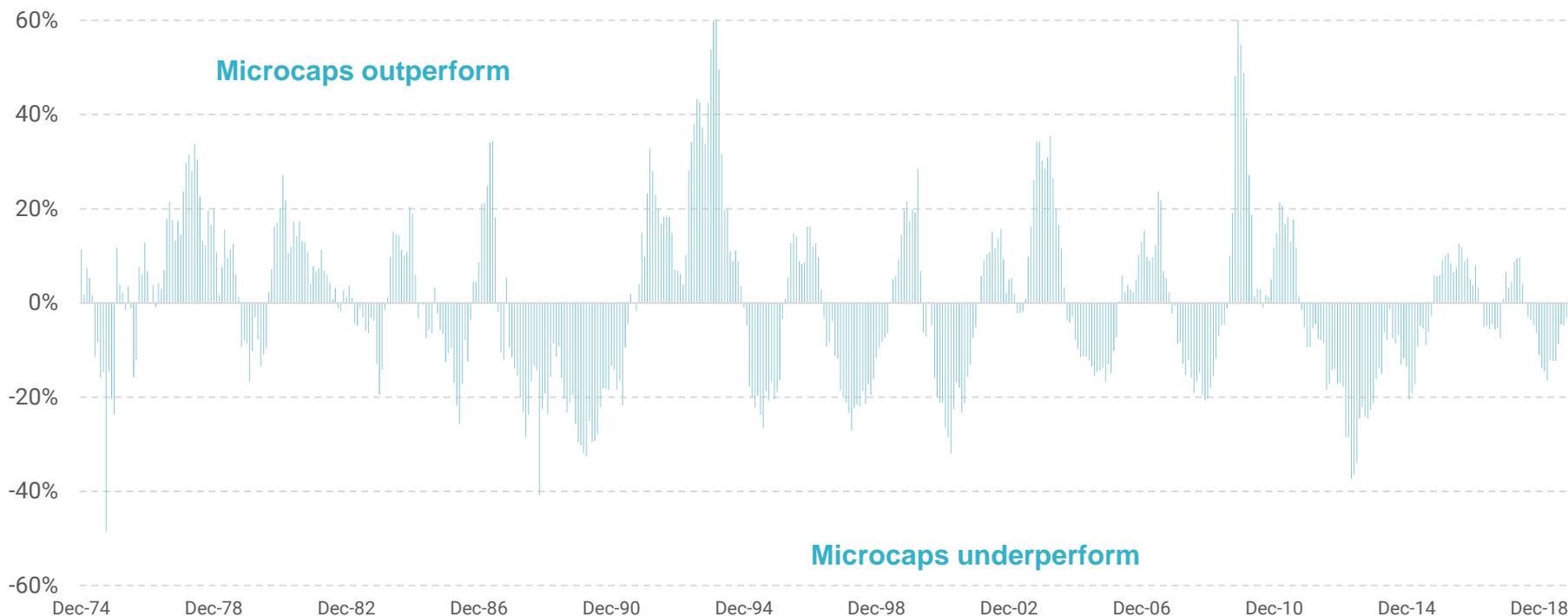


## Key Observations with respect to Unlisted Valuations<sup>(1)</sup>

- As at 31 December 2019 ACQ has a total of \$18.6m invested in 21 unlisted opportunities currently valued at \$18.9m representing approximately 29% of ACQ gross assets <sup>(1)</sup>
- Of the 19 unlisted investments that have reached a liquidity event the weighted average uplift is 46% (average 49%) as compared to the unlisted portfolio valuation immediately preceding the liquidity revaluation event

(1) All data unaudited and based on Acorn Capital estimates

# The Microcap Sector has outperformed relative to the All Ordinaries by 0.1% in the 12 months to 31 December 2019



Source: Acorn Capital, as at 31 December 2019 Microcap performance based on Acorn Capital/SIRCA ('Securities Industry Research Centre of Asia-Pacific') Microcap Accumulation Benchmark

# ACQ generated a reported portfolio return of **+3.48%<sup>1</sup>** for the 3 months to 31 December 2019

Portfolio Return for Periods to 31 December 2019	3 months	6 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception p.a. <sup>4</sup>
ACQ (Post Fees & Op Costs) <sup>1</sup>	+3.48%	+15.08%	+25.58%	+8.49%	+11.56%	+14.18%	+10.20%
ACQ (Before Fees & Op costs) <sup>2</sup>	+4.44%	+18.83%	+29.73%	+12.12%	+14.85%	+17.01%	+13.18%
Acorn Capital / SIRCA Microcap Acc. Index <sup>3</sup>	-0.37%	+10.23%	+23.50%	+2.70%	+7.91%	+9.73%	+7.29%
S&P/ASX Small Ords Acc. Index <sup>5</sup>	+0.76%	+3.89%	+21.36%	+5.28%	+9.98%	+10.65%	+8.66%
S&P/ASX Emerging Companies Acc. Index <sup>5</sup>	-3.31%	+9.93%	+30.95%	+2.39%	+7.21%	+11.46%	+8.97%
S&P/All Ords Accumulation Index <sup>2</sup>	+0.75%	+3.59%	+24.06%	+9.40%	+10.41%	+9.30%	+8.43%

- (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 include unlisted valuations are performed by Acorn Capital in accordance with ACQ Board approved policies
- (2) Calculated by Acorn Capital, based before all fees and costs and using last trade price for portfolio.
- (3) Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')
- (4) Inception is 1 May 2014
- (5) Source: Factset

**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](http://www.ACQfund.com.au)**

