

ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE – JUNE 2022

ASX: ACQ



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Key Messages

June quarter 2022 was another 'Bear Market' – 4th largest decline in small/microcap sector in over 40 years

Safe and experienced set of hands needed during these conditions – ACQ is managed by Acorn Capital team comprised of 10 highly experienced investors with an average of 15+ years industry experience

Timing markets is difficult; however, history shows the bounce in small/microcap sector is swift and with high magnitude

ACQ's performance, both NTA return, and Share Price return is market leading – ranked #1 for the Australian Share Focused LICs over 5 years for both measures¹

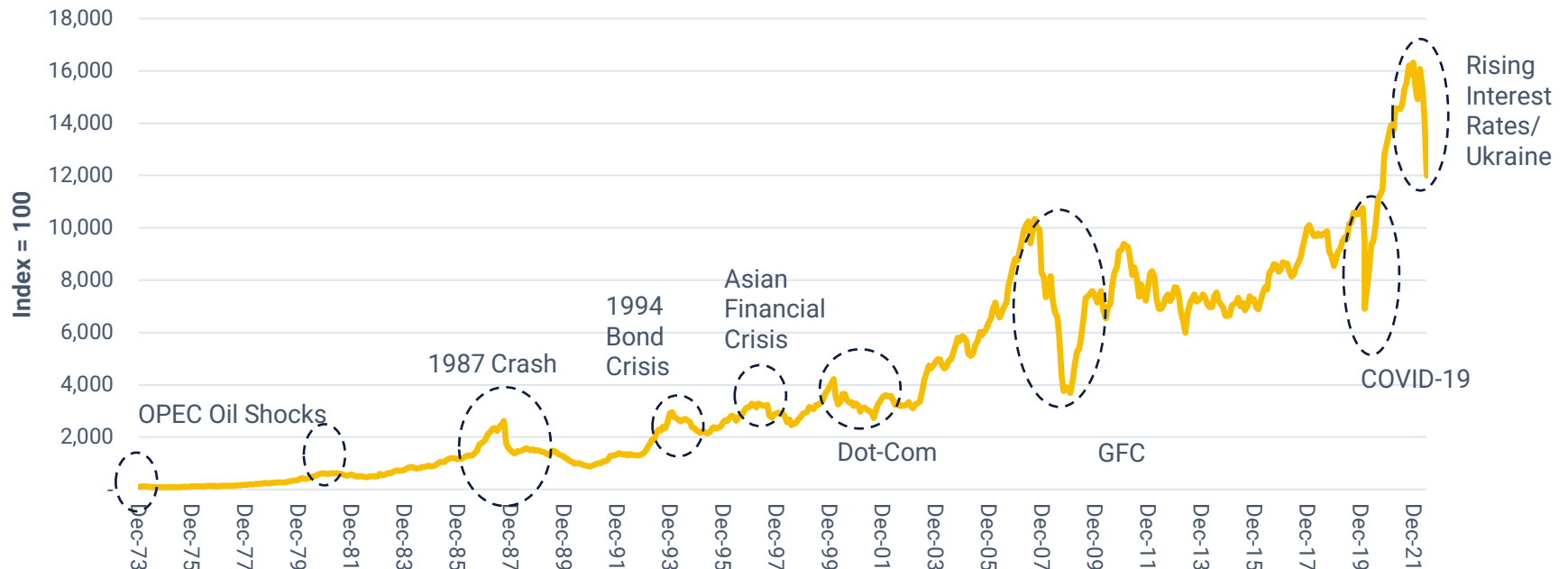
1. Independent Investment Research – LMI Monthly Update, published 30 June 2022. Performance data to 31 May 2022

SECTOR OBSERVATIONS

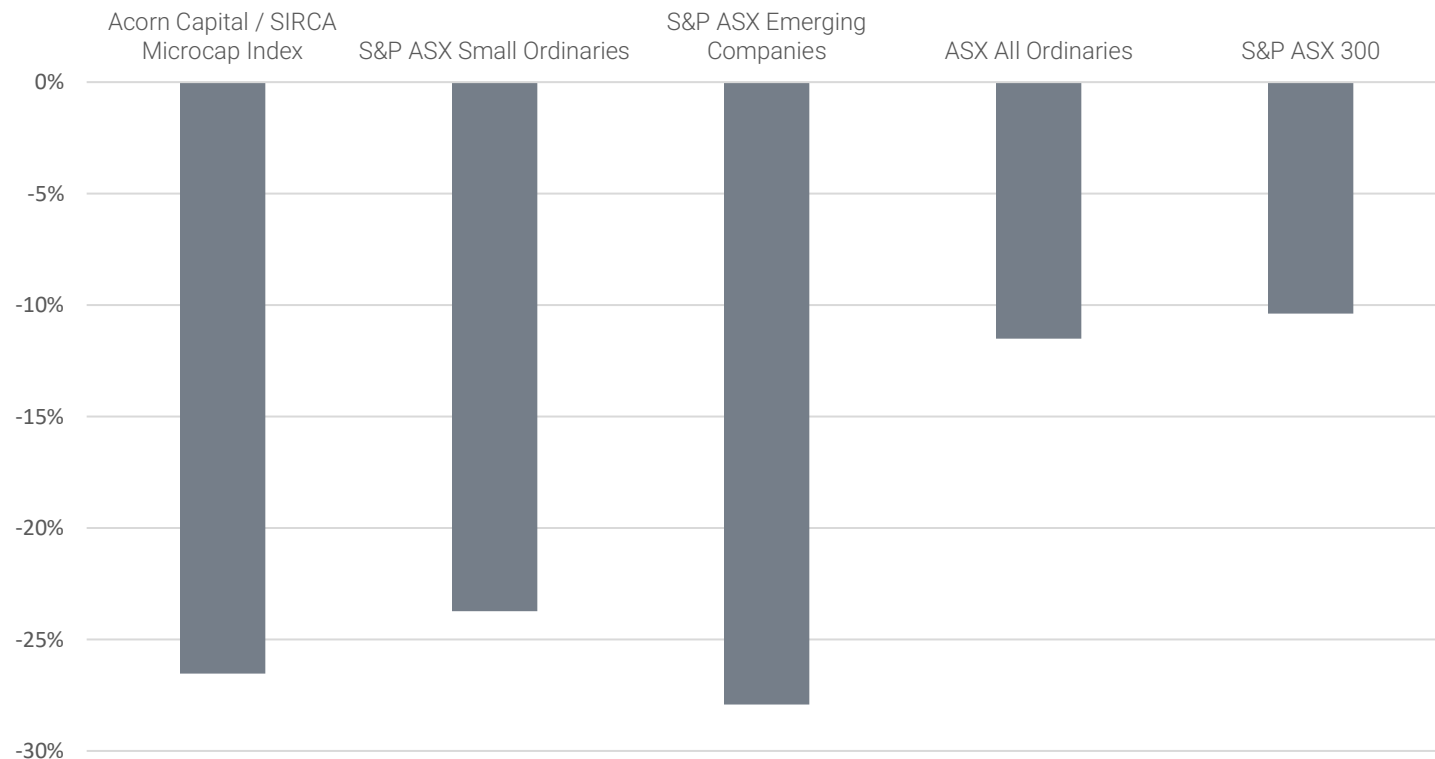
ASX: ACQ

The first half of 2022 saw a significant market correction in the ex-ASX250/Microcaps index with a decline of 26.5%

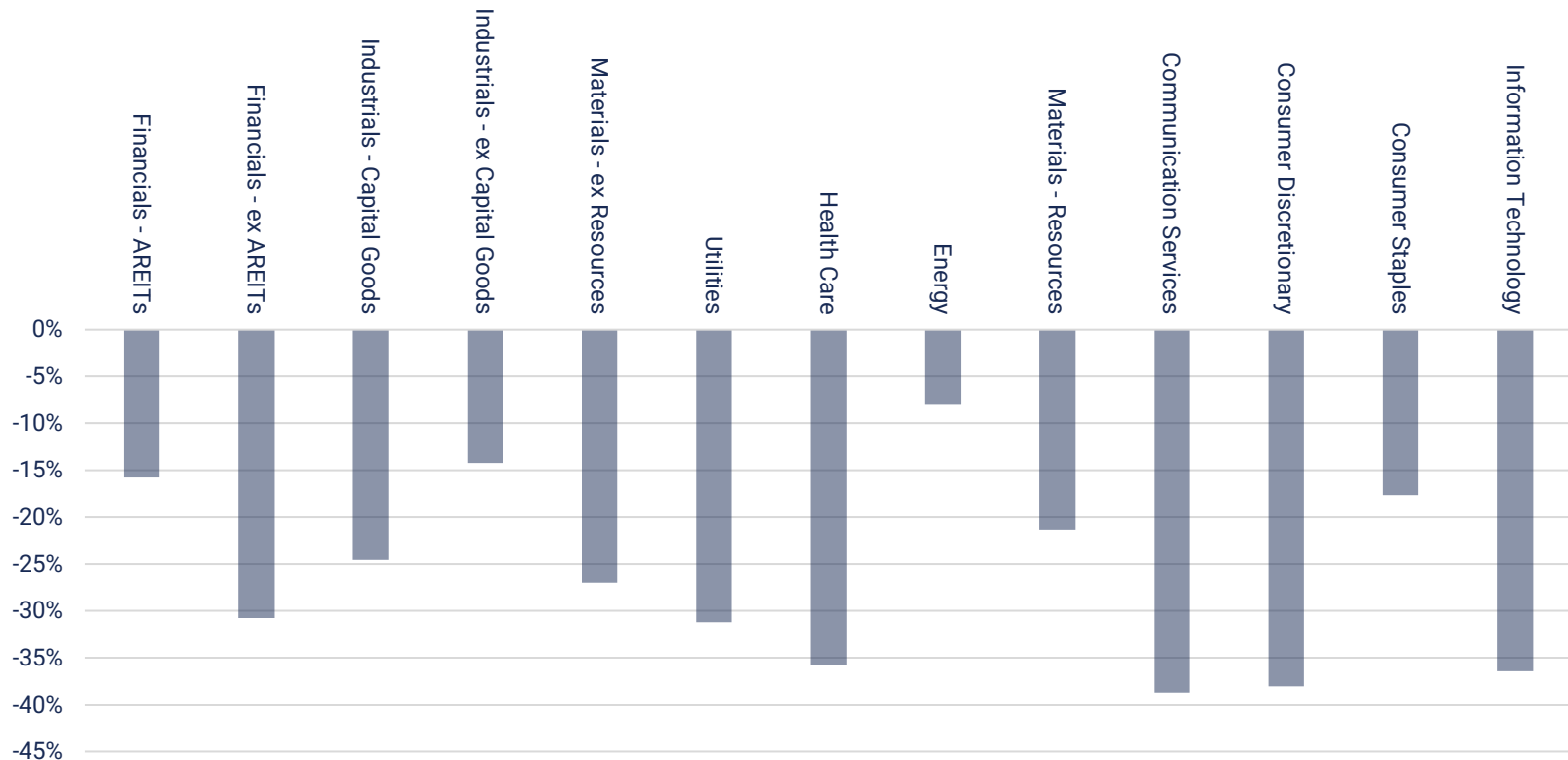
Acorn Capital / SIRCA Microcap Index (Dec 1973 - Jun 2022)



All ASX indices representing smaller companies underperformed their larger peers for the 6 months to June 2022

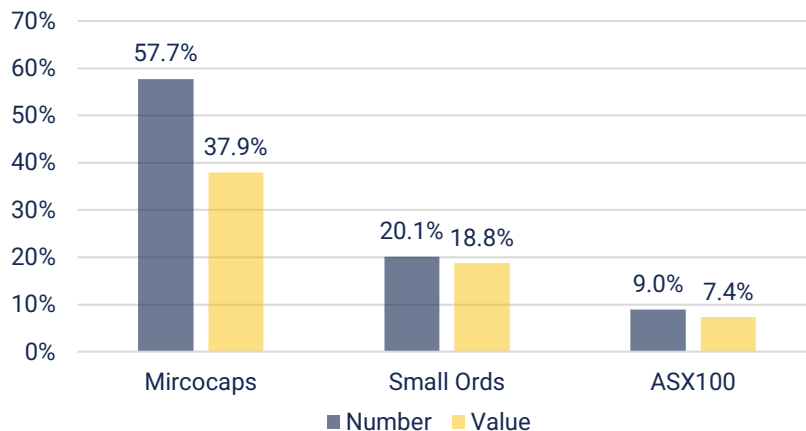


For the 6 months to June 2022 all Microcap sectors produced negative returns

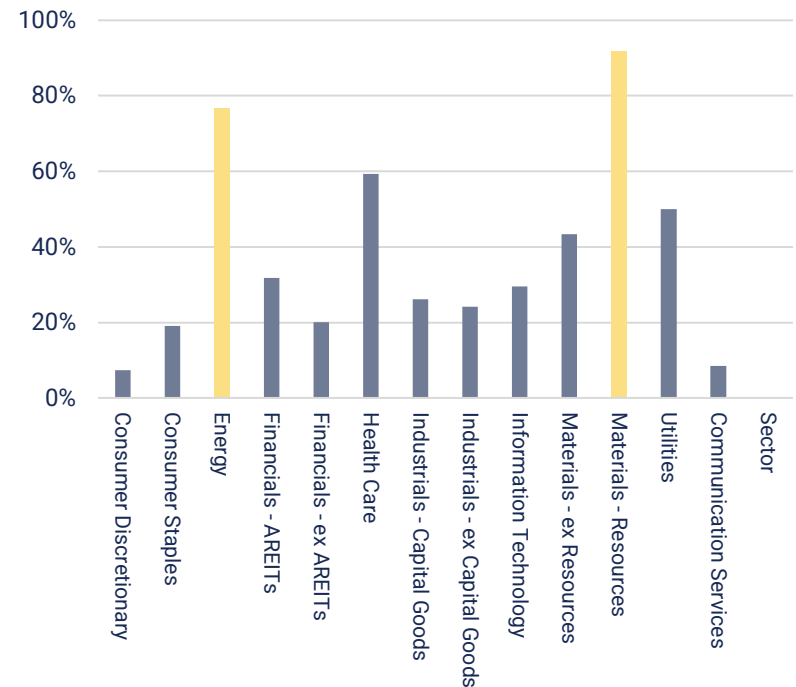


Differential in performance can be attributed to compositional differences between the microcap and large-cap investment universe

57.7% by number and 37.9% by market weight of the investment universe are developing companies^{1,2}



Developing companies are across all microcap sectors but have highest representation in resources & energy



1. Developing companies are defined as those companies that have revenues less than 10% of their market capitalisation
2. As at 30 June 2022
3. Data provided by Acorn Capital Limited

Impact of rising interest rates has been relatively more significant on early-stage company valuations

Sovereign risk (e.g. Ukraine) plus supply chain disruptions driving inflation higher

Central bank response has been to aggressively increase interest rates

Early-stage companies can be regarded as long duration equities given significant proportion of value attributed to the terminal value

Higher
Inflation



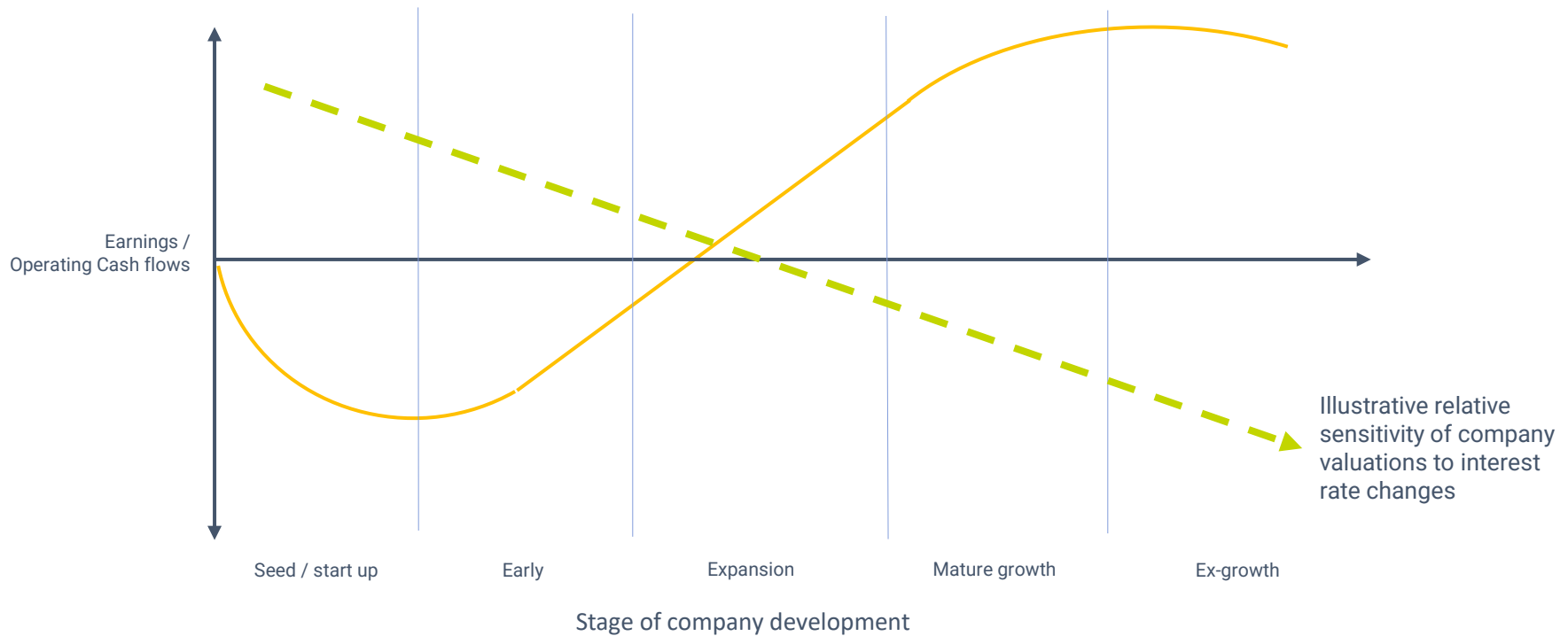
Higher
interest
rates



Relatively higher impact on early-stage valuations of changes in discount rates

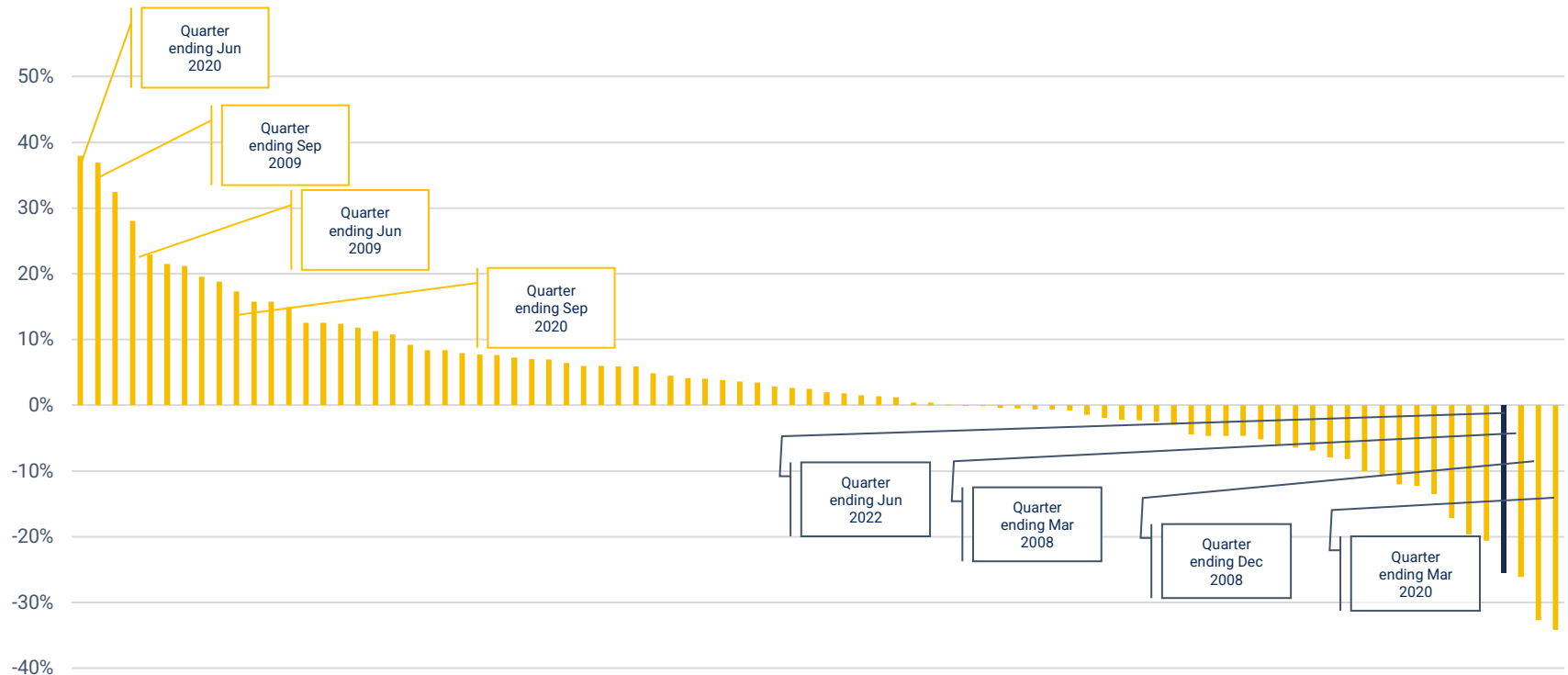
Source: Acorn Capital

Sensitivity of higher interest rates



Source: Acorn Capital

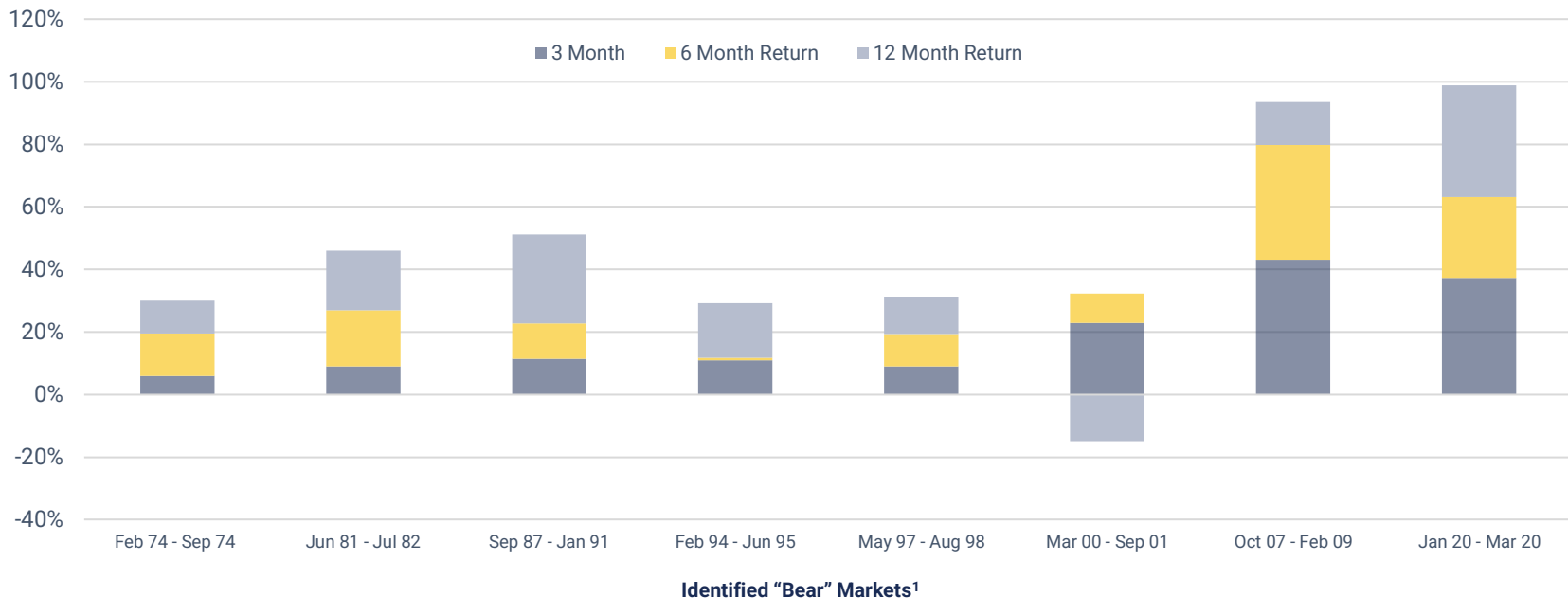
June 2022 quarter was the 4th largest decline since 1973 – However, this is only one side of the ledger



1. Estimated by Acorn Capital on a rolling quarterly basis through to June 2022
2. Past returns are not an indicator of future performance
3. Microcap Index or Acorn Capital / SIRCA Microcap Index is an accumulation index that measures the return of the ex-250 universe on the ASX. The index data set extends back 20 years for constituent data and 50 years for performance data

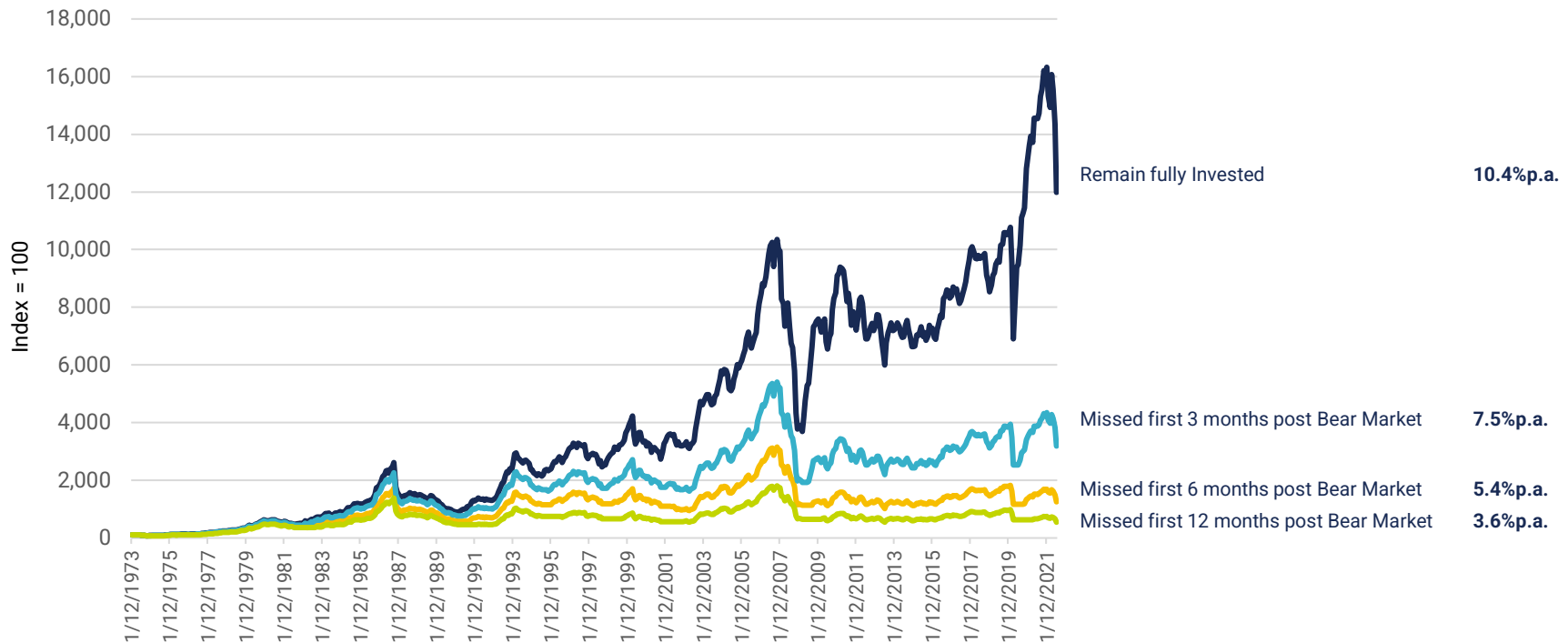
Microcaps bounce back with gusto and continued to generated long terms returns of 10.4% p.a. over 48 years⁽¹⁾

Estimated cumulative Microcap Sector returns 12 months after the end of bear market



1. Estimated by Acorn Capital for the period from December 1973 to June 2002
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3. Microcap Index or Acorn Capital / SIRCA Microcap Index is an accumulation index that measures the return of the ex-250 universe on the ASX. The index data set extends back 20 years for constituent data and 50 years for performance data

Significant proportion of returns are generated in the early recovery stages (post ending of bear market)¹



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PORTFOLIO & PERFORMANCE

ASX: ACQ



KEY FACTS - 30 JUNE 2022

Pre-tax NTA	\$ 1.1502	Performance - since inception ^{5,7}	8.9% p.a.
Post-tax NTA ¹	\$ 1.1072	Benchmark - since inception ^{6,7}	5.7% p.a.
ACQ share price	\$1.08		
Ordinary Dividends ²	8.25c	Lonsec Rating ⁸	
Implied cash dividend yield ³	7.6%		
Franking on dividends ⁴	100%		
Shares Outstanding	86.1m		
Market Capitalisation	\$92.9m		

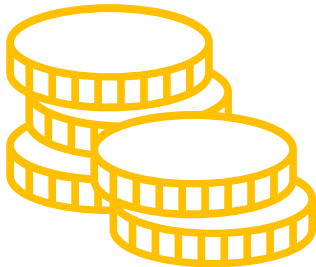


1. Post-tax NTA = before taxes on unrealised gains
2. Fully franked dividend and excludes special dividend of 4.0c paid in Nov 2021
3. Based on share price as at 30 June 2022
4. Dividends paid are estimated to be franked at a rate of 30% (subject to availability of franking credits)
5. Calculated as the movement in NTA before tax, post management fees, performance fees and operating costs. 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.
6. S&P/Small Ordinaries Accumulation Index
7. Inception is the date ACQ listed on the ASX which was 1 May 2014
8. Lonsec Research – refer to disclaimer on Page 2

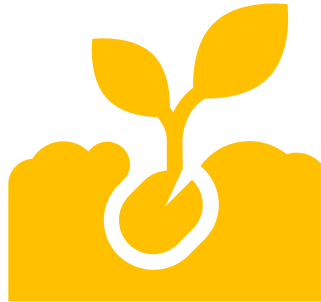
STRATEGY

ACQ investment strategy has demonstrated an ability to deliver positive investment outcomes ¹

1. DIVIDEND INCOME



2. CAPITAL GROWTH

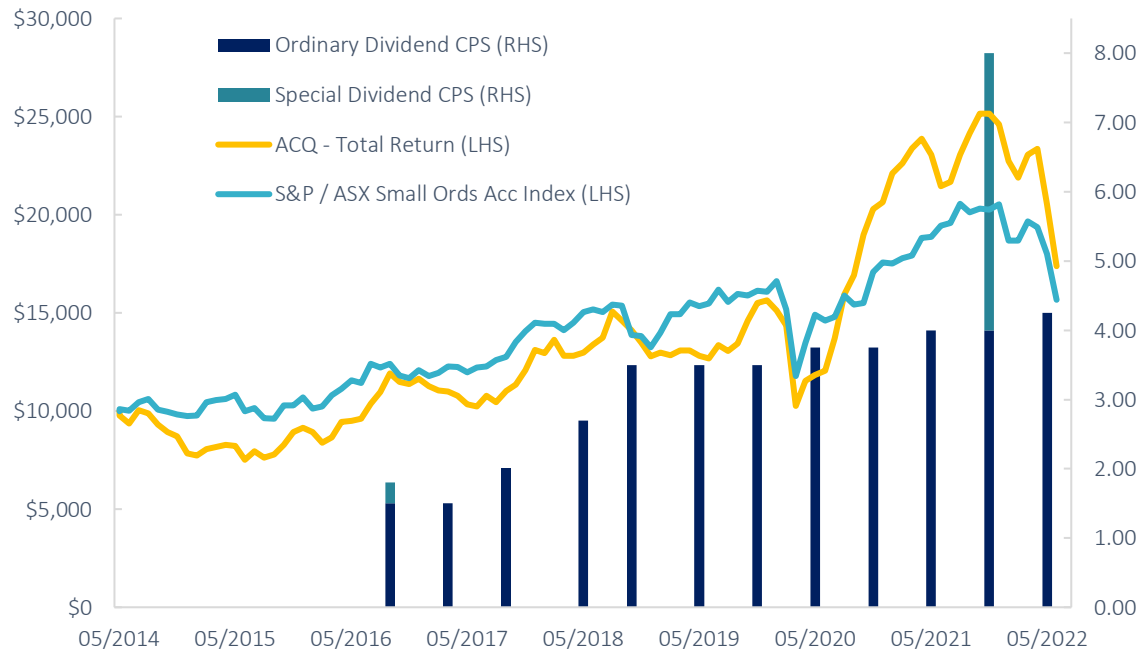


3. DIVERSIFICATION ²



1. As at 30 June 2022 the ACQ gross portfolio return has outperformed the S&P/Small Ordinaries Accumulation Index by 3.2% p.a. since ACQ listed on the ASX on 1 May 2014. Past performance is not a reliable indicator of future performance
2. Acorn Capital believes that the ACQ investment strategy should provide diversification benefits to an already diversified investment portfolio

GROWTH OF \$10K



ACQ Dividend Policy

“Acorn Capital Investment Fund Limited intends to pay annual dividends targeting at least 5% of closing post-tax NTA for each financial year, franked to the highest extent possible and without the Company incurring a liability. Where the Company accumulates franking credits that the Board determines are in excess to its requirements it is the intent to distribute those excess credits by way of special dividends. This is subject to the Company having sufficient profit and cash flow to make such payments.”

1. ASX listing date 1 May 2014
2. Total shareholder return assuming dividends reinvested, includes special dividends

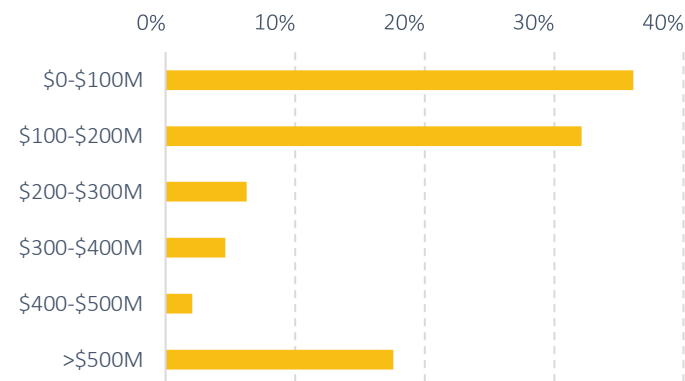
PORTFOLIO OVERVIEW¹

TOP 10 INVESTMENTS

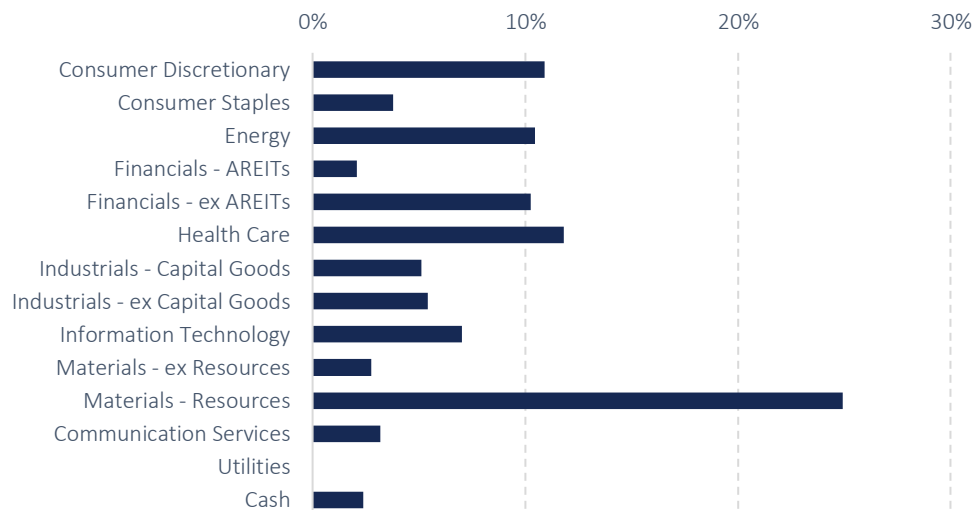
	Company	Weight %
1	Moula Money Pty Ltd ⁽²⁾	3.9
2	Australian Rare Earths Limited	3.6
3	Marketplacer ⁽²⁾	3.6
4	Splend Holdings Ltd ⁽²⁾	3.4
5	Flare HR Pty Ltd ⁽²⁾	2.5
6	Aroa Biosurgery Limited	2.4
7	Sandfire Resources Limited	2.3
8	Calix Limited	2.2
9	MX51 Group ⁽²⁾	2.2
10	Cooper Energy Limited	2.1
	Total	28.1

1. Acorn Capital, as at 30 June 2022
2. Unlisted Investment

MARKET CAP BANDS



SECTOR EXPOSURES



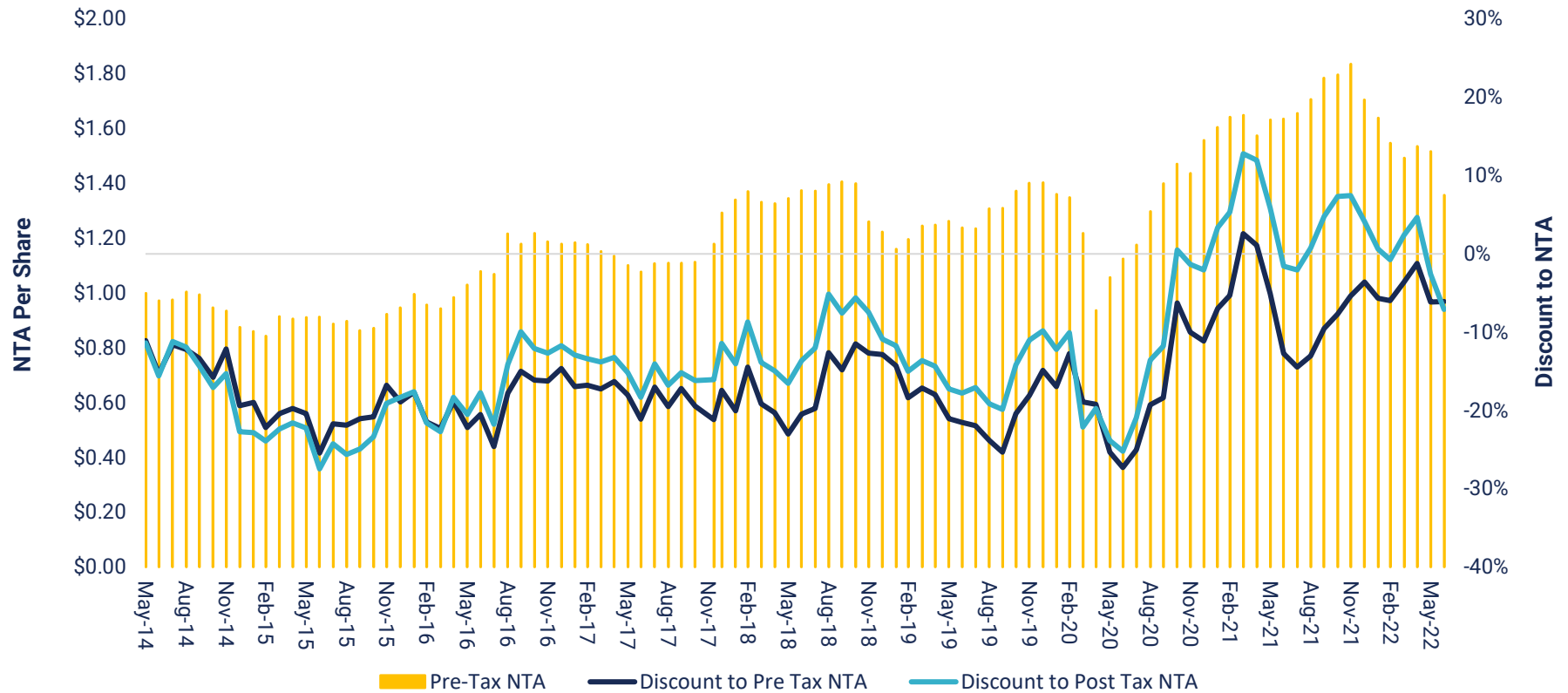
PERFORMANCE

Portfolio Return for Periods to 30 June 2022	1 Month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ³
ACQ (Post Fees & Op Costs)¹	-15.3	-22.7	-19.2	9.4	11.2	8.9
S&P/ASX Small Ords Acc. Index ⁴	-13.1	-20.4	-19.5	0.4	5.1	5.7
Value add	-2.3	-2.3	+0.3	+9.0	+6.1	+3.2
<i>Alternate market indices</i>						
<i>Acorn Capital / SIRCA Microcap Acc. Index ²</i>	-18.6	-28.1	-7.3	13.1	11.6	9.7
<i>S&P/Emerging Companies Index⁴</i>	-16.4	-25.4	-17.7	8.6	8.3	7.0

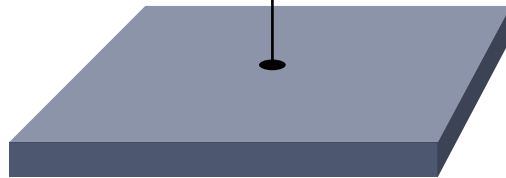
1. Portfolio performance is unaudited and calculated as the movement in NTA before tax effects, which is post all management fees, performance fees and operating costs. Performance includes dividends paid and payable but has not been grossed up for franking credits received by shareholders. All figures include unlisted valuations that are performed by Acorn Capital in accordance with ACQ Board approved policies
2. Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')
3. Inception is 1 May 2014
4. Source: Factset

PERFORMANCE

HISTORICAL DISCOUNT TO NTA TO 30 JUNE 2022¹



1. Discount measured based on month end share price
2. Based on Acorn Capital estimates



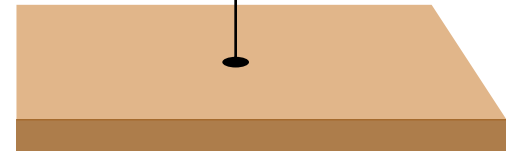
PROVEN STRATEGY

- ACQ's investment strategy has outperformed its benchmark since inception
- Specialised investment process developed over 20 years and tested through market cycles



ATTRACTIVE DIVIDEND YIELD

- 4.25 cents interim dividend announced – payable May 2022
- 8.25 cents in fully franked ordinary dividends paid in past 12 months plus a 4 cent special fully franked dividends
- Policy of paying a dividend of at least 5% of the 30 June Post-Tax NTA and distributing excess franking credits by way of special dividend



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 of both industry and 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

SUMMARY

Type	Listed Investment Company
Objective	To achieve after-fee returns in the long-term that are higher than the S&P/ASX small Ordinaries accumulation index
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Investment universe	Australian Listed Equities Unlisted investments Cash
Stock #	60 - 80
Liquidity	On market
Investment timeframe	3 - 5 years
Dividends	Targeted semi annually (May and Nov)
Market Cap	\$92.9m (30 June 2022)
Management fee	0.95%
Performance fee	20% of returns in excess of the benchmark

Sector limits	Stock: +/- 7.5% at purchase Benchmark: +/- 7.5%
Board	John Steven – Chair Judith Smith David Trude Robert Brown
Shorting	The fund is long only. The fund is not permitted to short sell securities
Investment Manager	Acorn Capital Ltd

FURTHER INFORMATION

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