

ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE – OCTOBER 2023

ASX:ACQ



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KEY MESSAGES

The market for IPOs remains subdued, however, M&A activity is increasing in the Microcap sector, off low valuations

Microcaps continue to underperform when compared to large caps and have now done so for 18 months

(average duration of underperformance for the period from 1973 is 12 months¹)

Acorn Capital believes market conditions favour active stock picking strategies

ACQ Board declared a 4.25cps dividend, payable in Nov 2023, fully franked, taking the distribution for the year to 8.5cps

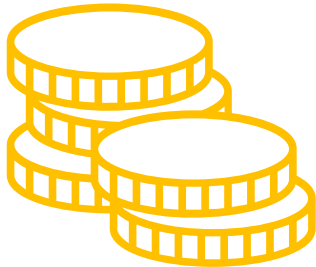
ACQ Annual General Meeting to be held at 10am on 16 November at Sofitel in Melbourne

1. Source: Acorn Capital estimates based on the Acorn Capital/SIRCA Microcap Accumulation Index

STRATEGY

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

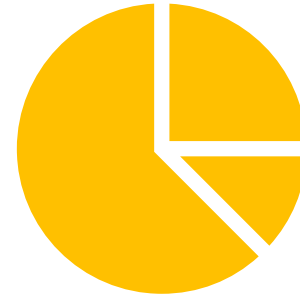
1. DIVIDEND INCOME



2. CAPITAL GROWTH

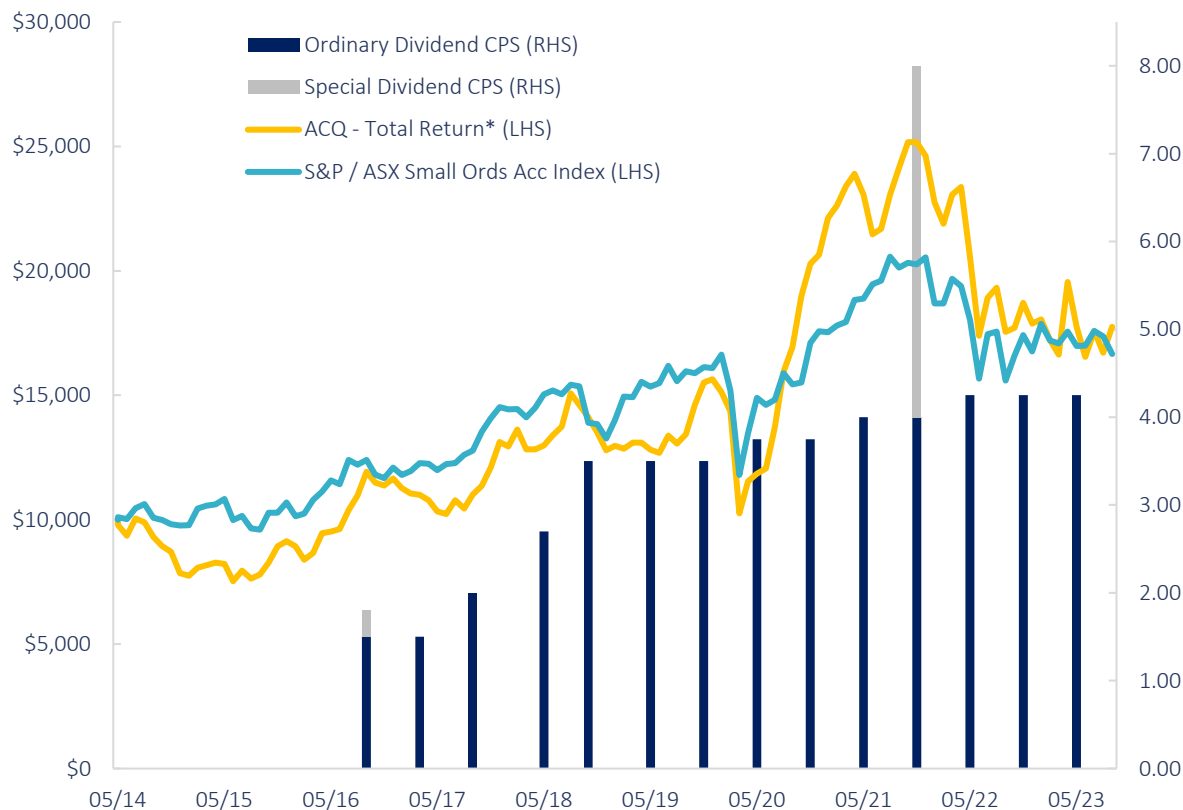


3. DIVERSIFICATION ²



1. At 30 September 2023, the ACQ portfolio gross return has outperformed the S&P/Small Ordinaries Accumulation Index by 5.1% 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

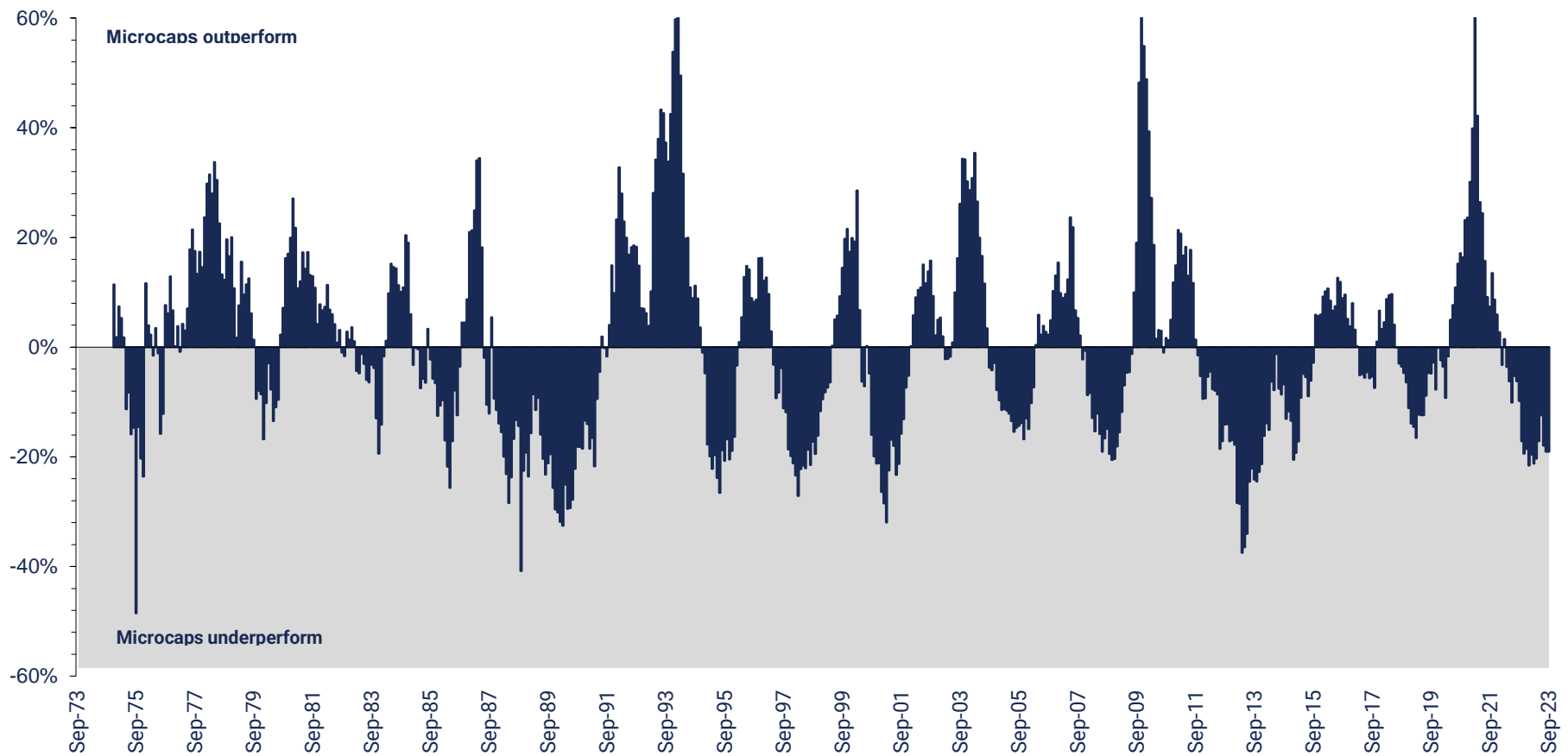
"Acorn Capital Investment Fund Limited intends to pay annual dividends targeting at least 5% of closing post-tax NTA for each financial year, franked to the highest extent possible and without the Company incurring a liability. Where the Company accumulates franking credits that the Board determines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

MICROCAPS UNDERPERFORMING LARGE CAPS

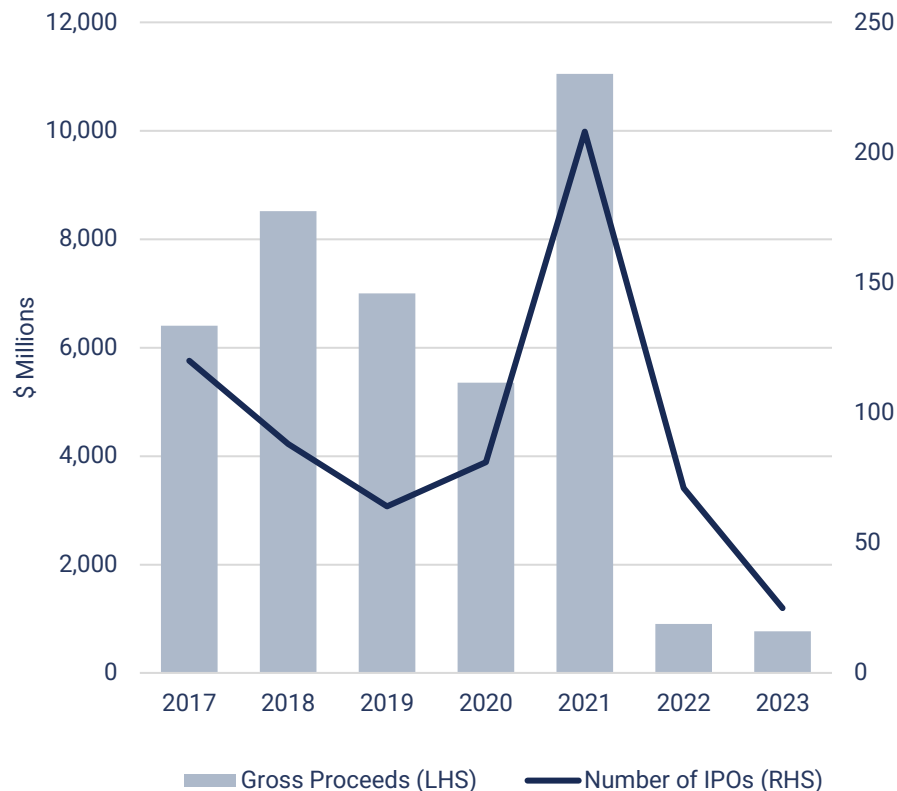
Rolling 12 Month return differential – Microcap Index (ASX ex-250) vs S&P/All Ordinaries.



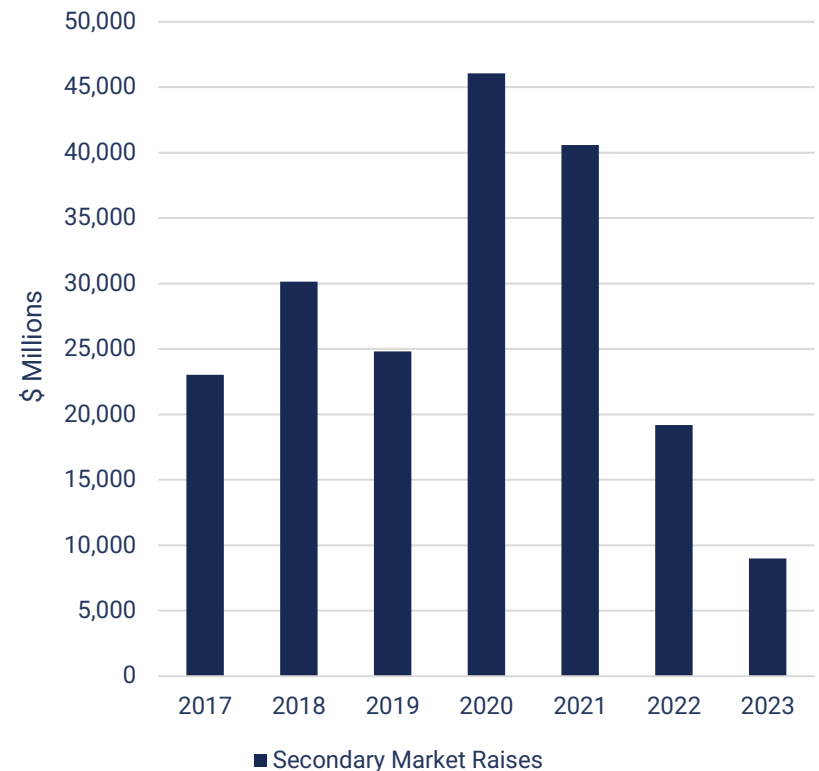
EQUITY CAPITAL MARKETS SUBDUED

Across the ASX, capital raisings, either Initial Public Offering (IPO) or Secondary Raises, in the past few years are considerably lower than prior periods

IPO Market

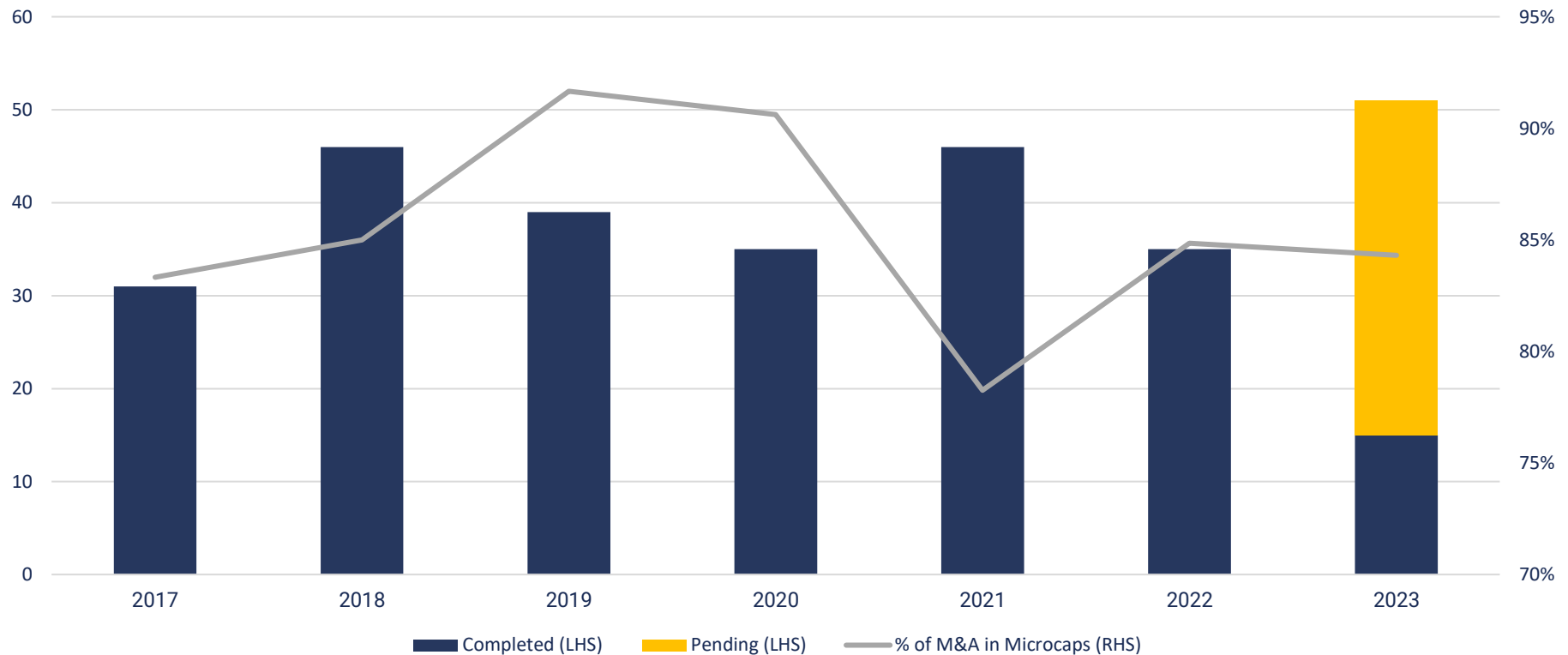


Secondary Market Raises



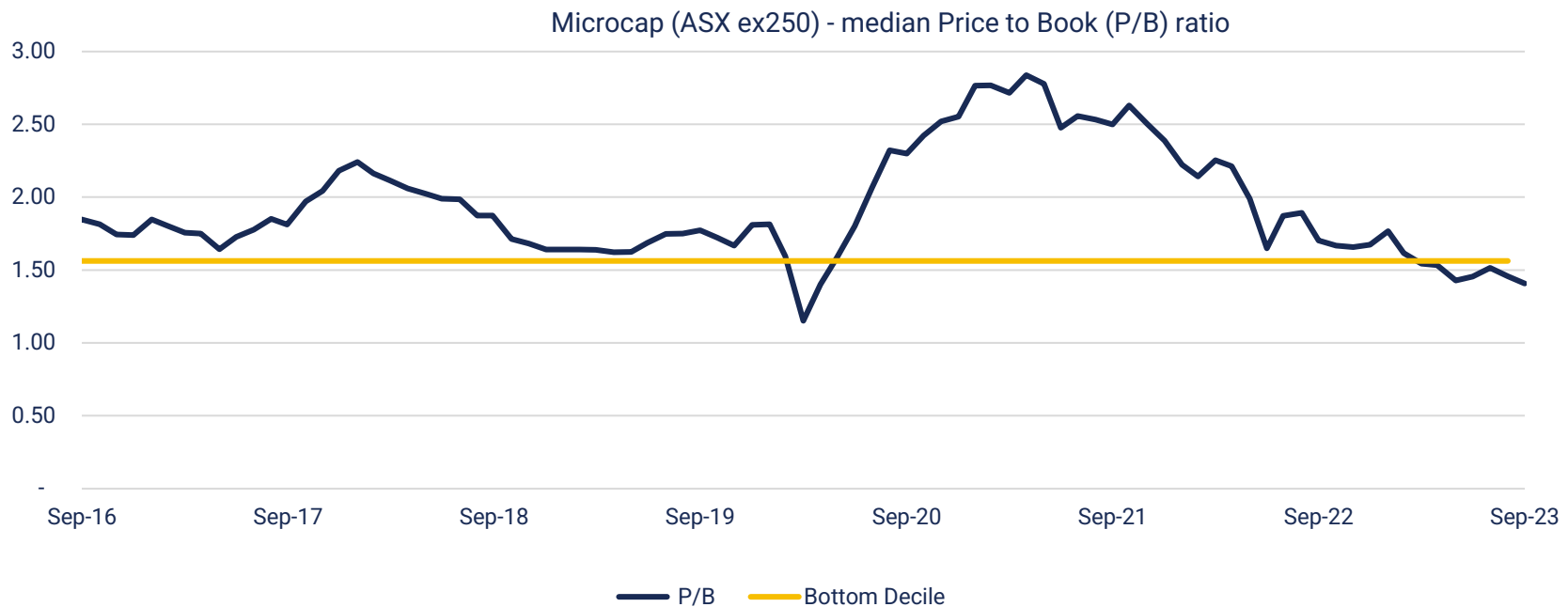
CORPORATE ACTIVITY PICKING UP

Whilst capital raisings are subdued, Acorn Capital believes that the Merger & Acquisition (M&A) activity outlook appears to be improving, which comes at no surprise given the relative value



MICROCAPS UNDER VALUED

Price to book ratio (P/B) takes the value of a company based on its net assets compared to the market capitalisation. Over a rolling 5-year period, the value of microcaps has now crept down to below the lowest 10% of observations (bottom decile)⁽¹⁾.



1. Source: Factset & Acorn Capital estimates based on the Acorn Capital/SIRCA Microcap Accumulation Index

STOCKS IN FOCUS



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

Background

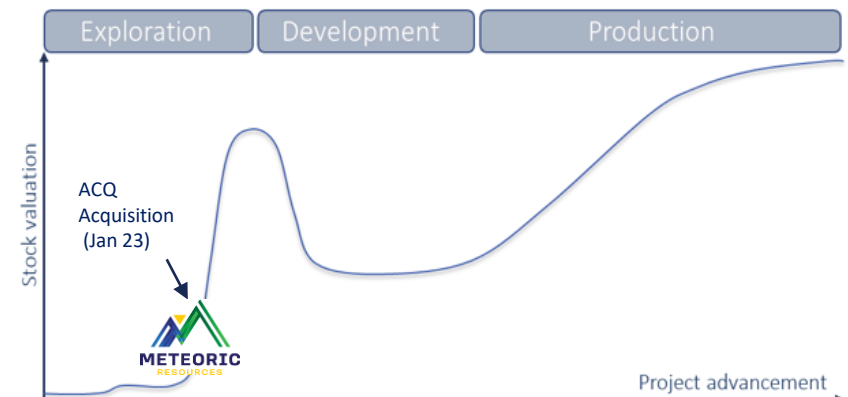
- Rare earths explorer in Brazil
- First invested January 2023

Investment Rationale/Thesis

- Located in a district with extensive mining
- Unusually large and 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

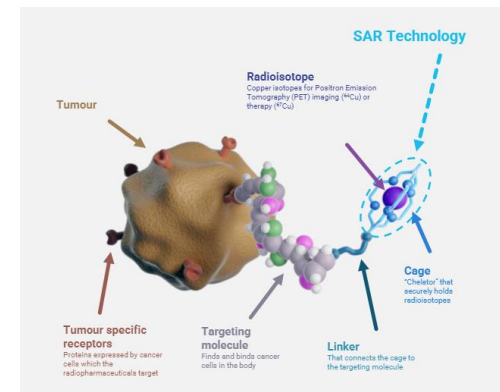
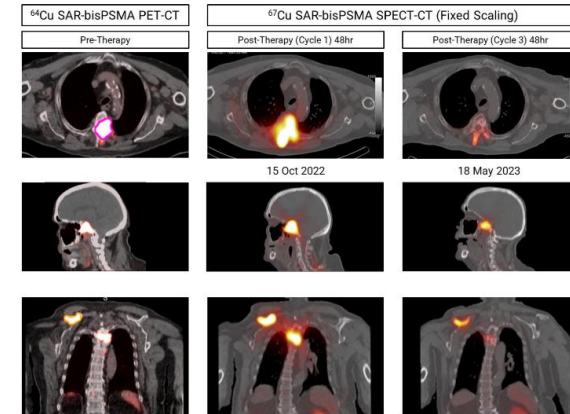
Future milestones:

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



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

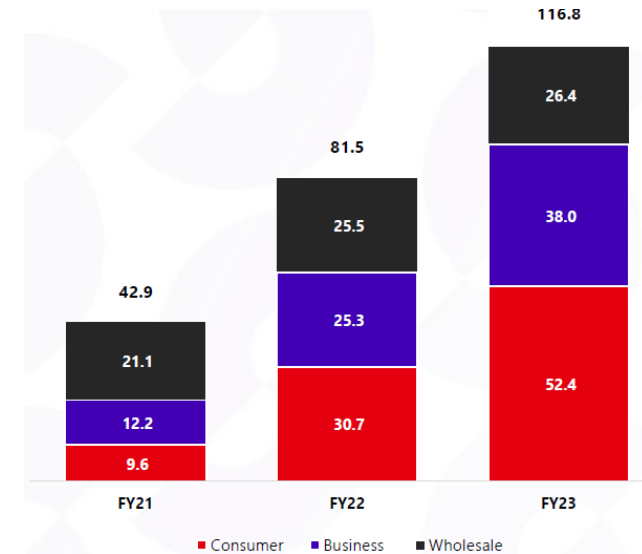
- Clinical stage radiopharmaceutical company developing targeted copper theranostic products (therapy and diagnostics) to treat cancer in adults and children.
- Oncology Indications: Prostate, Neuroblastoma and NETs
- Copper isotopes (Cu64 for diagnostics, Cu67 for therapy) considered a “perfect pairing” 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



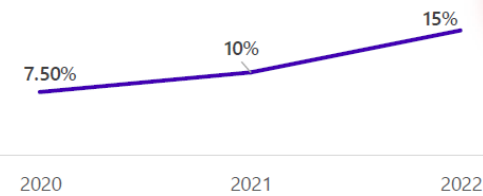
Superloop (SLC.ASX - Expansion stage of development)

- 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.

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



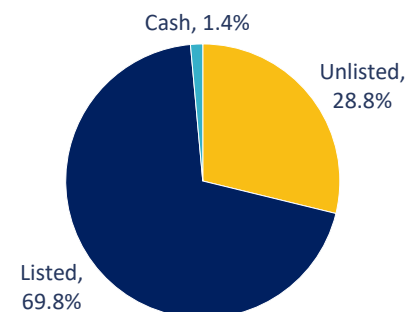
KEY FACTS - 30 SEPTEMBER 2023

Pre-tax NTA	1.0450
Post-tax NTA ¹	1.0886
ACQ share price	\$1.02
Ordinary Dividends ²	8.5c
Implied cash dividend yield ³	8.3%
Franking on dividends ⁴	100%
Shares Outstanding	87.4m
Market Capitalisation	\$89.1m
Number of stocks	79

Performance - since inception^{5,7} 7.9% p.a.

Benchmark - since inception^{6,7} 5.6% p.a.

Investment Split



Lonsec Rating⁸



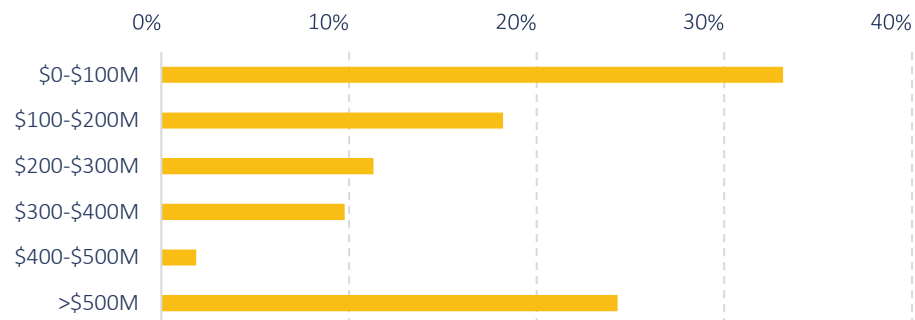
1. Post-tax NTA = before taxes on unrealised gains
2. Fully franked dividend, declared and paid on a 12 month basis looking back from 30 June 2023
3. Based on share price at 30 September 2023
4. Dividends paid are estimated to be franked at a rate of 30% (subject to availability of franking credits)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

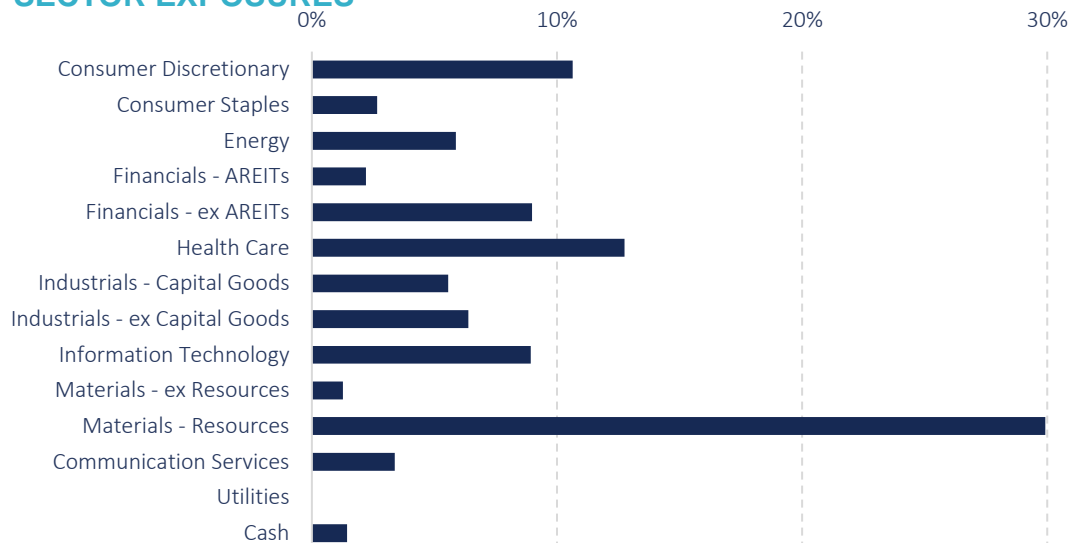
TOP 10 INVESTMENTS

	Company	Weight %
1	Marketplacer ²	3.9%
2	Splend Holdings Ltd ²	3.7%
3	Ramelius Resources Ltd	3.6%
4	Impedimed Ltd	3.2%
5	Azure Minerals Ltd	3.1%
6	Meteoric Resources Ltd	2.9%
7	Aroa Biosurgery Ltd	2.9%
8	Metals Acquisition Ltd	2.8%
9	Moula Money Pty Ltd ²	2.5%
10	Boss Energy Ltd	2.5%
	Total	31.1%

MARKET CAP BANDS



SECTOR EXPOSURES

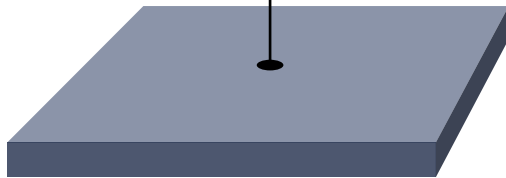


1. Acorn Capital, as at 30 September 2023
2. Unlisted Investment

PERFORMANCE

Portfolio Return for Periods to 30 September 2023	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ³
ACQ (Post Fees & Op Costs)¹	-1.9	1.0	1.1	5.2	7.9
S&P/ASX Small Ords Acc. Index ⁴	-1.9	6.8	2.6	1.6	5.6
<i>Value add</i>	<i>0.0</i>	<i>-5.8</i>	<i>-1.5</i>	<i>+3.6</i>	<i>+2.3</i>
<i>Alternate market indices</i>					
<i>Acorn Capital / SIRCA Microcap Acc. Index ²</i>	<i>-2.4</i>	<i>-6.0</i>	<i>2.1</i>	<i>4.4</i>	<i>6.0</i>
<i>S&P/Emerging Companies Index⁴</i>	<i>-5.3</i>	<i>-3.0</i>	<i>7.4</i>	<i>8.0</i>	<i>8.6</i>

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



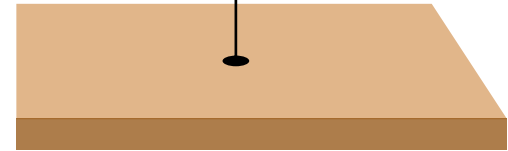
PROVEN STRATEGY

- 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	\$89.1m (30 September 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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