

# Acorn Capital Investment Fund Limited

ACN 167 595 897

## Appendix 4D - Half Year Report for the half year ended 31 December 2020

### Results for announcement to the market

	31 December	31 December	
	2020	2019	%
	\$'000	\$'000	Change
Revenue from ordinary activities	37,482	12,332	204
Profit from ordinary activities before tax attributable to members	32,500	10,338	214
Profit from ordinary activities after tax attributable to members	24,103	7,512	221

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2021 interim dividend	4.00	100%	26.0%
<b>Interim Dividend Dates</b>			
Ex-dividend Date			03 May 2021
Record Date			04 May 2021
Payment Date			27 May 2021

### Dividend Reinvestment Plan

ACQ has adopted a Dividend Reinvestment Plan (DRP) that will apply to this dividend.

The DRP has been lodged with ASX.

The DRP will be available for the FY21 Interim Dividend and all subsequent dividends unless notice is given of its suspension or termination.

	31 December 2020 \$/share	30 June 2020 \$/share
<b>Net Tangible Asset Backing Per Share (Post Tax)</b>	1.4523	1.1422

### Reconciliation of Net Assets Per Share for Net Tangible Asset Reporting and Financial Reporting Purposes

	31 December 2020	30 June 2020
Net Tangible Asset Backing Per Share (Post Tax)	1.4523	1.1422

### Permanent differences

Provision for transaction costs on disposal of the Portfolio	0.0016	0.0011
Adjustment to deferred tax liabilities	0.0004	0.0003
<b>Net Tangible Assets Per Share in the Financial Report</b>	<b>1.4543</b>	<b>1.1436</b>

This report is based on the Half Year Financial Report which has been subject to independent review by the Auditor, Ernst & Young.  
All the documents comprise the information required by the Listing Rule 4. 2A.  
This information should be read in conjunction with the 30 June 2020 Annual Report.

# **Acorn Capital Investment Fund Limited**

ACN 167 595 897

## **Interim financial report for the half-year ended 31 December 2020**

# Acorn Capital Investment Fund Limited

ACN 167 595 897

## Interim financial report for the half-year ended 31 December 2020

CONTENTS	Page
Corporate directory	2
Directors' report	3 - 4
Auditor's independence declaration	5
Condensed statement of comprehensive income	6
Condensed statement of financial position	7
Condensed statement of changes in equity	8
Condensed statement of cash flows	9
Notes to the financial statements	10 - 15
Directors' declaration	16
Auditor's review report on the half year financial report	17 - 18

This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made in respect of Acorn Capital Investment Fund Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 and Listing Rule*.

This financial report covers Acorn Capital Investment Fund Limited as an individual entity.

The Investment Manager of Acorn Capital Investment Fund Limited is Acorn Capital Limited (ACN 082 694 532). The principal registered office in Australia of Acorn Capital Investment Fund Limited is C/- Acorn Capital Limited, Level 4, 2 Russell Street, Melbourne Victoria 3000.

## **CORPORATE DIRECTORY**

<b>Directors</b>	John Steven (Chairman and Non-Executive director) Judith Smith (Non-Executive director) David Trude (Non-Executive director) Robert Brown (Director) Barry Fairley (Director)
<b>Company secretary</b>	Matthew Sheehan
<b>Principal registered office in Australia</b>	C/- Acorn Capital Limited, ACN 082 694 531 Level 4, 2 Russell Street, Melbourne Victoria 3000 Telephone: +61 3 9639 0522
<b>Investment Manager</b>	Acorn Capital Limited
<b>Share registry</b>	Computershare Investor Services Limited Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: 1300 850 505 (within Australia), +61 3 9415 4000 (international)
<b>Auditor</b>	Ernst & Young Level 23, 8 Exhibition Street, Melbourne Victoria 3000
<b>Legal adviser</b>	Minter Ellison Lawyers, Rialto Towers, 525 Collins Street, Melbourne Victoria 3000
<b>Stock exchange</b>	Australian Securities Exchange ASX Code: ACQ
<b>Website</b>	<a href="http://www.ACQFund.com.au">www.ACQFund.com.au</a>

## Directors' report

The directors of Acorn Capital Investment Fund Limited (the "Company"), present their report together with the financial statements of the Company for the period from 1 July 2020 to 31 December 2020 (the "reporting period").

Acorn Capital Investment Fund Limited is a public company limited by shares, is incorporated in Australia and listed on the ASX.

### Directors

The following persons were directors of the Company during the half-year and up to the date of this report (unless otherwise stated):

John Steven (Chairman and Independent Non-Executive Director)	Appointed 6 March 2014
Judith Smith (Independent Non-Executive Director)	Appointed 6 March 2014
David Trude (Independent Non-Executive Director)	Appointed 6 March 2014
Robert Brown (Director)	Appointed 6 March 2014
Barry Fairley (Director)	Appointed 10 February 2014

### Principal activities

The principal activity of the Company is to invest in a portfolio of listed and unlisted microcap companies. The investment manager is Acorn Capital Limited (the Manager), an established boutique asset manager with a long track record of successfully investing in microcap companies.

### Review and results of operations

During the half-year, the Company continued to invest funds in accordance with its governing documents.

In March 2020, COVID-19 was declared a global pandemic and had a significant impact on world equity, debt and commodity markets, with increased volatility in global markets due to economic uncertainty. During the reporting period, management are monitoring the ongoing impacts of COVID-19 on global markets and economic activity.

The most appropriate measure of the Company's financial performance is total comprehensive income. Total comprehensive income for the half-year ended 31 December 2020 was \$24,103,048 (2019: \$7,511,520). Total comprehensive income includes the profit after tax and both realised and unrealised gains/(losses) on the Company's investments.

The Company's profit before income tax for the half-year was \$32,499,702 (2019: \$10,337,920).

The profit after income tax for the half-year was \$24,103,048 (2019: \$7,511,520).

Basic earnings per share after income tax were 40.05 cents for the half-year (2019: 14.14 cents).

	For the half-year ended 31 December 2020	For the half-year ended 31 December 2019
	\$'000	\$'000
Profit before income tax expense	<b>32,500</b>	10,338
Income tax expense	<u>8,397</u>	<u>2,826</u>
Profit after income tax attributable to the owners of the Company	<u><b>24,103</b></u>	<u>7,512</u>
Equity	<u><b>97,817</b></u>	<u>68,570</u>

## Review and results of operations (continued)

Net Tangible Asset Backing (NTA) per share	As at 31 December 2020 (non-IFRS)	
	For monthly NTA Reporting \$/share	For Financial Reporting \$/share
NTA per share before income tax (\$/share)	1.5984	1.6004
NTA after income tax excluding tax on unrealised gains (\$/share)	1.5836	1.5856
NTA per share after income tax (\$/share)	1.4523	1.4543

Net Tangible Asset Backing (NTA) per share	As at 31 December 2019 (non-IFRS)	
	For monthly NTA Reporting \$/share	For Financial Reporting \$/share
NTA per share before income tax (\$/share)	1.3588	1.3605
NTA after income tax excluding tax on unrealised gains (\$/share)	1.3496	1.3513
NTA per share after income tax (\$/share)	1.2835	1.2852

The NTA per ordinary share for monthly NTA reporting, as required by ASX Listing Rule 4.12, is calculated in accordance with the definition of "net tangible asset backing" contained in Chapter 19 of the ASX Listing Rules.

Dividends	Payable	cents
2021 Interim dividend	27 May 2021	4.00

## Significant changes in the state of affairs

There were no significant changes in the state of affairs during the half-year.

## Events occurring after end of the half-year

No matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future reporting periods, or
- (b) the results of those operations in future reporting periods, or
- (c) the Company's state of affairs in future reporting periods.

## Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order unless otherwise indicated.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of this Directors' report.

The Directors' report is signed in accordance with a resolution of the Board of Directors.



John Steven  
Chairman and Non-Executive Director  
Melbourne  
26 February 2021



**Building a better  
working world**

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## Auditor's Independence Declaration to the Directors of Acorn Capital Investment Fund Limited

As lead auditor for the review of the half-year financial report of Acorn Capital Investment Fund Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Brett Kallio  
Partner  
Melbourne  
26 February 2021

## Condensed statement of comprehensive income

For the half-year ended	Notes	31 December 2020 \$'000	31 December 2019 \$'000
<i>Revenue from ordinary activities</i>			
Interest income		342	449
Dividend/Distribution income		438	269
<b>Total revenue</b>		<b>780</b>	<b>718</b>
Net gains on financial instruments held at fair value through profit or loss		36,690	11,612
Other income		12	2
<b>Total income</b>		<b>37,482</b>	<b>12,332</b>
<b>Expenses</b>			
Management fees		450	358
Directors' fees		70	70
Performance fees		4,070	1,335
Auditor's remuneration		47	36
Brokerage expenses		195	62
Custody fees		26	23
Other expenses		124	110
<b>Total expenses</b>		<b>4,982</b>	<b>1,994</b>
<b>Profit before income tax expense</b>		<b>32,500</b>	<b>10,338</b>
<b>Income tax expense</b>		<b>8,397</b>	<b>2,826</b>
<b>Profit after the income tax for the half-year attributable to the owners of the Company</b>		<b>24,103</b>	<b>7,512</b>
Other comprehensive income for the half-year attributable to the owners of the Company		-	-
<b>Total comprehensive income for the half-year attributable to the owners of the Company</b>		<b>24,103</b>	<b>7,512</b>
Transferred to dividend reserve		24,103	7,512
<b>Earnings per share for profit after income tax attributable to the owners of the ordinary shares of the Company:</b>			
Basic		40.05	14.14
Diluted		40.05	14.14

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.



## Condensed statement of financial position

As at		31 December 2020	30 June 2020
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		5,031	2,293
Receivables and Prepayments		547	877
Financial assets held at fair value through profit or loss	2	107,016	61,547
<b>Total assets</b>		<b>112,594</b>	<b>64,717</b>
<b>Liabilities</b>			
Payables		4,949	1,633
Provision for current income tax		1,060	-
Deferred tax liability		8,768	1,760
<b>Total liabilities</b>		<b>14,777</b>	<b>3,393</b>
<b>Net assets</b>		<b>97,817</b>	<b>61,324</b>
<b>Equity</b>			
Contributed equity	3	68,189	53,285
Accumulated losses		(14,768)	(14,768)
Dividend reserve		44,396	22,807
<b>Total equity attributable to owners of the Company</b>		<b>97,817</b>	<b>61,324</b>

*The above condensed statement of financial position should be read in conjunction with the accompanying notes.*

## Condensed statement of changes in equity

For the half-year ended 31 December 2020	Contributed equity	Retained profits/ Accumulated losses	Dividend reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2020</b>	<b>53,285</b>	<b>(14,768)</b>	<b>22,807</b>	<b>61,324</b>
Contributed equity	14,747	-	-	14,747
Cost of Entitlement Offer	(173)	-	-	(173)
Profit after income tax for the half-year attributable to the owners of the Company	-	-	24,103	24,103
<b>Total comprehensive income for the reporting period attributable to the owners of the Company</b>	<b>67,859</b>	<b>(14,768)</b>	<b>46,910</b>	<b>100,001</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	-	-	(2,514)	(2,514)
Dividends reinvested	330	-	-	330
<b>Balance at 31 December 2020</b>	<b>68,189</b>	<b>(14,768)</b>	<b>44,396</b>	<b>97,817</b>

  

For the half-year ended 31 December 2019	Contributed equity	Retained profits/ Accumulated losses	Dividend reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	52,730	(9,297)	19,158	62,591
Contributed equity	217			217
Cost of Option issue	(52)	-	-	(52)
Profit after income tax for the half-year attributable to the owners of the Company	-	-	7,512	7,512
<b>Total comprehensive income for the reporting period attributable to the owners of the Company</b>	<b>52,895</b>	<b>(9,297)</b>	<b>26,670</b>	<b>70,268</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	-	-	(1,863)	(1,863)
Dividends reinvested	165	-	-	165
<b>Balance at 31 December 2019</b>	<b>53,060</b>	<b>(9,297)</b>	<b>24,807</b>	<b>68,570</b>

*The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.*

## Condensed statement of cash flows

For the half-year ended	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	23,233	19,064
Purchase of financial instruments held at fair value through profit or loss	(31,420)	(15,546)
Dividends / distribution income received	226	262
Interest received	168	8
Custody fees paid	(15)	(26)
GST received	118	32
Other income received	12	2
Income Tax paid	(42)	(982)
Management fees paid	(323)	(344)
Performance fees paid	(1,232)	-
Brokerage expenses paid	(195)	(62)
Operating expenses paid	(182)	(208)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(9,652)</b>	<b>2,200</b>
<b>Cash flows from financing activities</b>		
Shares issued under Entitlement Offer*/Options exercised	14,747	217
Transaction costs associated with Entitlement Offer/Options issue	(173)	(52)
Dividends paid	(2,184)	(1,698)
<b>Net cash outflow from financing activities</b>	<b>12,390</b>	<b>(1,533)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,738</b>	<b>667</b>
Cash and cash equivalents at the beginning of the reporting period	2,293	2,767
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,031</b>	<b>3,434</b>

\*On 14 September 2020, ACQ announced a 1 for 4 non-renounceable entitlement offer of new ACQ shares at \$1.10 per new share. New shares issued under the Entitlement Offer commenced trading on 14 October 2020. Refer ASX announcements dated 14 September 2020 and 9 October 2020 for further information.

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

## **1 Basis of preparation and accounting policies**

### **(a) Basis of preparation**

This interim financial report for the half-year ended 31 December 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and *Corporations Act 2001*.

The Company is a for-profit entity for the purpose of preparing the financial statements. These general purpose financial statements are prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit and loss (FVPL).

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets where the amount expected to be recovered within twelve months after the end of the reporting period cannot be reliably determined.

### **(b) Statement of compliance**

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS') applicable to interim reporting as issued by the International Accounting Standards Board.

The half year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the most recent annual financial report of the Company.

### **(c) Changes in accounting standards**

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2020.

The Company has not early adopted any standard, interpretation or amendment that been issued, but not yet effective. There are no new standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements that, in the opinion of the Board, would materially impact the Company.

#### **(i) New and amended standards and interpretations**

##### **Amendments to AASB 101 and AASB 108: Definition of Material**

In October 2018, the IASB issued amendments to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The Company has applied the interpretation from 1 July 2020, and the application of this interpretation did not have an impact on the Company's interim financial statements.

### **(d) Significant accounting judgements and estimates**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The significant accounting policies have been consistently applied in the current financial period and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

As at 31 December 2020, the Company has measured investment securities at their fair value through profit or loss. Listed securities are valued based on unadjusted observable market prices. These prices reflect the increased volatility resulting from the ongoing COVID-19 pandemic.

## 1 Basis of preparation and accounting policies (continued)

### (d) Significant accounting judgements and estimates (continued)

Given the dynamic and evolving nature of COVID-19, as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes have been applied in the measurement of the Company's unlisted investments.

The impact of COVID-19 on the macroeconomic outlook, including an explanation of the matters considered in determining the Company's inputs for the purposes of Level 3 investments, has been outlined in Note 4 to the financial statements. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these matters represent reasonable and supportable forward-looking views as at the reporting date.

## 2 Financial assets held at fair value through profit or loss

As at	31 December 2020 \$'000	30 June 2020 \$'000
<b>Designated at fair value through profit or loss</b>		
Warrants*	26	-
Listed equities	86,233	38,344
Unlisted equities	20,012	21,236
Convertible notes	745	1,967
Total designated at fair value through profit or loss	107,016	61,547
<b>Total financial assets held at fair value through profit or loss</b>	<b>107,016</b>	<b>61,547</b>

\*Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period.

Warrants are valued at the prevailing market price at the end of each year. The Company recognises a gain or loss equal to the change in fair value at the end of each year.

## 3 Contributed equity and movements in total equity

As at	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 No.'000	30 June 2020 No.'000
(a) Share capital				
Ordinary shares				
Fully paid	68,189	53,285	67,262	53,623
(b) Movements in shares on issue:				
Opening balance	53,285	52,730	53,623	53,038
Cost of Entitlement Offer/Cost of Option issue	(173)	(53)	-	-
Equity issued	14,747	217	13,406	177
Dividends reinvested	330	391	233	408
Closing balance	68,189	53,285	67,262	53,623

### (c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### 3 Contributed equity and movements in total equity (continued)

#### (d) Capital risk management

The Company's policy is to maintain an appropriate level of liquidity in the Company's shares.

To achieve this, the Board of Directors monitor monthly NTA results, investment performance, the Company's management expenses and share price movements.

### 4 Financial risk management

#### Fair value hierarchy

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

All fair value measurements disclosed are recurring fair value measurements.

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements. All other assets and liabilities are carried at a reasonable approximation of fair value.

As at 31 December 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets held at fair value through profit or loss</b>				
Listed equities	86,233	-	-	86,233
Unlisted equities	-	-	20,012	20,012
Convertible notes	-	-	745	745
Warrants	-	-	26	26
<b>Total</b>	<b>86,233</b>	<b>-</b>	<b>20,783</b>	<b>107,016</b>
<b>As at 30 June 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets held at fair value through profit or loss</b>				
Listed equities	38,344	-	-	38,344
Unlisted equities	-	-	21,236	21,236
Convertible notes	-	-	1,967	1,967
<b>Total</b>	<b>38,344</b>	<b>-</b>	<b>23,203</b>	<b>61,547</b>

## 4 Financial risk management (continued)

### Fair value hierarchy (continued)

The pricing for the majority of the Company's investments is generally sourced from independent pricing sources, the relevant Investment Manager or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions.

Level 3 instruments could include debt instruments and certain private equity type investments of which valuations are not based on market inputs or securities valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity and/or restrictions. Level 3 instruments also include those that have stale price, that is, where the pricing for a particular security has remained static for an extended period of time.

Level 3 investments are valued by the Investment Manager using a variety of valuation techniques, taking into consideration recent market transactions. These valuations are reassessed on a monthly basis by the Investment Manager, and approved by an Investment Valuation Committee. Management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers where available. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

Transfers between levels of fair value hierarchy are deemed to have occurred at the reporting date.

Transfers out of level 3 generally occur when an unlisted equity investment lists on a recognised stock exchange.

The following table presents the movement in level 3 instruments as at the reporting date by class of financial instrument.

As at 31 December 2020	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unlisted equities	21,236	3,256	-	-	(5,764)	1,284	20,012
Convertible notes	1,967	1,339	(1,967)	-	(594)	-	745
Warrants	-	-	-	-	-	26	26
<b>Total</b>	<b>23,203</b>	<b>4,595</b>	<b>(1,967)</b>	<b>-</b>	<b>(6,358)</b>	<b>1,310</b>	<b>20,783</b>

As at 30 June 2020	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unlisted equities	16,266	6,342	(2,245)	-	(270)	1,143	21,236
Convertible notes	2,089	1,967	(2,089)	-	-	-	1,967
<b>Total</b>	<b>18,355</b>	<b>8,309</b>	<b>(4,334)</b>	<b>-</b>	<b>(270)</b>	<b>1,143</b>	<b>23,203</b>

## 4 Financial risk management (continued)

### Fair value hierarchy (continued)

#### (a) Sensitivity analysis for unlisted investments

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the underlying enterprise values which determines share or unit price.

Sensitivity of the unobservable inputs are approximated by reference to the volatility of the relevant sector of the microcap index which the company predominately operates in. These represent the best observable approximation of factors which can influence the operating environment of the unlisted investments given the size and nature of the companies.

The following table sets out the sensitivity of Level 3 investments to movements in the relevant sector indices over the last 5 years.

Sensitivity Analysis as at 31 December 2020					
Sector	Valuation Method	Fair Value Equities \$	Sector volatility (past 5 years)	Low \$	High \$
Consumer Staples	Relative Valuation	546,101	15.57 %	(85,027)	85,027
Communication Services	Relative Valuation	386,813	33.45 %	(129,385)	129,385
Consumer Discretionary	Relative Valuation	624,153	29.75 %	(185,697)	185,697
Consumer Discretionary	3rd Party Transaction	1,452,270	29.75 %	(432,078)	432,078
Health Care	3rd Party Transaction	733,802	23.30 %	(170,975)	170,975
Financial ex-AREITs	Relative Valuation	6,313,814	20.66 %	(1,304,585)	1,304,585
Financial ex-AREITs	3rd Party Transaction	3,127,636	20.66 %	(646,244)	646,244
Industrials ex-capital goods	Relative Valuation	938,691	22.27 %	(209,085)	209,085
Industrials ex-capital goods	3rd Party Transaction	4,824,433	22.27 %	(1,074,599)	1,074,599
Information Technology	Relative Valuation	205,613	25.07 %	(51,540)	51,540
Materials Resources	3rd Party Transaction	885,110	25.56 %	(226,234)	226,234
<b>Total</b>		<u>20,038,436</u>		<u>(4,515,449)</u>	<u>4,515,449</u>
Sector	Valuation Method	Fair Value C/Notes \$'000	Sector volatility (past 5 years)	Low \$'000	High \$'000
Health Care	3rd Party Transaction	<u>745,000</u>	23.30 %	<u>(173,584)</u>	<u>173,584</u>
<b>Total</b>		<u>745,000</u>		<u>(173,584)</u>	<u>173,584</u>



## 4 Financial risk management (continued)

### Fair value hierarchy (continued)

#### (a) Sensitivity analysis for unlisted investments (continued)

Sensitivity Analysis as at 30 June 2020					
Sector	Valuation Method	Fair Value Equities \$	Sector volatility (past 5 years)	Low \$	High \$
Consumer Staples	Relative Valuation	459,616	16.57 %	(76,137)	76,137
Communication Services	Relative Valuation	337,390	33.23 %	(112,108)	112,108
Consumer Discretionary	3rd Party Transaction	1,294,667	28.37 %	(367,317)	367,317
Health Care	Relative Valuation	703,270	22.58 %	(158,794)	158,794
Health Care	3rd Party Transaction	3,071,824	22.58 %	(693,599)	693,599
Financial ex-AREITs	Relative Valuation	518,330	19.67 %	(101,962)	101,962
Financial ex-AREITs	3rd Party Transaction	7,180,331	19.67 %	(1,412,456)	1,412,456
Industrials Capital Goods	Relative Valuation	2,691,278	24.32 %	(654,605)	654,605
Industrials ex-capital goods	Relative Valuation	1,388,682	21.37 %	(296,694)	296,694
Industrials ex-capital goods	3rd Party Transaction	2,496,712	21.37 %	(533,427)	533,427
Information Technology	Relative Valuation	287,486	23.17 %	(66,605)	66,605
Materials Resources	3rd Party Transaction	803,875	25.64 %	(206,128)	206,128
Total		<u>21,233,461</u>		<u>(4,679,832)</u>	<u>4,679,832</u>
Sector	Valuation Method	Fair Value C/Notes \$'000	Sector volatility (past 5 years)	Low \$'000	High \$'000
Financial ex-AREITs	3rd Party Transaction	930,000	19.67 %	(182,942)	182,942
Industrials ex-capital goods	3rd Party Transaction	<u>1,036,578</u>	21.37 %	<u>(221,467)</u>	<u>221,467</u>
Total		<u>1,966,578</u>		<u>(404,409)</u>	<u>404,409</u>

## 5 Events occurring after the reporting period

No significant events have occurred since the reporting period which would impact on the financial position of the Company disclosed in the statement of financial position as at 31 December 2020 or on the results and cash flows of the Company for the reporting period ended 31 December 2020 on that date.

## 6 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2020 and 2019.

## Directors' declaration

In the Directors' opinion

- (a) The financial statements and notes set out on pages 3 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

While the Company does not have any employees, the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the relevant executives of Acorn Capital Limited in relation to the Company. This declaration is made in accordance with a resolution of the directors.



John Steven  
Chairman and Non-Executive Director  
Melbourne  
26 February 2021

## Independent auditor's review report to the members of Acorn Capital Investment Fund Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Acorn Capital Investment Fund Limited (the 'Company'), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Securities Exchange (ASX) Listing Rules and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with:

- a. The *Corporations Act 2001*, including:
  - i Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
  - ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. The ASX Listing Rules as they relate to Appendix 4D.

#### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A stylized, handwritten signature of 'Ernst + Young' in black ink.

Ernst & Young

A handwritten signature of 'Brett Kallio' in black ink.

Brett Kallio  
Partner  
Melbourne  
26 February 2021