

ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE - SEPTEMBER 2023

ASX:ACQ



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LONSEC RESEARCH

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KEY MESSAGES

Stability and normalisation returning to smaller end of the market

Market reset has resulted in attractive opportunities in the Emerging Companies space

Equity funding conditions easing but still tough for developing companies

Expect market conditions to favour active stock picking strategies

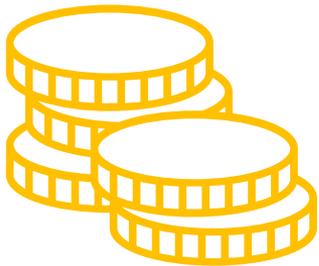
ACQ Board announces 4.25cps dividend, payable in Nov 2023, fully franked taking the yearly distribution 8.5cps

ACQ Annual General Meeting to be held at 10am on 16 November at Sofitel in Melbourne

STRATEGY

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

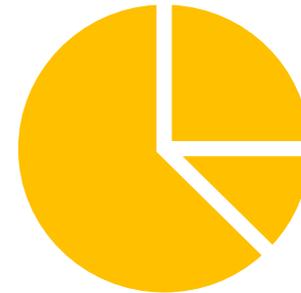
1. DIVIDEND INCOME



2. CAPITAL GROWTH

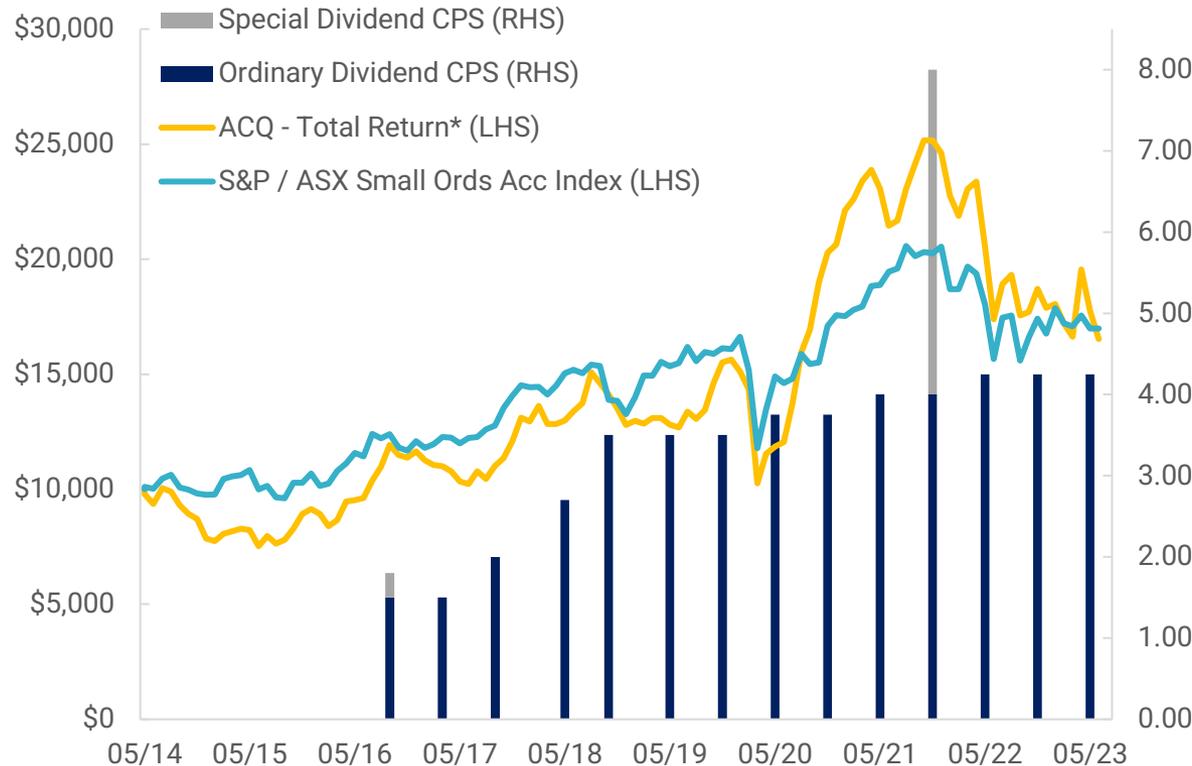


3. DIVERSIFICATION ²



1. At 30 June 2023, the ACQ portfolio gross return has outperformed the S&P/Small Ordinaries Accumulation Index by 2.3% 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



30 June 2023	Balance
Dividend Reserves	\$29.7m
Franking Credit Balance	\$3.0m

ACQ Dividend Policy

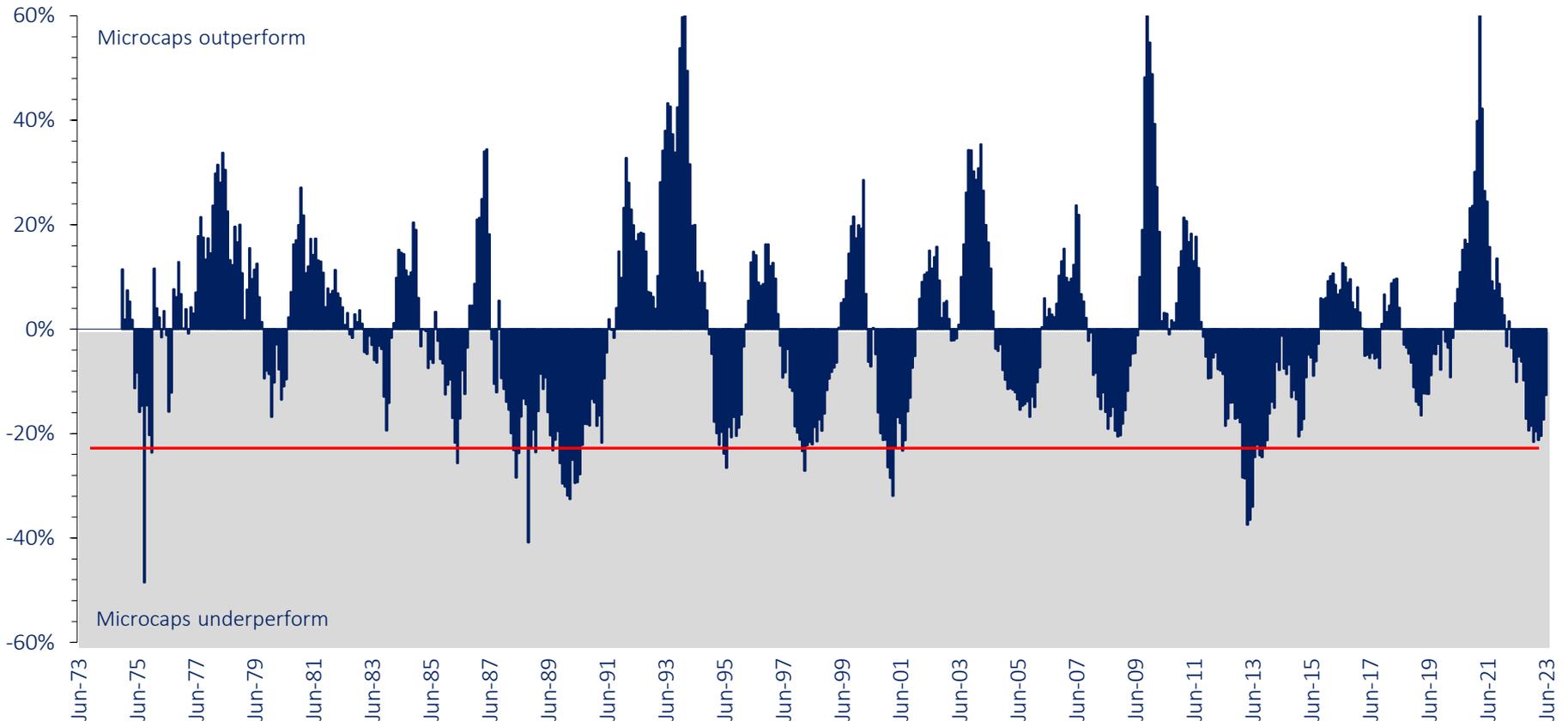
“Acorn Capital Investment Fund Limited intends to pay annual dividends targeting at least 5% of closing post-tax NTA for each financial year, franked to the highest extent possible and without the Company incurring a liability. Where the Company accumulates franking credits that the Board determines 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
- *Source, Factset

SECTOR OBSERVATIONS

MICROCAP CALENDAR YEAR RETURNS

Rolling 12 Month return differential – Microcap Index vs S&P/All Ordinaries.



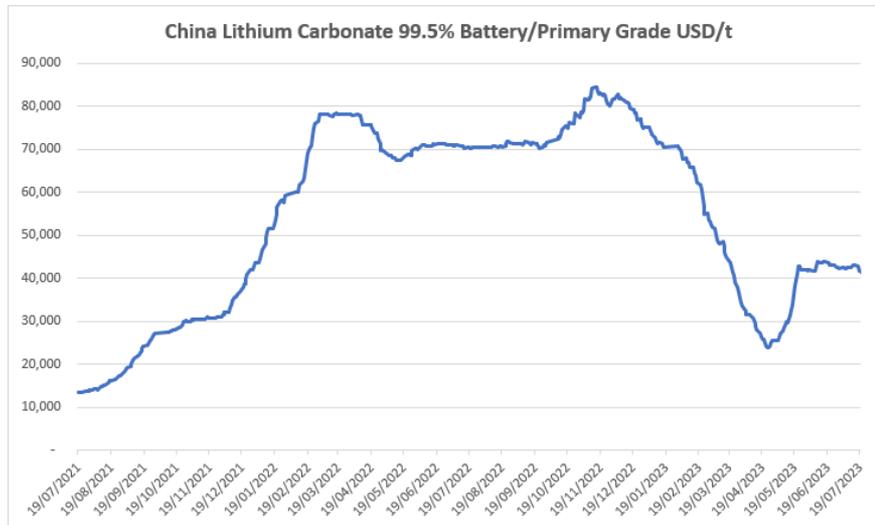
Source: Factset, Acorn Capital

SECTOR INSIGHTS – RESOURCES & ENERGY

Lithium

Very strong performance in 2021 & 2022:

- 3 of the 10 best performers in the small resources sector: Allkem, Galaxy Resources & Lake Resources
- Strong rise in lithium prices generated strong momentum in the sector:
 - Li stocks rose, often regardless of quality
 - Limited advantage for stock picking



Different market in H1 2023:

- Li prices rising again after pullback in late 2022
- Not all stocks are rising on the rebound in Li prices:
 - Up: Leo Lithium (+65%) & Winsome Resources (+23%)
 - Flat: Jindalee (-7%) and Core Lithium (-11%)
 - Down: Vulcan Energy (-33%) and Lake Resource (-60%)
- Quality projects are the winners: large projects in good jurisdictions with low start-up costs and low technical risks
- Back to the “usual shooting match”: quality matters

SECTOR INSIGHTS – RESOURCES & ENERGY

Rare earths, Nickel, Copper, Cobalt & Graphite

- Similar story to lithium
- Prices surged in 2021 & early 2022
- In 2021 and early 2022, prices surged and most stocks rose, regardless of quality

Gold

- Gold price surged then retreated in early 2023
- Optimism that inflation had peaked(?)
- Gold producers performed well in H1 2023
- Resolute Mining: best performing stock in H1 2023
- Deep value among the explorers (M&A potential)

Energy sector:

- Strong run in early- to mid-2022, but pulled back on concerns about the global economy
- Fundamentals remain strong for oil, (domestic) gas, uranium and coking coal
- Deep value. Quality stocks performing (e.g., Karoon Energy)



STOCKS IN FOCUS



Meteoric Resources (MEI.ASX - Early stage of development)

Background

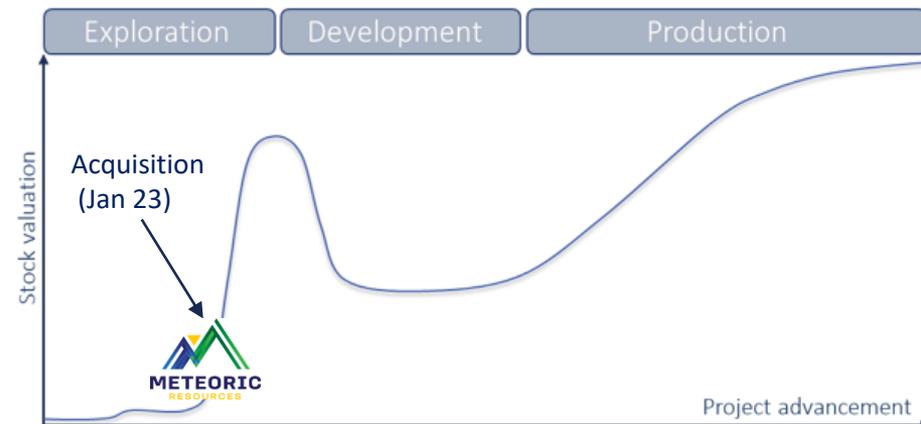
- Rare earths explorer in Brazil
- First invested January 2023

Investment Rationale/Thesis

- Located in a district with extensive mining
- Unusually large & high-grade rare-earths deposit
- Large: 409 million tonnes
- High grade: Ave. 2,626 ppm Total Rare Earth Oxides (most deposits <800 ppm TREO)
- >10m thick & near-surface (cheap to mine)
- Potential for simple processing:
 - Is an ‘ionic clay’ deposit (like major mines in China), so easy to liberate the rare earths
 - Negligible uranium and thorium (cf., Lynas)
 - Potential to start a mine with low up-front capital cost

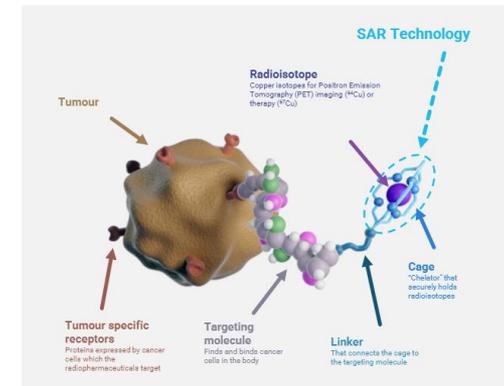
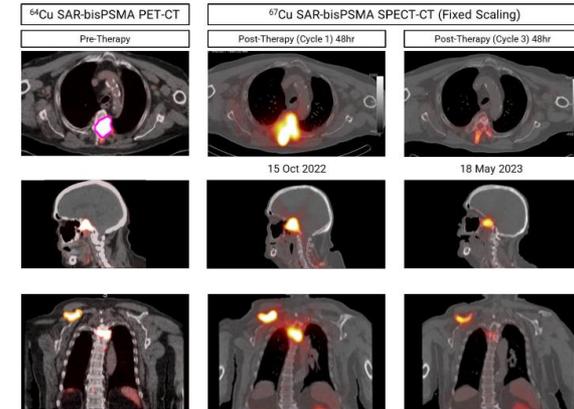
Future milestones:

- Major drilling program to start in July
- Potential for Government support (critical minerals)



Clarity Pharmaceuticals (CU6.ASX - Early stage of development)

- Clinical stage radiopharmaceutical company developing targeted copper theranostic products (therapy and diagnostics) to treat cancer in adults and children.
- Oncology Indications: Prostate, Neuroblastoma and NETs
- Copper isotopes (Cu64 for diagnostics, Cu67 for therapy) considered a “perfect pairing” but historically challenging to develop into safe, commercial cGMP products
- Intellectual Property – SAR technology platform
 - Proprietary bifunctional cage chelator with exceptional ability to hold copper isotopes
 - Overcomes limitations of other chelators (they leak the Cu isotopes)
- Early but very encouraging clinical data in both diagnostics and therapy
- Sufficient cash to fund current trials, more data to be revealed over next 12 months

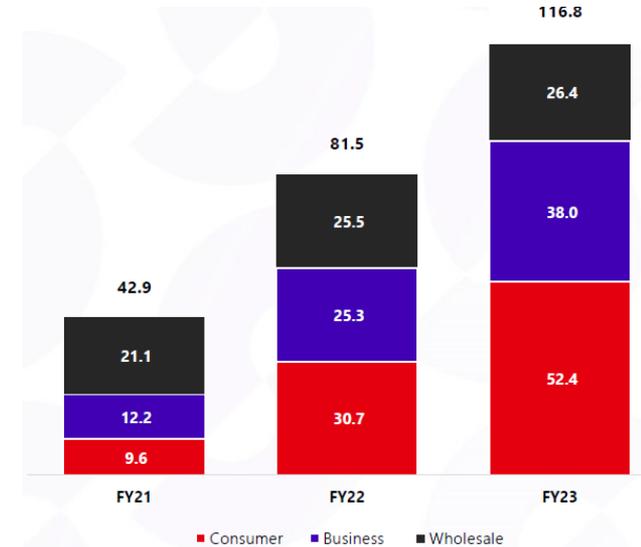




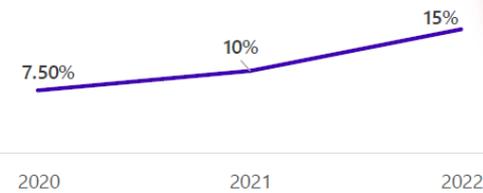
Superloop (SLC.ASX - Expansion stage of development)

- New mgt produced a 3-year strategy in late 2020 to focus on growth, financial strength & improved profitability.
- Low return Asian assets sold for \$140m in 2021 lifting financial strength and enabling reinvestment in core business to leverage domestic infrastructure network.
- Consumer sector received increased investment to participate in challenger brands lifting market share from 7.5% to 30% in a growing 'fibre to the premises' market as NBN investment continues.
- **Growth:** Revenue grown 3x from \$108m to \$324m.
- **Cash Flow & Financial Strength:** Operating cashflow 3.4x from \$13m to \$43m, but net debt declined from \$34m to \$13m.
- **Profitability:** EBITDA 2.8x to \$37m and NPATA to be positive in FY24.
- **Experienced** management team with greater experience, stability and delivering on strategy.
- The potential merger with Symbio would be accretive. Consensus forecasts a combined \$85m FY24 EBITDA, before revenue & cost synergies. Combined, the increased investor relevance and broader earnings should drive rerating.

Gross Margin rises from 32.6% to 36.1%



Challenger Collective Market Share (%)¹



Superloop vision of **30%**

Source: Factset and company 2023 presentations

PORTFOLIO & PERFORMANCE

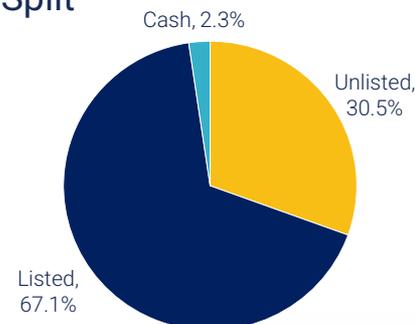


KEY FACTS – 31 JULY 2023

Pre-tax NTA	1.0895
Post-tax NTA ¹	1.1289
ACQ share price	\$1.01
Ordinary Dividends ²	8.50c
Implied cash dividend yield ³	8.4%
Franking on dividends ⁴	100%
Shares Outstanding	87.4m
Market Capitalisation	\$88.2m
Number of stocks	81

Performance - since inception ^{5,7}	8.5% p.a.
Benchmark - since inception ^{6,7}	6.3% p.a.

Investment Split



Lonsec Rating⁸



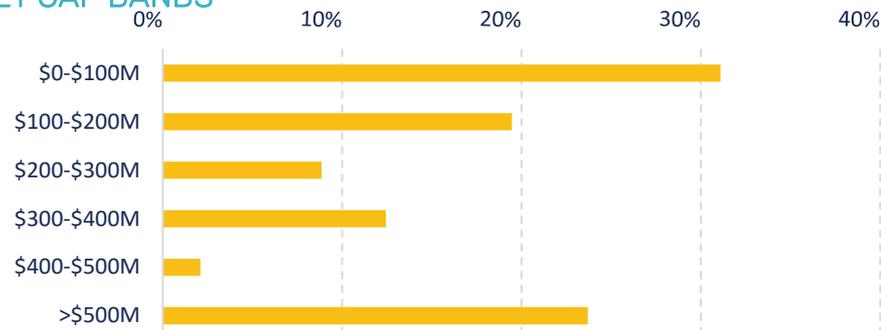
1. Post-tax NTA = before taxes on unrealised gains
2. Fully franked dividend, declared and paid on a 12 month basis looking back from 30 June 2023
3. Based on share price at 30 June 2023
4. Dividends paid are estimated to be franked at a rate of 30% (subject to availability of franking credits)
5. Calculated 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

PORTFOLIO OVERVIEW¹

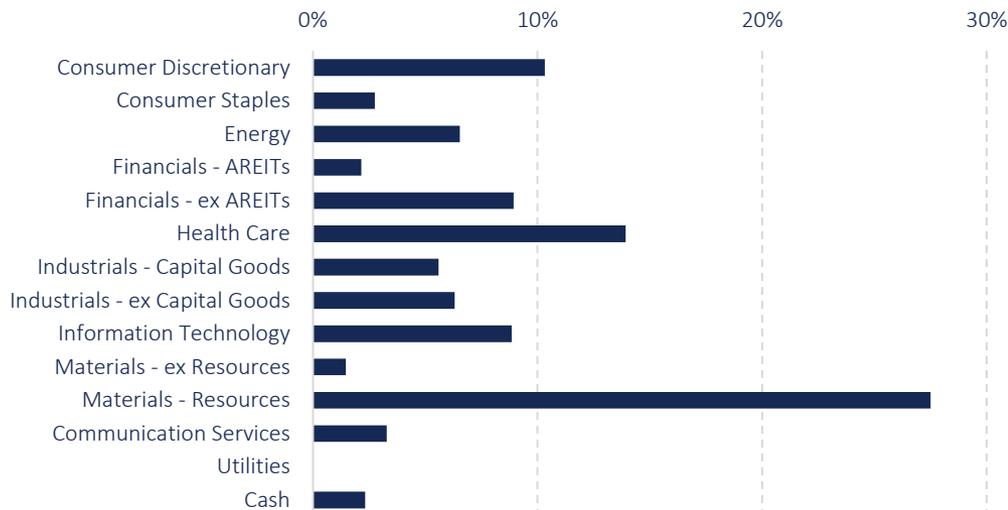
TOP 10 INVESTMENTS

	Company	Weight %
1	Marketplacer ²	3.7%
2	Splend Holdings Ltd ²	3.5%
3	Impedimed Ltd	3.4%
4	Ramelius Resources Ltd	3.2%
5	Aroa Biosurgery Ltd	3.1%
6	Leo Lithium Ltd	2.8%
7	Moula Money Pty Ltd ²	2.4%
8	Nexted Group Ltd	2.4%
9	MX51 Group ²	2.2%
10	Metals Acquisition Ltd	2.2%
	Total	28.9%

MARKET CAP BANDS



SECTOR EXPOSURES



1. Acorn Capital, as at 30 July 2023
2. Unlisted Investment

PERFORMANCE

Portfolio Return for Periods to 31 July 2023	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ³
ACQ (Post Fees & Op Costs)¹	0.1	0.1	6.9	6.2	8.5
S&P/ASX Small Ords Acc. Index ⁴	0.2	0.8	5.9	3.2	6.3
<i>Value add</i>	-0.1	-0.7	+1.0	+3.0	+2.2
<i>Alternate market indices</i>					
<i>Acorn Capital / SIRCA Microcap Acc. Index²</i>	0.6	-7.0	7.8	5.9	6.8
<i>S&P/Emerging Companies Index⁴</i>	-0.1	-2.3	15.5	9.9	9.8

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 dividend announced – payable in Nov 2023
- 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



DIVERSIFIED PORTFOLIO & ATTRACTIVE RETURNS

- ACQ provides investors with an 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 exposure 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
Liquidity	On market
Investment timeframe	3 - 5 years
Dividends	Targeted semi annually (May and Nov)
Market Cap	\$88.2m (31 July 2023)
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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