

ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE – DECEMBER 2022

ASX: ACQ



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KEY MESSAGES

In 2022, microcap stocks experienced their worst annual performance since calendar year 2008

Significant difference in returns generated between early-stage companies, when compared to their more mature and established counterparts

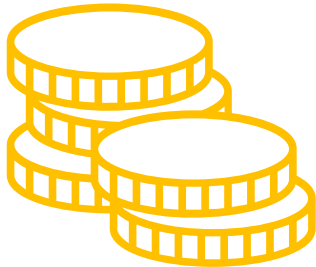
Current market is providing a strong pipeline of investment opportunities

Well diversified portfolios are poised to adapt to the evolving market conditions - Acorn Capital Investment Fund (ASX:ACQ) well positioned in quality stocks with relatively stronger balance sheets

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 31 December 2022 the ACQ gross portfolio return has outperformed the S&P/Small Ordinaries Accumulation Index by 2.7% 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

2022 SECTOR REVIEW

- The microcap sector returned -21.2% for CY22. This is the worst calendar year performance of the sector since ACQ's listing in 2014
- Of the microcap index's twelve constituent sectors, Energy was the only sector to deliver a positive return for the calendar year
- Acorn Capital's experience is that relatively earlier stage companies have underperformed later stage companies
- As cost of capital increased and access to capital became more difficult this was reflected in the terminal value of companies
- Around 56%⁽¹⁾ (by number) and 38%⁽¹⁾ (by value) of companies in the microcap sector are considered by Acorn Capital to be developing companies, defined as having revenues less than 10% of the market capitalisation. This provides explanation to sector returns
- Stage of development is a feature that distinguishes the microcaps from the broader market. Since 1974, this has also been a key source of returns for microcaps
- ACQ's style neutral portfolio approach provides investors with exposure to opportunities across the entire sector spectrum
- Acorn Capital believes that the current market is providing an array of attractive opportunities across most sectors

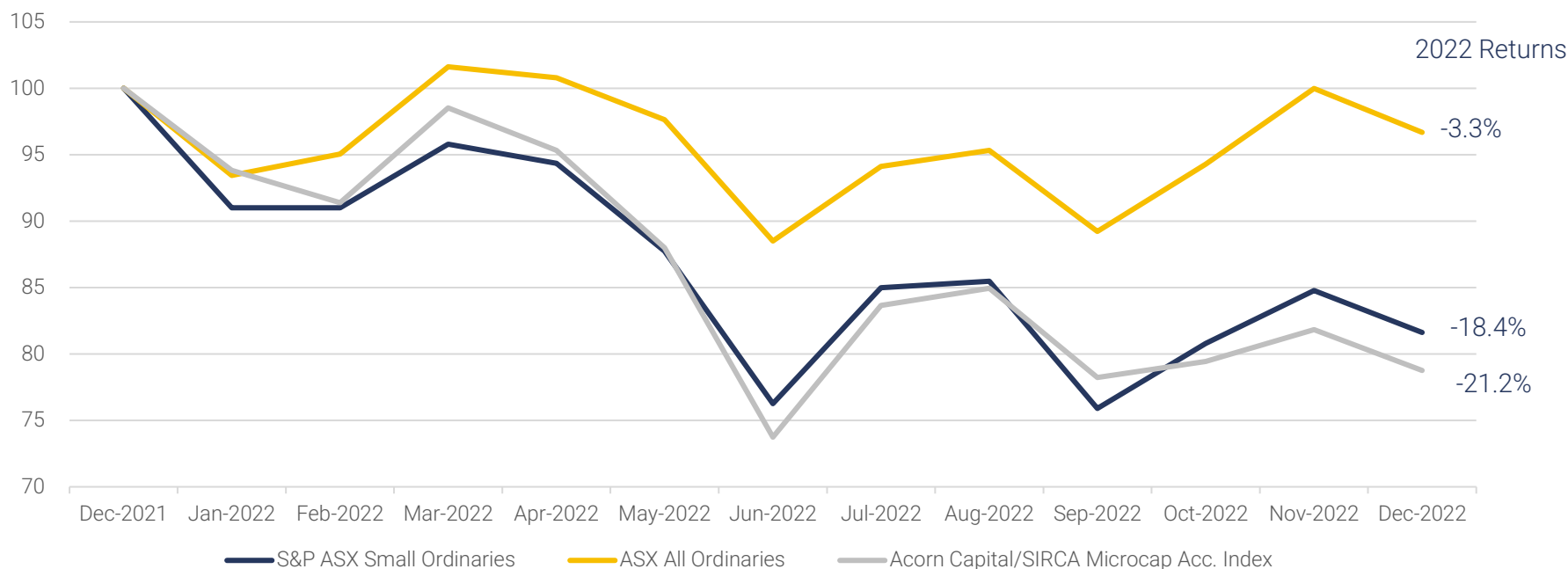
1. Source: Acorn Capital estimates as at 31 December 2022

MICROCAP CALENDAR YEAR RETURNS

2015	2016	2017	2018	2019	2020	2021	2022
69.0% Staples	49.6% Indust - Capital	41.8% AREIT	7.7% Telco	51.5% Tech	72.5% Resources	37.9% Resources	3.9% Energy
45.3% Telco	48.4% Resources	35.8% Resources	5.5% AREIT	39.8% Healthcare	45.2% Tech	32.5% Energy	-3.9% Indust - ex Capital
36.1% Tech	24.1% ACQ Portfolio	33.5% Indust - Capital	-0.4% Staples	35.1% Discretionary	40.1% ACQ Portfolio	30.8% Indust - Capital	-11.6% Indust - Capital
21.2% Healthcare	20.8% Indust - ex Capital	30.1% Staples	-3.2% ACQ Portfolio	33.2% Financials	30.5% Discretionary	29.8% Indust - ex Capital	-13.1% AREIT
21.0% AREIT	20.7% Telco	26.5% Financials	-6.3% Indust - ex Capital	30.1% ACQ Portfolio	24.5% Microcap Index	28.1% Telco	-18.4% Resources
16.6% ACQ Portfolio	19.2% AREIT	20.6% ACQ Portfolio	-7.4% Financials	26.5% Indust - Capital	13.2% Healthcare	26.3% Discretionary	-21.2% Microcap Index
16.4% Discretionary	15.7% Microcap Index	20.4% Microcap Index	-9.7% Energy	24.5% Microcap Index	10.2% Telco	25.3% AREIT	-23.0% Staples
10.5% Financials	15.0% Energy	17.5% Tech	-12.8% Discretionary	16.6% Staples	7.3% AREIT	23.6% Microcap Index	-23.8% ACQ Portfolio
10.4% Microcap Index	11.8% Healthcare	11.2% Indust - ex Capital	-14.2% Microcap Index	16.4% Indust - ex Capital	5.3% Financials	22.2% ACQ Portfolio	-26.1% Tech
5.1% Indust - ex Capital	7.2% Financials	9.1% Telco	-14.2% Healthcare	16.0% Resources	4.1% Energy	15.5% Financials	-27.6% Financials
-3.4% Resources	1.5% Discretionary	5.2% Discretionary	-15.0% Indust - Capital	14.1% AREIT	0.8% Indust - Capital	14.9% Healthcare	-29.3% Healthcare
-20.8% Indust - Capital	-9.1% Staples	4.6% Energy	-24.4% Tech	-0.1% Telco	-3.5% Indust - ex Capital	-0.2% Tech	-31.4% Discretionary
-29.7% Energy	-15.3% Tech	0.7% Healthcare	-26.3% Resources	-4.1% Energy	-5.2% Staples	-2.0% Staples	-36.5% Telco

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

BEAR MARKET IN SMALL CAP & MICROCAPS CONTINUES



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

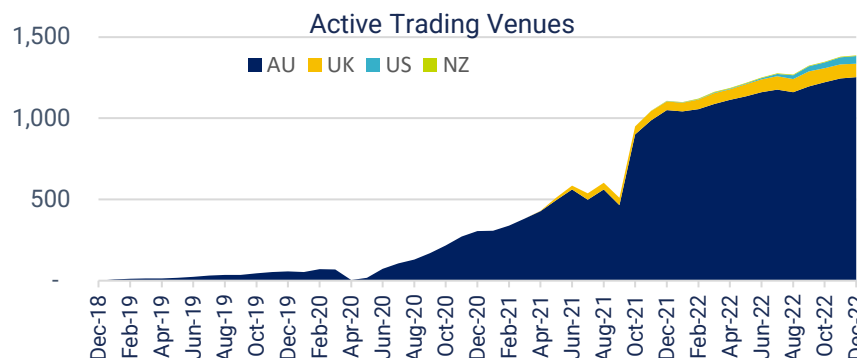
STOCKS IN FOCUS

ASX: ACQ

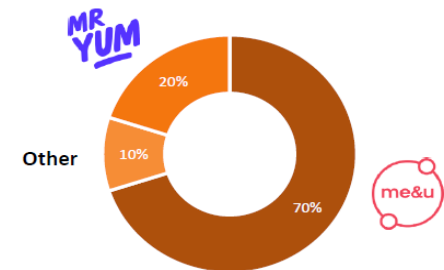


me&u – mobile order & pay

- me&u is a mobile phone-based order and payment solution provided to hospitality venues, with a particular focus on large format venues e.g. large bars and pubs.
- Disruptive to traditional, high-friction model of ordering and paying in venues, which essentially haven't changed for decades. me&u changes the “flow” of how customers order and pay, leading to more efficient labour usage in a tight labour and high wage environment in Australia.
- me&u also enhances revenue with a >35% uplift in customer spend at venues embracing order & pay.
- Now operating in >1,250 venues in Australia with a A\$20bn global addressable market.
- In 2021 the business expanded to UK and in 2022 into Texas and California, both with significantly larger potential market opportunities to be exploited.
- Competitive advantages reflect the focus on providing solutions to large capacity venues: offering docket merging for multiple customers, managing orders in cloud to meet venue timing needs, open table accounts and tip management developed for USA, and deep integration with >30 Point of Sale (POS) platforms in Australia.



Market share – top pub groups



Micro-X: A tiny giant

- The first company in the world to introduce a medical product (Rover) using an Electronic X-ray tube with a cold electron source material (“NEX”) rather than the traditional heated filament.
 - Smaller, lighter x-ray tubes with immediate and precise imaging
- Proprietary enabling technology platform (NEX + custom generators) underpins 4 separate business lines – provides significant market opportunities with limited or no competition
- Technology Validation:
 - \$14m of contracts with US Department Homeland Security & Aust Stroke Alliance to fund Checkpoints and Brain CT development
 - \$15m strategic investment by Varex (largest independent manufacturer of x-ray components)
- Commercial launch of IED Camera (unique, high margin product) in FY23
- Mobile DR in market and poised for growth
- Market capitalisation \$70m (cash est \$15m Dec 22)

FY2022 OPERATIONAL HIGHLIGHTS

Strong commercial progress and key developmental milestones achieved



Mobile DR - Rover



IED Camera - Argus



Checkpoints



Brain CT Scanner

MICRO-X



RESOLUTE MINING – GOLD PRODUCER

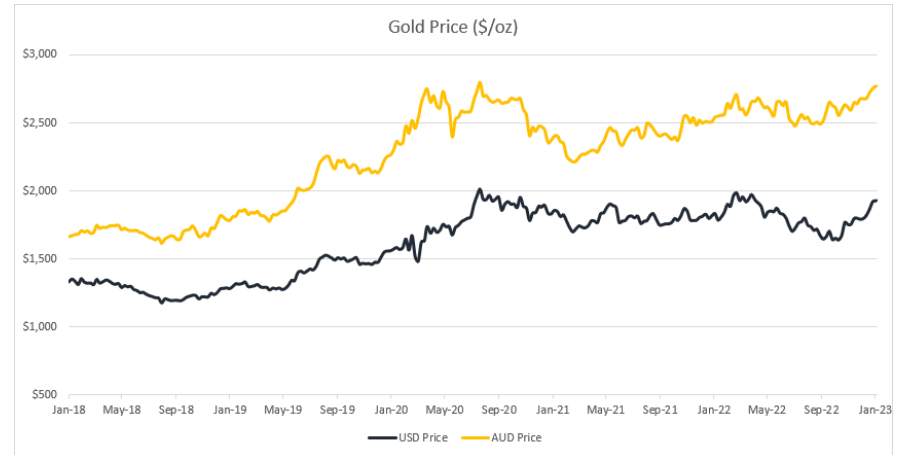
Resolute Mining is an ASX-listed gold producer with two operating mines in West Africa. Improved outlook from rising gold price and de-gearing of balance sheet.

Background:

- Major gold producer: forecast 345,000oz gold in 2022
- Moderate labour issues (cf., Western Australia)
- Unloved gold stock: high debt & concerns about mine life

The opportunity:

- Raised \$164m in November 2022
- Possibly net cash by March quarter 2023
- Expansion potential via development of Syama North
- Rally in gold price since late 2022
- Strong results from drilling at Syama



PORTFOLIO & PERFORMANCE

ASX: ACQ



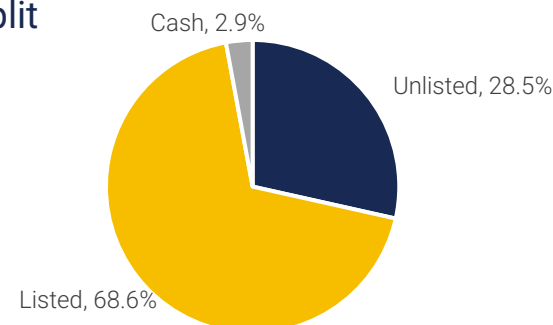
KEY FACTS - 31 DECEMBER 2022

Pre-tax NTA	1.1596
Post-tax NTA ¹	1.1575
ACQ share price	\$1.07
Ordinary Dividends ²	8.50c
Implied cash dividend yield ³	7.9%
Franking on dividends ⁴	100%
Shares Outstanding	86.5m
Market Capitalisation	\$92.6m
Number of stocks	84

Performance - since inception^{5,7} 8.9

Benchmark - since inception^{6,7} 6.2

Investment Split

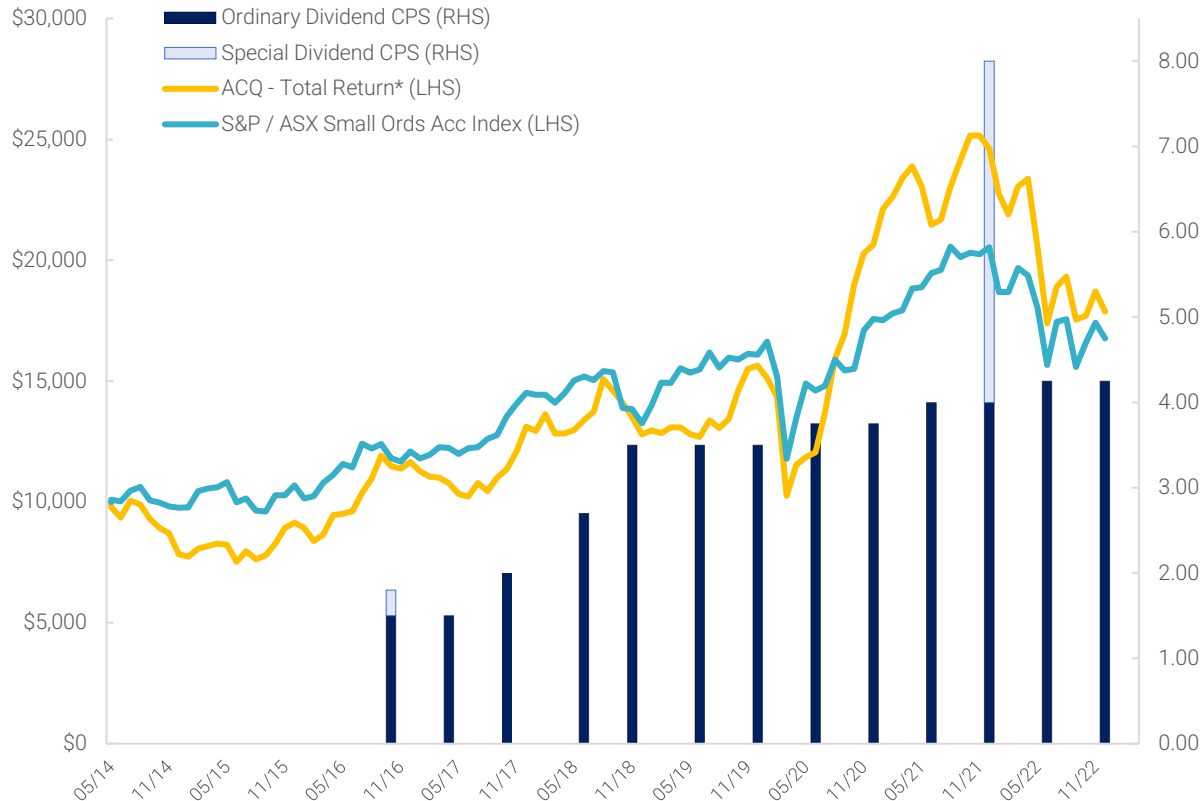


Lonsec Rating⁸



1. Post-tax NTA = before taxes on unrealised gains
2. Fully franked dividend
3. Based on share price at 31 December 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."

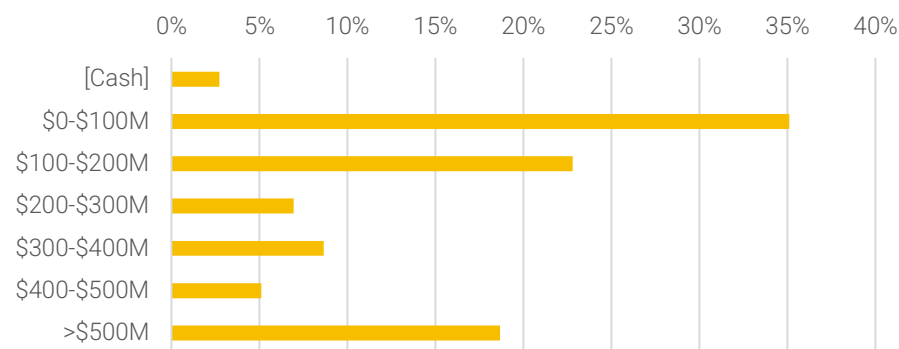
1. ASX listing date 1 May 2014
2. Total shareholder return assuming dividends reinvested, includes special dividends

PORTFOLIO OVERVIEW¹

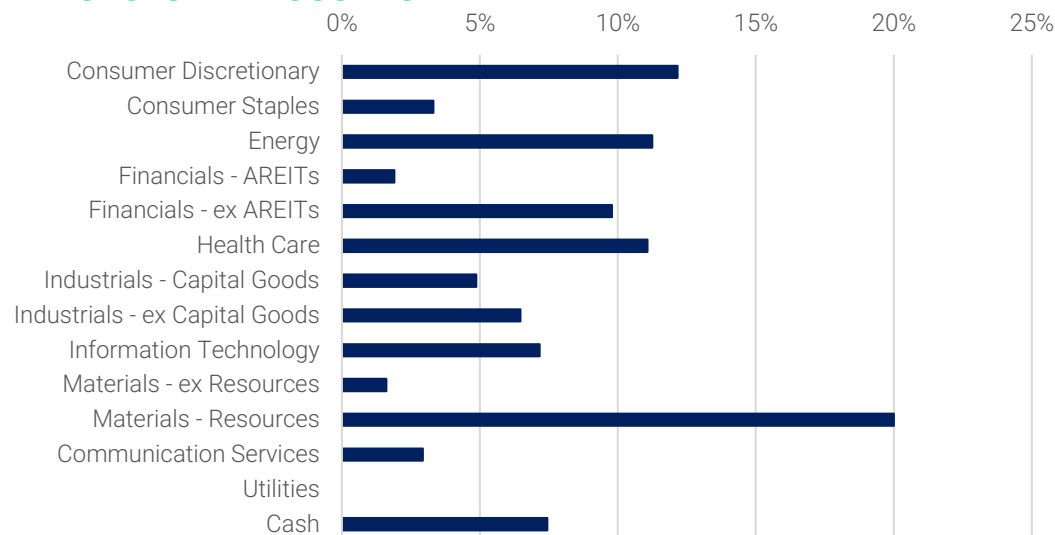
TOP 10 INVESTMENTS

	Company	Weight %
1	Aroa Biosurgery	4.0
2	Moula Money ²	3.7
3	Splend ²	3.5
4	Marketplacer ²	3.2
5	Sandfire Resources	3.0
6	Nexted Group	2.7
7	Telix Pharmaceuticals	2.7
8	Australian Rare Earths	2.6
9	MX51 ²	2.2
10	Karoon Energy	2.1
		29.8

MARKET CAP BANDS



SECTOR EXPOSURES

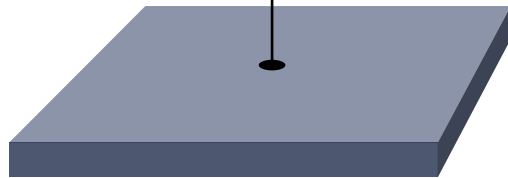


1. Acorn Capital, as at 31 December 2022
2. Unlisted Investment

PERFORMANCE

Portfolio Return for Periods to 31 Dec 2022	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ³
ACQ (Post Fees & Op Costs)¹	3.2	-24.3	5.7	7.3	8.9
S&P/ASX Small Ords Acc. Index ⁴	7.5	-18.4	1.4	2.9	6.2
<i>Value add</i>	-4.3	-5.9	+4.3	+4.4	+2.7
<i>Alternate market indices</i>					
<i>Acorn Capital / SIRCA Microcap Acc. Index ²</i>	0.7	-21.2	7.4	5.6	7.4
<i>S&P/Emerging Companies Index⁴</i>	2.6	-22.5	12.3	8.2	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



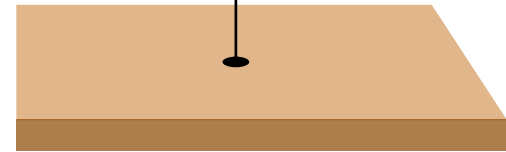
PROVEN STRATEGY

- 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 #	Target of 60 - 80
Liquidity	On market
Investment timeframe	3 - 5 years
Dividends	Targeted semi annually (May and Nov)
Market Cap	\$92.6m (31 December 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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