

ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE – SEPTEMBER 2022

ASX: ACQ



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KEY MESSAGES

Challenging markets continued with high volatility during the September 2022 quarter – ACQ was up 1.2%, the ASX Small Caps were down 0.5%

ACQ announced a 4.25c/share fully franked dividend, payable in November 2022

Lonsec “Recommended” rating retained ¹

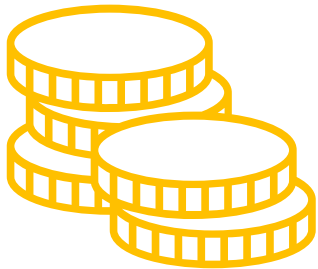
Market conditions are providing relatively attractive conditions for deploying capital into microcaps

1. Refer page 2 for Lonsec disclaimer

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

SECTOR OBSERVATIONS

ASX: ACQ

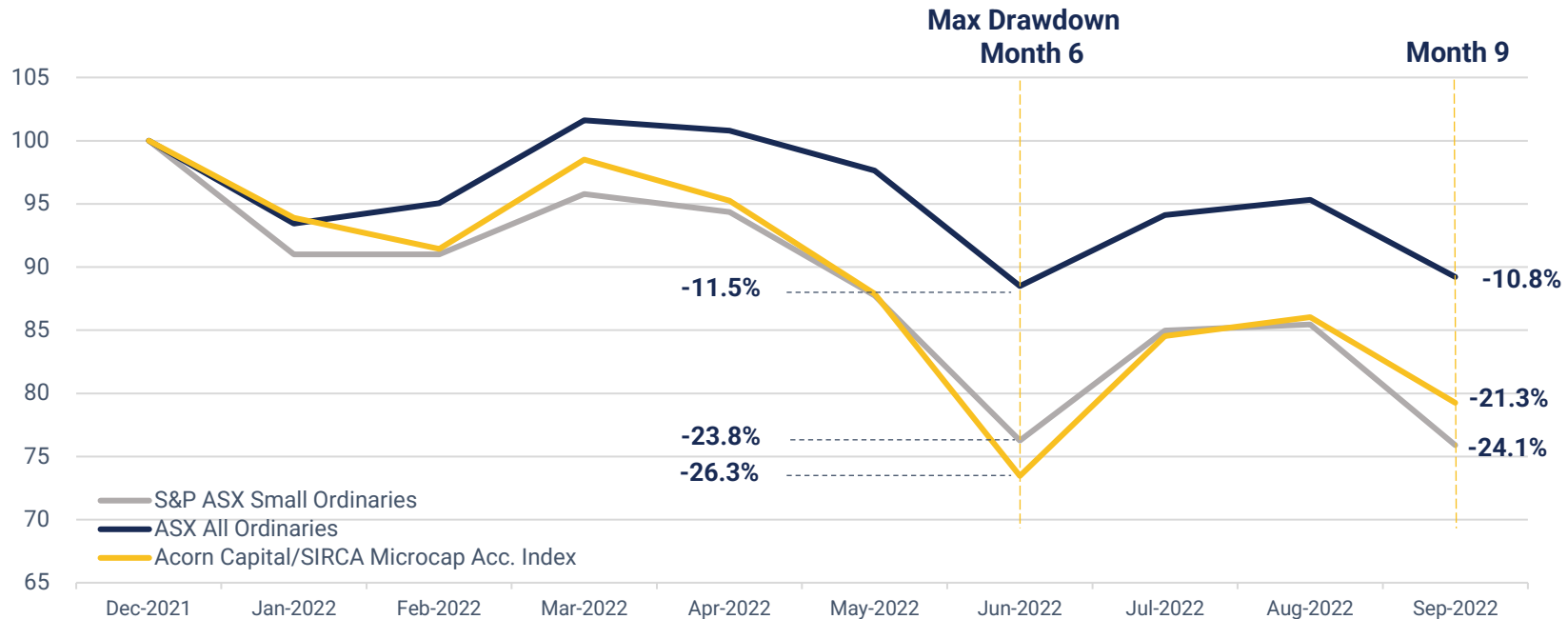
DIVERSIFICATION IN MICROCAPS IS PARAMOUNT

It is not about picking a single winning sector – the key is the best stocks in each sector

CALENDAR YEAR MICROCAP SECTOR RETURNS – RANKED HIGHEST TO LOWEST								
2014	2015	2016	2017	2018	2019	2020	2021	CYTD-22
26.7% (return) AREITs (sector)	69.0% Staples	49.6% Indust – Capital	41.8% AREITs	7.7% Telco	51.5% IT	72.5% Resources	37.9% Resources	4.3% Energy
22.1% Staples	45.3% Telco	48.4% Resources	35.8% Resources	5.5% AREITs	39.8% Healthcare	45.2% IT	32.5% Energy	-5.2% Indust -ex Capital
17.2% Telco	36.1% IT	20.8% Indust -ex Capital	33.5% Indust - Capital	-0.4% Staples	35.1% Discretionary	30.5% Discretionary	30.8% Indust - Capital	-12.8% Indust - Capital
16.3% Financials	21.2% Healthcare	20.7% Telco	30.1% Staples	-6.3% Indust -ex Capital	33.2% Financials	24.5% Microcap Index	29.8% Indust -ex Capital	-14.6% Staples
12.9% Discretionary	21.0% AREITs	19.2% AREITs	26.5% Financials	-7.4% Financials	26.5% Indust - Capital	13.2% Healthcare	28.1% Telco	-17.2% Resources
2.6% IT	16.4% Discretionary	15.7% Microcap Index	20.4% Microcap Index	-9.7% Energy	24.5% Microcap Index	10.2% Telco	26.3% Discretionary	-21.3% Microcap Index
-7.9% Microcap Index	10.5% Financials	15.0% Energy	17.5% IT	-12.8% Discretionary	16.6% Staples	7.3% AREITs	25.3% AREITs	-22.7% AREITs
-11.2% Healthcare	10.4% Microcap Index	11.8% Healthcare	11.2% Indust -ex Capital	-14.2% Microcap Index	16.4% Indust -ex Capital	5.3% Financials	23.6% Microcap Index	-27.3% Financials
-14.5% Indust -ex Capital	5.1% Indust -ex Capital	7.2% Financials	9.1% Telco	-14.2% Healthcare	16.0% Resources	4.1% Energy	15.5% Financials	-29.5% Healthcare
-25.6% Indust - Capital	-3.4% Resources	1.5% Discretionary	5.2% Discretionary	-15.0% Indust - Capital	14.1% AREITs	0.8% Indust - Capital	14.9% Healthcare	-30.5% IT
-28.4% Resources	-20.8% Indust - Capital	-9.1% Staples	4.6% Energy	-24.4% IT	-0.1% Telco	-3.5% Indust -ex Capital	-0.2% IT	-32.7% Discretionary
-30.4% Energy	-29.7% Energy	-15.3% IT	0.7% Healthcare	-26.3% Resources	-4.1% Energy	-5.2% Staples	-2.0% Staples	-33.7% Telco

Source: Acorn Capital/SIRCA Microcap Index . Does not include Utilities or Materials ex-Resources as <2% of universe

CURRENT BEAR MARKET IN MICROCAPS



Acorn Capital has observed 9 Microcap bear markets since 1974 ¹

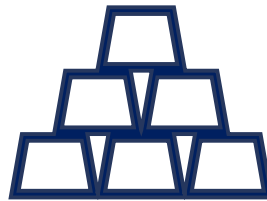
	Median	Average
Bear market duration (months)	15	14.8
Max drawdown of bear market	-31.3%	-37.5%
Return in 12 months post max drawdown	38.6%	49.6% ²

1. Observations/calculations based on monthly time series of returns for Acorn Capital/SIRCA Microcap Index
2. Excludes current (2022) bear market, hence 8 observations

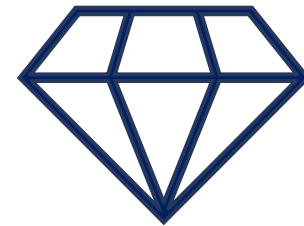
CURRENT MARKET PROVIDES ATTRACTIVE CONDITIONS TO DEPLOY LONG TERM CAPITAL



**Attractive
Valuations**



**Equity capital
scarcity**



**Attractive
investment
opportunities**

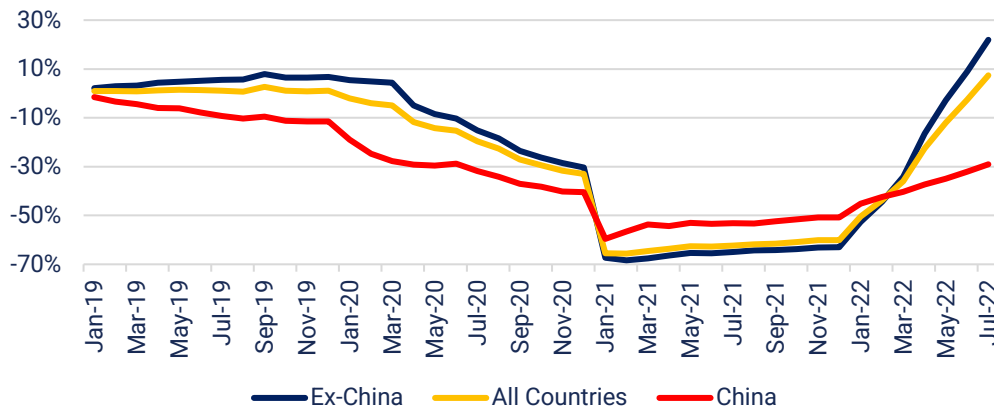
STOCKS IN FOCUS

ASX: ACQ

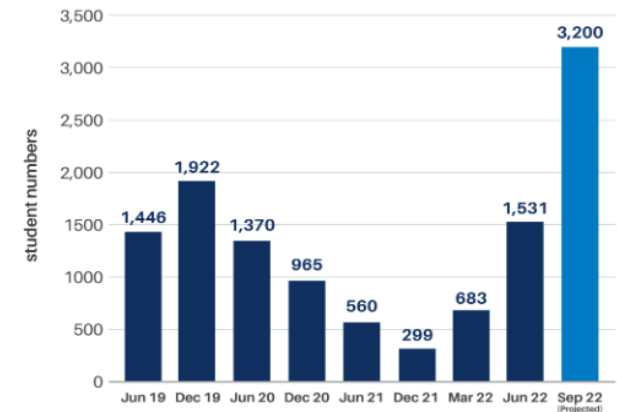
INTERNATIONAL EDUCATION REBOUND

- At Dec 2019 Australia had 952k international students enrolled, with 510k new student commencing that year. Mainland Chinese students were 27% of the total.
- Commencements fell 44% to 284k in 2021.
- 117k commenced English courses (ELICOS) in 2019, with Chinese being 36% of all enrolled students. Total commencements fell by 75% to 29k in 2021.
- ELICOS leads student recovery growing 7.5% YoY in July, 22% ex-China growth.
- iCollege's Greenwich English is a ELICOS leader & has <1% China student exposure.
- iCollege remained open as competitors closed in Covid, enrolments in Sep 2022 at 3,200 are 50% higher than the pre-Covid peak 1,922 in Dec-2019. 30% of ELICOS students transition to Greenwich diplomas/degrees.

YoY Change in ELICOS Enrolments

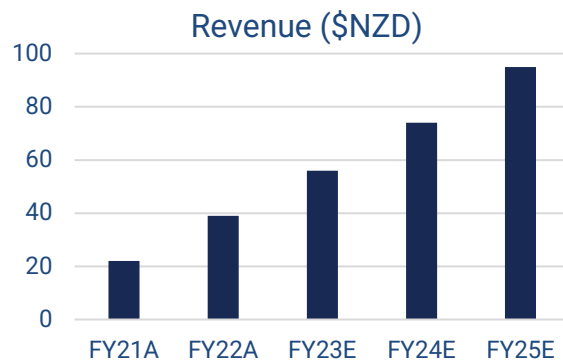


Actively Studying English Language Students at Greenwich

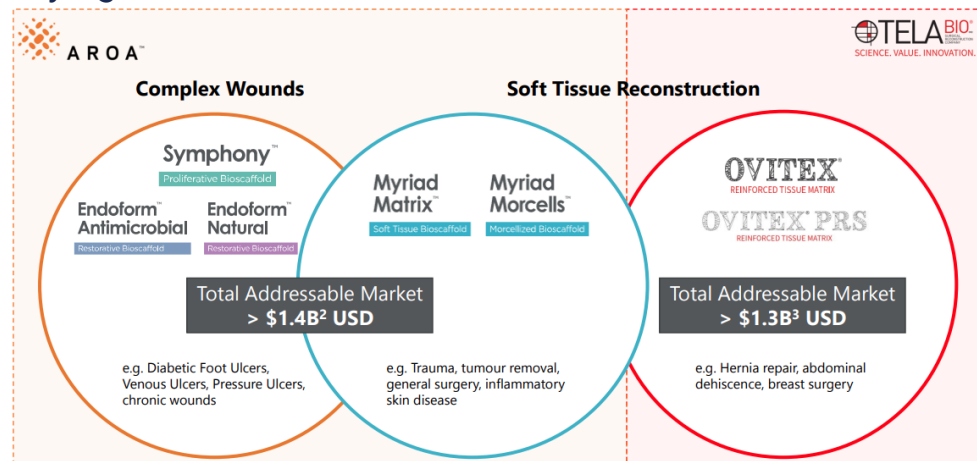


AROA BIOSURGERY – DON'T HAVE A HERNIA!

- Aroa has been a long term top 10 position, originally held as an unlisted investment in 2016
- Aroa was negatively impacted by COVID-19 pandemic (delayed procedures)
- Fundamentals are very positive:
 - Revenue momentum FY23(f) c\$55m, EBITDA positive in FY24 and c\$90 -\$100m rev in FY25f
 - Multiple FDA approved devices in commercialisation (Ovitex, Myriad, Endoform)
 - Exciting pipeline of innovate devices (Symphony, LEAF)
 - Exceptional clinical evidence (Ovitex on its way to being to be a category leader in Hernia)
 - Strong balance sheet with optionality – forecasting > \$40m cash on balance sheet end FY23
 - Undemanding valuation and beneficiary of falling USDNZD exchange rates
 - Customer demand not impacted by tighter economic conditions



Source: Acorn Capital estimate



1. SmartTRAK BiomedGPS data 2020; DRG Millennium Research data; Hernia Repair Devices, 2020, AROA management estimates; DRG Millennium Research, Breast Implants & Reconstructive devices, 2018. 2. SmartTRAK BiomedGPS data 2020. Aroa management estimates. 3. DRG Millennium Research data; Hernia Repair Devices, 2020. DRG Millennium Research, Breast Implants & Reconstructive devices, 2018.

COOPER ENERGY – DOMESTIC GAS SUPPLY

Cooper Energy is an ASX-listed energy company which generates revenue from the discovery, commercialisation and sale of gas to south-east Australia and low-cost Cooper Basin oil production

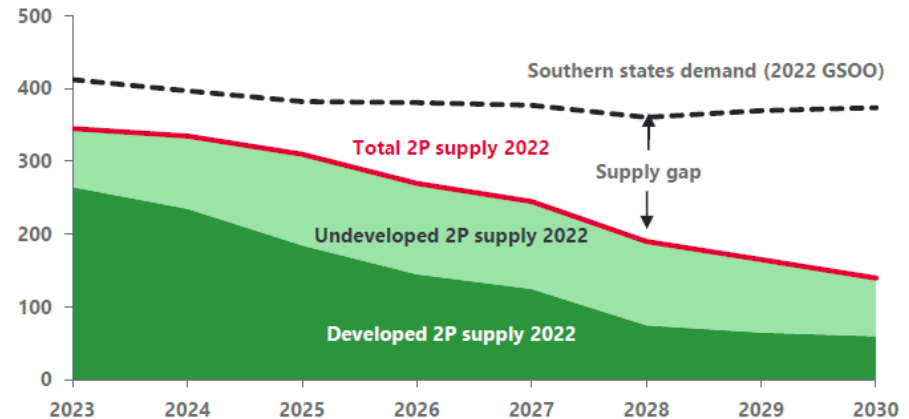
The opportunity:

- Supply shortfall for domestic gas in south-eastern Australia
- Volatile energy markets
- Increased focus on cleaner fuels in the energy mix

Cooper Energy's advantage:

- Growing production from two major gas operations in Victoria
- First major gas producer in Australia to be net-zero (Scope 1, 2 and controllable 3 emissions)
- Strong development pipeline

ACCC forecast supply/demand in the Southern states (PJ pa)^{1, 2}



Spot gas prices (\$/GJ)³



¹ Source: Cooper Energy analysis of January 2022 ACCC Gas Inquiry Report | ² Supply includes Cooper Basin, Otway Basin and Gippsland Basin. Demand includes VIC, NSW, SA, ACT and TAS. | ³ Source: Bloomberg & Australian Energy Market Operator's (AEMO). Data presented up to 18 June 2022. | ⁴ Source: ACCC as at 16 August 2022; LNG n

PORTFOLIO & PERFORMANCE

ASX: ACQ



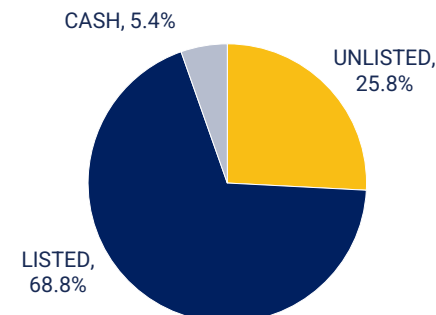
KEY FACTS - 30 SEPTEMBER 2022

Pre-tax NTA	1.1644
Post-tax NTA ¹	1.1459
ACQ share price	\$1.09
Ordinary Dividends ²	8.50c
Implied cash dividend yield ³	7.6%
Franking on dividends ⁴	100%
Shares Outstanding	86.1m
Market Capitalisation	\$93.8m
Number of stocks	81

Performance - since inception^{5,7} 8.7

Benchmark - since inception^{6,7} 5.4

Investment Split

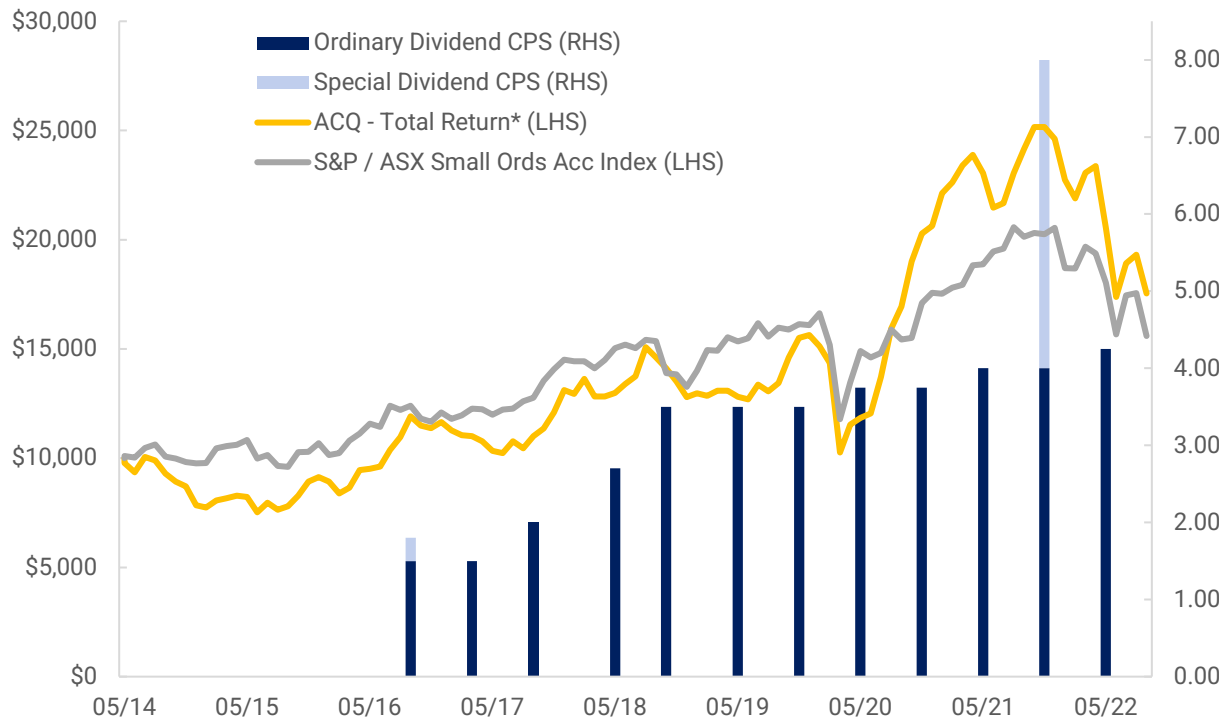


Lonsec Rating⁸



1. Post-tax NTA = before taxes on unrealised gains
2. Fully franked dividend and includes dividend of 4.25c payable in Nov 2022
3. Based on share price as at 30 September 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

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."

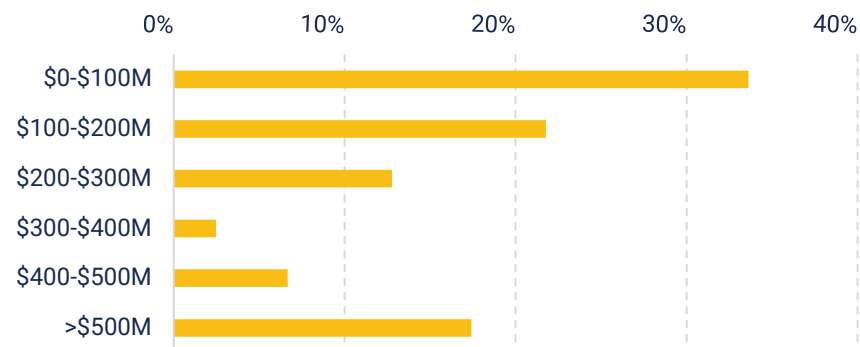
1. ASX listing date 1 May 2014
2. Total shareholder return assuming dividends reinvested, includes special dividends

PORTFOLIO OVERVIEW¹

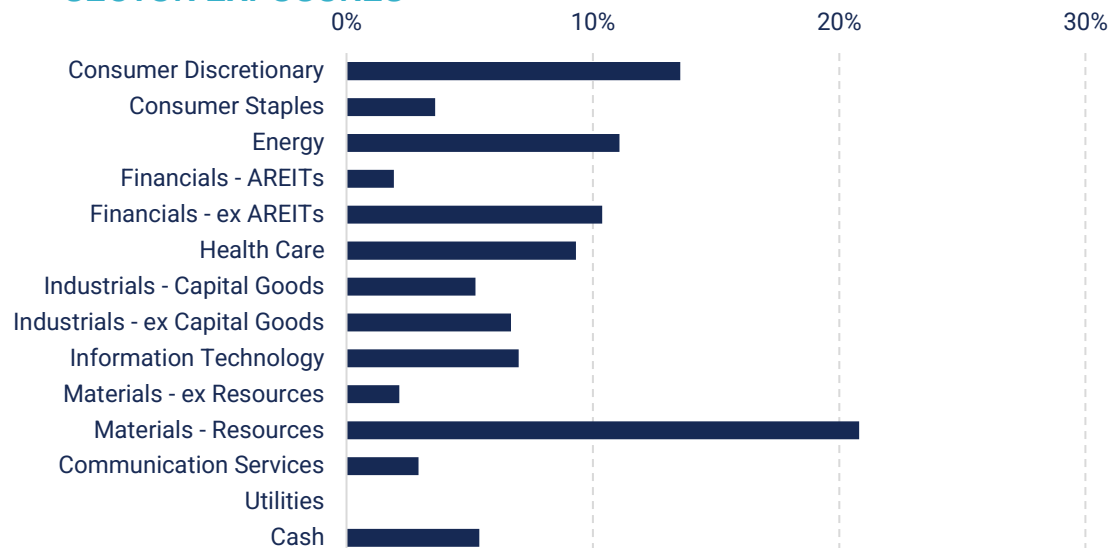
TOP 10 INVESTMENTS

	Company	Weight %
1	Moula Money ²	3.9
2	Marketplacer ²	3.6
3	Splend Holdings ²	3.5
4	Icollege	3.0
5	Aroa Biosurgery	2.7
6	Australian Rare Earths	2.7
7	Cooper Energy	2.5
8	Syrah Resources	2.4
9	MX51 Group ²	2.2
10	Calix	2.1
	Total	28.6

MARKET CAP BANDS



SECTOR EXPOSURES

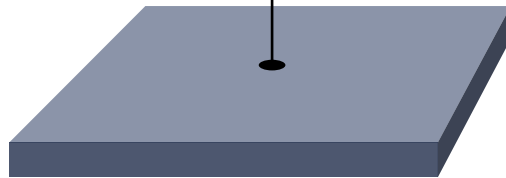


1. Acorn Capital, as at 30 September 2022
2. Unlisted Investment

PERFORMANCE

Portfolio Return for Periods to 30 Sept 2022	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ³
ACQ (Post Fees & Op Costs) ¹	1.2	-24.6	6.0	10.4	8.7
S&P/ASX Small Ords Acc. Index ⁴	-0.5	-22.6	-0.8	4.1	5.4
Value add	+1.7	-2.1	+6.8	+6.3	+3.4
<i>Alternate market indices</i>					
Acorn Capital / SIRCA Microcap Acc. Index ²	7.9	-16.9	7.7	8.3	7.8
S&P/Emerging Companies Index ⁴	4.8	-18.2	10.1	10.8	10.0

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



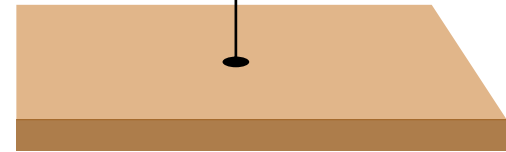
PROVEN STRATEGY

- 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 Nov 2022
- 8.50 cents in fully franked ordinary dividends paid in past 12 months
- 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

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	\$93.8m (30 September 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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