

# ACORN CAPITAL

## INVESTMENT FUND LIMITED

2020 ANNUAL GENERAL MEETING

20 NOVEMBER 2020

ASX : ACQ



INNOVATION



EFFICIENCY



GROWTH



DIVERSITY



## Disclaimer and Important Notices

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## **AGENDA**

- |                                 |                                     |
|---------------------------------|-------------------------------------|
| ▪ INTRODUCTION                  | JOHN STEVEN                         |
| ▪ PORTFOLIO UPDATE & COMMENTARY | ROBERT ROUTLEY/<br><br>ROBERT BRUCE |
| ▪ FORMAL BUSINESS               | JOHN STEVEN                         |
| ▪ CLOSURE OF MEETING            | JOHN STEVEN                         |

## **AGENDA**

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| ▪ <b>INTRODUCTION</b>                      | <b>JOHN STEVEN</b>                      |
| ▪ <b>PORTFOLIO UPDATE &amp; COMMENTARY</b> | <b>ROBERT ROUTLEY/<br/>ROBERT BRUCE</b> |
| ▪ <b>FORMAL BUSINESS</b>                   | <b>JOHN STEVEN</b>                      |
| ▪ <b>CLOSURE OF MEETING</b>                | <b>JOHN STEVEN</b>                      |

## ACQ BOARD



### Experienced board and majority independent directors

- **John Steven – Independent Chairman**
  - Senior Partner National Capital Markets and Commercial Business Unit of law firm Minter Ellison
- **Judith Smith – Independent Director**
  - Director of LUCRF, Director Funds SA and former Head of Private Equity at IFM Investors
- **David Trude – Independent Director**
  - Chairman of Hansen Technologies and Waterford Retirement Village, Director of Chi-X Australia and MSL Solutions
- **Barry Fairley – Director**
  - Former Managing Director and Non Executive Director of Acorn Capital
- **Rob Brown – Director**
  - Former Non Executive Director of Acorn Capital

## Online Attendees : Question Process

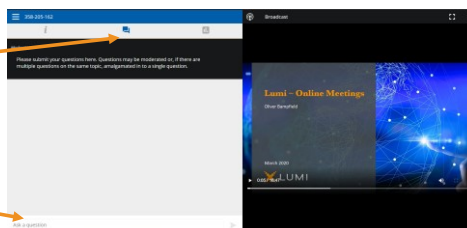


- When the Question function is available, the Q&A icon will appear at the top of the app.



- To send in a question, simply click in the 'Ask a question' box, type your question and then press the send arrow

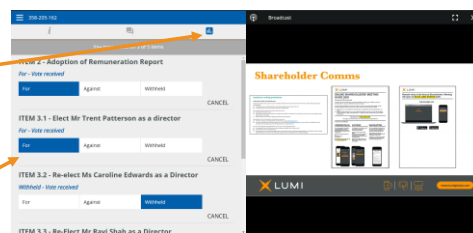
- Your question will be sent immediately for review



## Online Attendees : Voting Process



- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.

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# Highlights for the 2020 financial year



Item	31 October 2020	30 June 2020	30 June 2019
NTA per Share Before Tax <sup>(1)</sup>	\$1.44	\$1.18	\$1.24
NTA per Share Post Tax <sup>(1)</sup>	\$1.34	\$1.14	\$1.18
ACQ Share Price	\$1.38	\$0.90	\$1.02
Dividends Paid in Relation to Financial Year		\$0.075	\$0.070
Dividend Reserve		\$22.8m	\$19.2m

Source: Acorn Capital Investment Fund 2020 Annual Report & Acorn Capital Limited

(1) NTA based on monthly NTA reporting per share

## Speech by Robert Routley, CEO Acorn Capital Limited

### ACQ Key Highlights for the 2020 Financial year

Firstly I would like to acknowledge and welcome all ACQ shareholders here today and thank you on behalf of Acorn Capital for your support.

The current slide sets out some of the Company's key highlights for the 2020 financial year and the first four months of the 2021 financial year. For the 2020 financial year the Company recorded a profit after tax of \$2.041million and reported portfolio performance of +2.3% as compared to the S&P/Small Ordinaries Accumulation Index of -5.7%. The overall return doesn't reflect the market volatility experienced throughout the year particularly in the March 2020 quarter where we saw a decline in the microcap sector of 34.9% attributed to the market response to the global COVID-19 pandemic. Acorn Capital records indicate that for the microcap sector that March 2020 with a return of -28% was the 2nd worst monthly return since 1973. Unlike the GFC which was characterised by a balance sheet crisis, the pandemic triggered a cashflow crisis, as a result of a disruption to the level of activity in the real economy. This disruption was not uniform across the whole economy with industry sectors such as tourism travel and entertainment being the most affected but conversely other sectors such as ecommerce, communications and gold were beneficiaries. Acorn Capital believes that the Company's investment strategy proved resilient though this period as a result of ACQ's industry diversification. The impact of COVID-19 was difficult (if not impossible) to predict and I would like to take this opportunity to compliment our portfolio companies on the speed and decisiveness with which they responded to the crisis which continues on a global basis.

# Update for the 2020 financial year to date



- Pre-Tax NTA per share as at 31 October 2020 was \$1.44
- Discount to NTA has improved since 30 June 2020

	30 June 2020 <sup>(1)</sup>	31 October 2020 <sup>(1)</sup>	<b>19 November 2020 <sup>(2)</sup></b>
Premium/(Discount) to Post-Tax NTA <sup>(1)</sup>	(23.4%)	+3.0%	<b>+6.6%</b>
Premium/(Discount) to Pre-Tax NTA <sup>(1)</sup>	(16.8%)	(4.0%)	<b>(0.6%)</b>

(1) Estimated by Acorn Capital with reference to the corresponding month end ACQ closing share price as at the specified dates

(2) Estimated by Acorn Capital with reference to the closing ACQ Share Price of \$1.43 and last published NTA (31 October 2020)

## ACQ Key Highlights for the 2021 Financial year

The Pre-Tax NTA as at 31 October 2020 was \$1.44 per share and post-tax \$1.34 per share, spread across 83 investments including 21 unlisted or 22% of the portfolio. Over the past year the ACQ investment portfolio has achieved a return of 18% outperforming its performance benchmark, the S&P/Small Ordinaries Accumulation Index by 20.4%. Encouragingly we have seen an improvement in share price relative to the NTA.

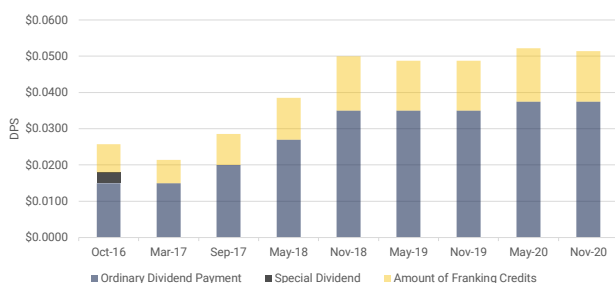


## ACQ Investment Strategy Demonstrated Ability to Deliver Positive Outcomes

ACQ is an ASX Listed Investment Company providing investors with a unique opportunity to invest in Acorn's Emerging Growth Strategy not otherwise available to them. Acorn Capital's sustainable repeatable process is demonstrated with 14.7% gross return since inception compared to a benchmark 6.9%. In the last 12-months ACQ has paid 7.5 cents per share in fully franked dividends, equating to a 5.3% yield at the closing share price on 19 November 2020.

The LIC structure is suitable for providing access to innovative listed but also unlisted companies in a single portfolio. The strategy is designed to deliver dividend income, and capital growth, risk is managed by diversification across industries and by different stages of development.

ACQ has declared and paid 25.7 cents per share in fully franked dividends since inception<sup>1</sup>



#### Dividend Reserves

34 cps <sup>(2)</sup>  
(\$22.8m) <sup>(3)</sup>

1. ASX listing date 1 May 2014
2. Cents Per Share (CPS) based on 67.0m shares outstanding as at 26 October 2020
3. As at 30 June 2020

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## Dividends

Moving to dividends ACQ has to date paid 25.7 cents per share in fully franked dividends since inception with 7.5cents over the last 12-months. A policy of sustainable dividends exists with the Board adopting a policy of paying out at least 5% of post-tax NTA in annual dividends. The dividend reliability is supported by having \$22.8m in dividend reserves at 30 June 2020, equivalent to 34 cents per share on the expanded share base.

## Successful completion of ACQ entitlement offer



- 14 September: 1-for-4 entitlement offer at \$1.10/share announced. New shares entitled to the FY20 final dividend of \$0.0375/share fully franked, payable 27 November 2020
- Strongly supported. Over 900 shareholders (>60% by number) participate for \$24.3m in total applications (inclusive of \$11.1m in entitlement applications) for the \$14.7m entitlement offer
- 13 October 2020: New shares issued
- Additional capital is being deployed into attractive listed and unlisted investment opportunities

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### **Successful Completion of ACQ Entitlement Offer**

On 14 September, ACQ announced a 1-for-4 entitlement offer providing shareholders the opportunity to acquire 1 new ordinary fully paid share in ACQ at a price of \$1.10 per share for every 4 shares that they held. The shares issued under the entitlement offer were entitled to receive the 3.75 cents per share fully franked final dividend, payable on 27 November 2020. The offer was strongly supported with over 900 (>60% by number) individual holders participating with \$24.3m in applications for the \$14.7m entitlement. The new shares commenced trading on 14 October, and we note the share price closed at \$1.43 as at 19 November 2020.

I would now like to hand over to Robert Bruce, Portfolio Manager to speak to the ACQ investment portfolio.

# ACQ generated a portfolio return of +29.5%<sup>1</sup> for the 4 months to 31 October 2020



Portfolio Return for Periods to 31 October 2020	FYTD	3 months	6 months	1 year	3 years p.a.	5 years p.a.	Since inception p.a. <sup>4</sup>
ACQ (Post Fees & Op Costs) <sup>1</sup>	+29.5%	+17.3%	+48.9%	+18.0%	+16.2%	+16.3%	+11.7%
Acorn Capital / SIRCA Microcap Acc. Index <sup>3</sup>	+20.7%	+12.8%	+37.4%	+8.6%	+7.6%	+9.4%	+7.8%
S&P/ASX Small Ords Acc. Index <sup>5</sup>	+6.2%	+4.7%	+15.1%	-2.4%	+4.6%	+14.7%	+6.9%
S&P/Emerging Companies Acc Index <sup>5</sup>	+22.9%	+15.0%	+41.5%	+6.4%	+8.3%	+10.6%	+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 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

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Thank you Rob and good morning ladies and gentlemen and thank you for your continued support.

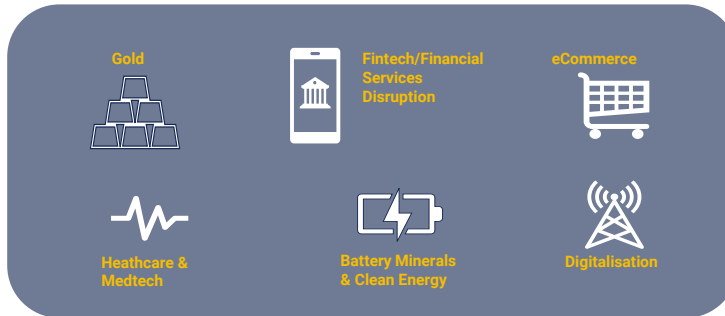
## ACQ Portfolio Update

The phrase “this time its different” comes to mind looking at 2020 and the onset of a pandemic with a global impact not seen since the Spanish flu a century ago. In the space of just 2-months the Microcap benchmark collapsed 46% in 43 days from its peak at the end of January, the sharpest bear market we have recorded. At Acorn we moved swiftly to Stress Test the portfolio and make necessary changes to companies and sectors heading into a clear downturn. However, the Australian and Global fiscal and monetary response combined led to an equally fast recovery rising 93% by the end of October. I note the S&P/Small Ordinaries Accumulation benchmark has recovered by a more moderate 65% reflecting lower weighting in Healthcare, IT and Resources which have all performed well since March.

The portfolio returned +29.5% net performance for the 4 months to 31 October 2020 with Healthcare, Industrials ex-Capital Goods and IT all generating greater than 50% returns. Portfolio return of +18% for the year to 31 October 2020 was pleasingly +20.4% above the S&P/Small Ordinaries Accumulation Index’s -2.5% over the same period. The consistent performance of a proven strategy is seen with alpha generated over 1-5 years and since inception.

Since the start of the 2021 financial year, Aroa Biosurgery successfully listed on the ASX, and on 23 October 2020 ACQ’s largest investment CleanSpace also listed, both at a significant premium to their IPO prices. We remain optimistic about other unlisted holdings achieving liquidity events by 31 December 2021.

# Acorn Capital is investing in structural growth industries and innovative companies



Acorn Capital classifications

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## Structural Growth and Innovation

Acorn Capital continues to invest in areas of structural growth and companies that provide a sustainable competitive advantage, often through innovation. It is well positioned in Gold, Healthcare including Medtech, the disruption in financial services and fintech, battery minerals and CleanEnergy, as well as the ongoing digitalisation of working and living conditions.

The structural changes and growth in how we live, consume and work that we had been investing in have accelerated massively with the onset of Covid. The ACQ portfolio is currently positioned to benefit from both the disruption from COVID-19 and acceleration of underlying industry trends, with investments in E-Commerce, Online Education, Home Fortification and modern digital communications.

We believe there are strong structural changes occurring in the health sector with the portfolio currently exposed to several themes:

1. Personalised healthcare (Telix);
2. Point of care diagnostic testing (Lumos Diagnostics);
3. Reimbursement models moving to value-based funding – Aroa is well positioned to benefit from this shift; and
4. Novel therapeutic approaches to disease management (Immutep, Kazia and Ausbio).

The 2016-2018 Electric Vehicle (EV)-metal boom was about demand in China. We now see the next EV-metal boom as being global, driven by: growing public awareness of climate-change risks; Mandatory government policies on emission standards (e.g., ban on new petrol, diesel & hybrid cars in London from 2035); at least 30 new EV models scheduled for release in 2020 in Europe & US alone; Amazon buying 100,000 electric vans by 2024, highlighting that electric vehicles are becoming cost effective.

We believe that the demand for Specialty metals & minerals growth will be driven by advanced technologies requiring high-purity metals & minerals like semi-conductors and nanotubes.

With the major banks burdened by legacy systems, high costs and increased regulatory scrutiny, there are a number of disruptors building growth and rapidly growing businesses, like Moula Money in the SME lending market.



Private Investment Capability

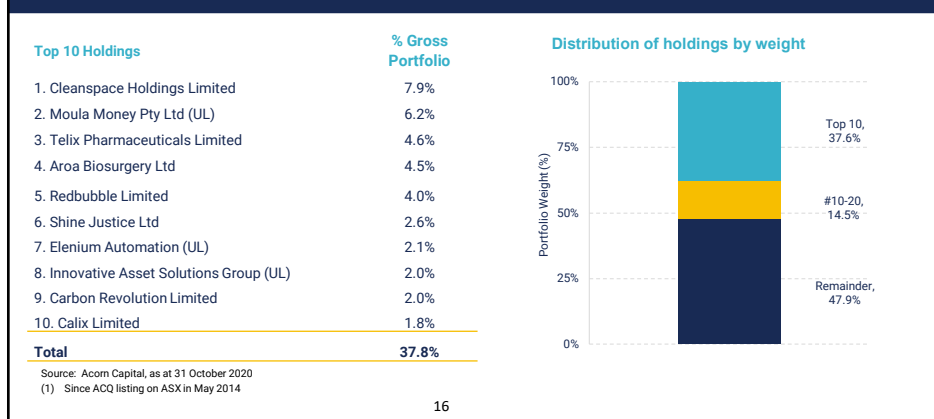
ACQ offers investors an opportunity to access some unique investment opportunities not otherwise available to the broader market in a way that manages the risk through portfolio diversification.

Acorn Capital has spent 11-years proving its capital management in this space. Considerable returns have been driven by the recent listings of Aroa, Calix, Cleanspace and Telix. ACQ currently holds significant investments in innovative private companies including Cluey Learning, Moula, Ellenium and Flare HR.

ACQ currently holds 21 unlisted investments. It has achieved liquidity on another 22 investments with an average weighted uplift of 72%.



# ACQ portfolio had 37.8% of investment portfolio in top 10 investments



## Portfolio

This slide provides some colour around ACQ’s investment portfolio. As at 31 October 2020, ACQ held a total of 83 investments. 37.8% of the Company’s portfolio is held in the Top 10 investments, and 59.4% in the Top 20 investments.

We note that 9 of the top 10 investments are either current or were previously unlisted investments. This provides Acorn with a deep knowledge of these companies and their business proposition, growth potential and sustainable competitive advantage.

ACQ first invested in CleanSpace in 2015 at a \$15m valuation. We were attracted to the innovative product development and patented breath responsive positive pressure system technology. It is now benefitting from the strong demand for the protection of frontline healthcare workers, resulting in accelerated global sales. We really see this as a company making event for CleanSpace, and following a strong IPO, clearly the market also understands the potential.

Moula Money is a fintech company focused on capital solutions to small to medium businesses (SMB). Acorn Capital first invested in March 2017 and has seen the business grow into one of the largest non-bank SMB lending businesses in Australia. We are particularly excited by the potential of the Moula BNPL solution “MoulaPay”. We believe that MoulaPay is unique in its focus on SMB’s will play an important role increasing their access to capital.

Telix is a clinical-stage biotechnology company dedicated to developing a pipeline of advanced "theranostic" (diagnostic+therapeutic) assets for a number of unmet needs in cancer care. The recent US\$25m investment by China Grand Pharmaceutical and Healthcare lifts our conviction and expands the addressable market in our investment case as well as removing a potential capital raising overhang.

Aroa Biosurgery is a commercial stage soft tissue regeneration company. Aroa’s core technology is derived from ovine forestomach and enables natural, high quality tissue repair in an infection resistant environment. The company has 5 approved and patented products that have a total

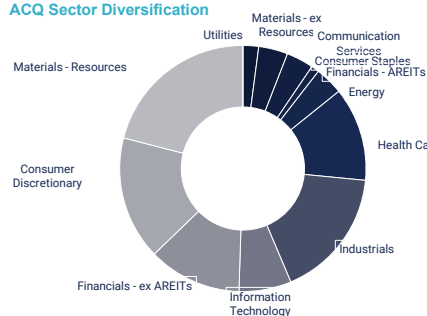
addressable market in excess of \$US1.5B.

Redbubble is unique on the ASX being a leading Global versus just Australian online marketplace. Redbubble provides unique product to consumers not otherwise available, and with revenue growing at 116% in 1Q FY21, and this sales volume is now generating significant operating leverage. While a Covid beneficiary, eCommerce is a strong structural trend and Europe and the USA are far from exiting restrictions.

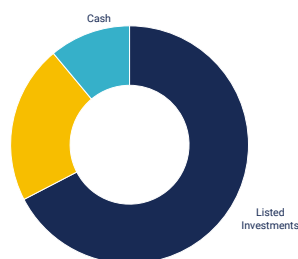
ACQ gives investors access to companies distinguished by their smaller size and stage of development



ACQ Sector Diversification



ACQ Portfolio Composition



Source: Acorn Capital, as at 31 October 2020


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## Portfolio Diversification


The portfolio is appropriately diversified across both industry and stage of development, and has significant exposure to Resources, Consumer Discretionary, Healthcare, and Industrial companies.

As at 31 October 2020, 22% of the gross portfolio assets were in unlisted assets. Acorn Capital is actively considering a number of new unlisted investments in the areas of Advanced Manufacturing, Software and Medical Technologies that will potentially be added to the portfolio in the next 3-4 months.

# Proven approach that provides attractive yield and diversification benefits




**ACORN  
CAPITAL**  
NEXT GENERATION INVESTING




**Proven strategy**

- ACQ's investment strategy has outperformed its Benchmark since inception
- Strategy has delivered a return of +18.0%<sup>(1)</sup> in LTM to 31 October 2020 outperforming the S&P/Small Ordinaries Accumulation Index by +20.4%



**Attractive dividend yield**

- 7.5 cents in fully franked dividends declared in past 12 months
- 3.75 cent 2020 final dividend declared and payable on 27 November 2020
- 34 cents per share in dividend reserves<sup>(2)</sup>
- ACQ has a policy of paying a dividend of at least 5% of the 30 June Post-Tax NTA<sup>(3)</sup>



**Unique portfolio & Attractive returns**

- ACQ provides investors with a unique emerging company portfolio, that is difficult to replicate
- Risk managed through bottom up stock selection and diversification – industry & stage of development
- Through ACQ's investment activities retail investors in ACQ have access to institutional placements
- Acorn Capital continues to see attractive unlisted investments for deployment of ACQ capital

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 performed by Acorn Capital in accordance with ACQ Board approved policies. Assumes re-investment of dividends. Past performance is not a reliable indicator of future performance.

2. Estimated by Acorn Capital as at 30 June 2020 and 67.0m shares at 14 October 2020.

3. Refer ACQ ASX release dated 31 August 2020 for more information

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## Benefits of ACQ

We believe that ACQ is an attractive investment option for investors:

1. ACQ has a proven strategy delivering outperformance since inception;
2. ACQ has an attractive income stream with a sustainable dividend yield; and
3. ACQ's strategy provides a unique exposure to attractive emerging growth companies, who are capital hungry, creating strong potential returns in significant primary market opportunities;

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## **ADOPTION OF THE 2020 ANNUAL REPORT**

### **AGM RESOLUTION**

TO RECEIVE AND CONSIDER THE FINANCIAL REPORT OF THE COMPANY AND THE REPORTS OF DIRECTORS AND AUDITORS FOR THE YEAR ENDED 30 JUNE 2020, AS SET OUT IN THE 2020 ANNUAL REPORT

## REMUNERATION REPORT



### ACQ RESOLUTION

THE REMUNERATION REPORT FOR THE YEAR  
ENDED 30 JUNE 2020 IS ADOPTED

	Voted	%
For	6,906,296	80.07%
Against	104,006	1.21%
Open-Usable	1,614,197	18.72%

# RE-ELECTION OF DIRECTORS



## ACQ RESOLUTION

### RE-ELECTION OF DIRECTORS

#### RE-ELECTION OF BARRY FAIRLEY

	Voted	%
For	8,758,459	84.31%
Against	16,365	0.16%
Open-Usable	1,614,197	15.53%



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