

ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE – FEBRUARY 2024

(INCORPORATING 1H 2024 FINANCIALS)

ASX:ACQ



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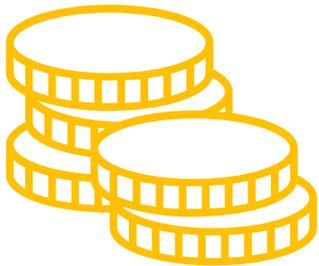
LONSEC RESEARCH

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STRATEGY

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

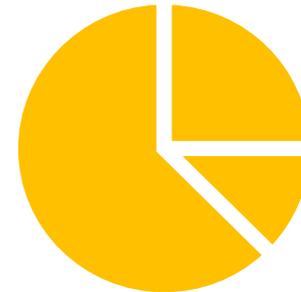
1. DIVIDEND INCOME ²



2. CAPITAL GROWTH



3. DIVERSIFICATION ³



1. At 31 December 2023, the ACQ portfolio gross return has outperformed the S&P/Small Ordinaries Accumulation Index by 4.3% p.a. since ACQ listed on the ASX on 1 May 2014. Past performance is not a reliable indicator of future performance
2. Since listing on 1 May 2014 ACQ has paid 55 cents per share in fully franked dividends
3. Acorn Capital believes that the ACQ investment strategy should provide diversification benefits to an already diversified investment portfolio

FY24 HALF YEAR FINANCIALS



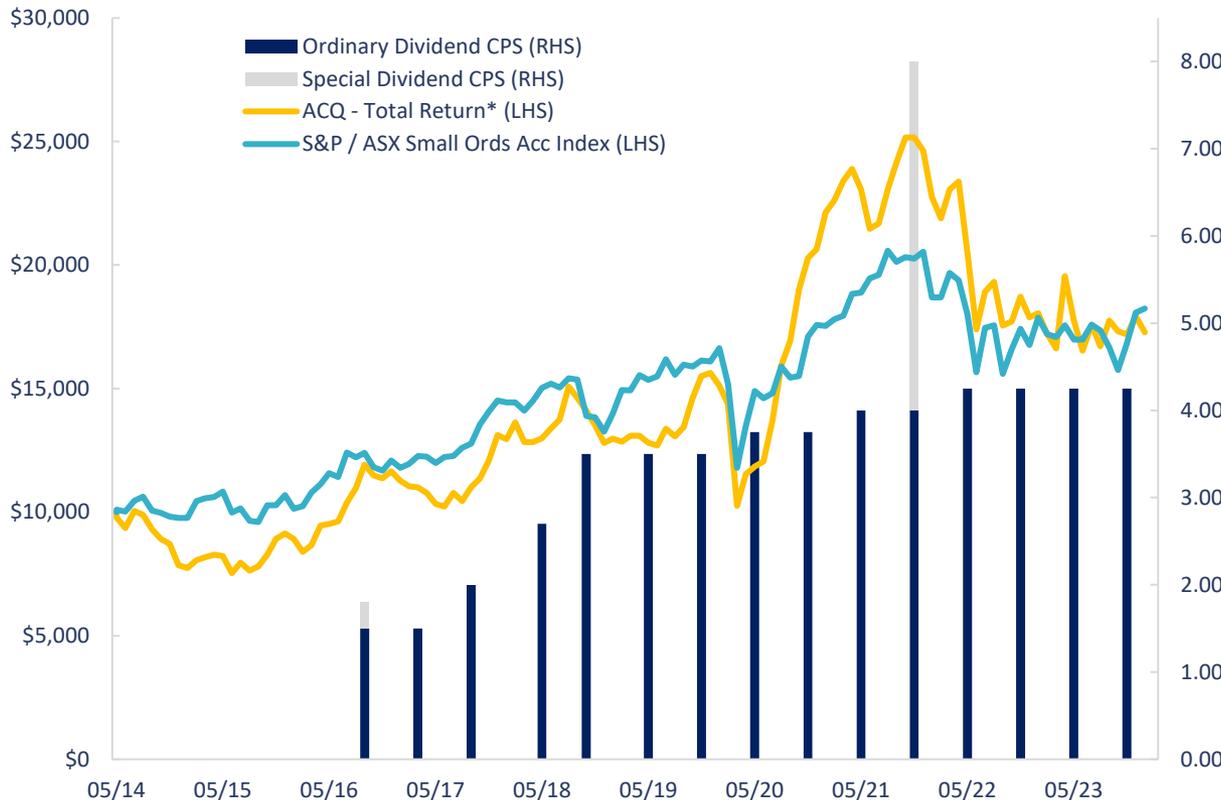
SUMMARY

	H1 FY23	H1 FY24
Profit after tax for period (\$'000)	3,185	241
Portfolio return (% pre-tax and expenses)	5.5	0.4
Shares on issue (m)	86.5	88.3
Market Cap (\$m)	92.6	86.9
NTA (per share, pre-tax)	1.1588	1.0263
Share price	1.07	0.985
Premium/discount to pre-tax NTA (+/- %)	-7.7	-4.0
Dividend (cents per share)	4.25	2.75

Dividend Update

- Current market conditions are presenting attractive investment opportunities to generate capital growth
- The board have taken steps to reduce the dividend, in line with the stated dividend policy (ie. 5% of post-tax NTA of prior financial year)
- 55.0c has been paid in dividends since inception, fully franked
- Dividend of 2.75c payable 23 May 2024, and will be fully franked

GROWTH OF \$10K



31 December 2023	Balance
Dividend Reserves	\$26.28m
Franking Credit Balance	\$1.61m

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.”

*Total return is calculated assuming dividends reinvested and includes special dividends
Source, Factset

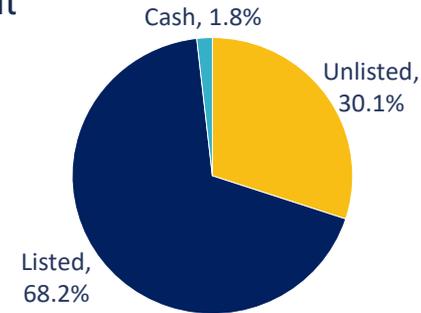
KEY FACTS - 31 JANUARY 2024

Pre-tax NTA	0.9546
Post-tax NTA ¹	1.0262
ACQ share price	\$0.95
Ordinary Dividends ²	8.5c
Implied cash dividend yield ³	8.9%
Franking on dividends ⁴	100%
Shares Outstanding	88.3m
Market Capitalisation	\$83.9m
Number of stocks	73

Performance - since inception^{5,7} 7.1% p.a.

Benchmark - since inception^{6,7} 6.4% 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 31 Jan 2024
3. Based on share price at 31 Jan 2024
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

PROVEN INVESTMENT STRATEGY

Since listing on the ASX ¹ the ACQ investment portfolio has:

- Outperformed the Microcap Index in **9 of 11** financial years to date
- Outperformed the S&P/Small Ordinaries Accumulation Index in **7 of 11** financial years to date

Portfolio Return to 31 Jan 2024	FYTD	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
ACQ (Before Fees & Op costs) ²	-6.0	5.6	-16.7	63.7	7.5	-0.1	35.9	7.9	21.0	-6.1	2.2
S&P/ASX Small Ords Acc. Index	7.4	8.4	-19.5	33.2	-5.7	1.9	24.2	7.0	14.4	-0.4	0.3
Acorn Capital / SIRCA Microcap Acc. Index ³	-0.4	2.4	-17.5	54.7	0.5	-1.4	17.8	7.6	9.4	0.2	-1.4

ACQ Outperforms indices

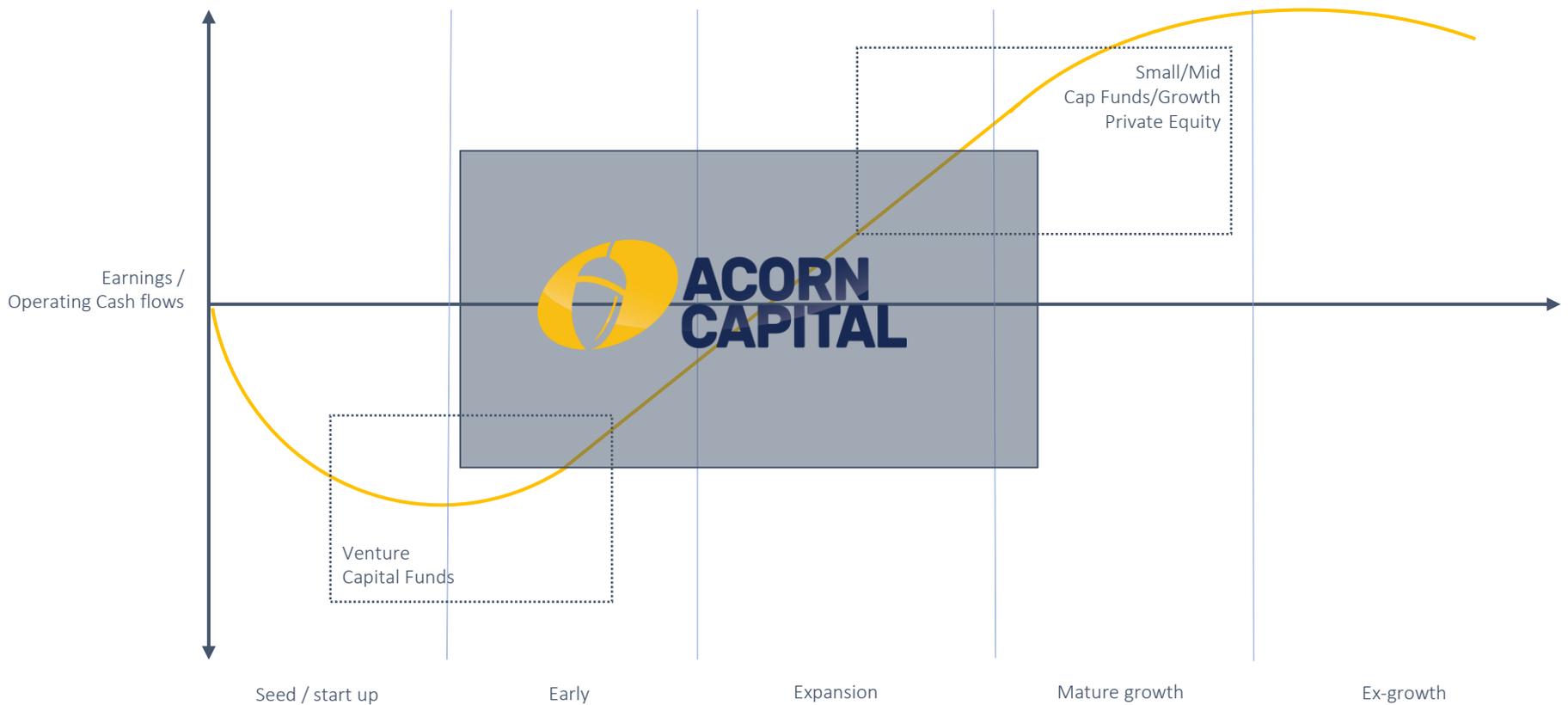
1. Inception is 1 May 2014
 2. Calculated by Acorn Capital, based before all fees and costs and using last trade price for portfolio
 3. Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')

MICROCAP ENVIRONMENT



KEY FOCUS

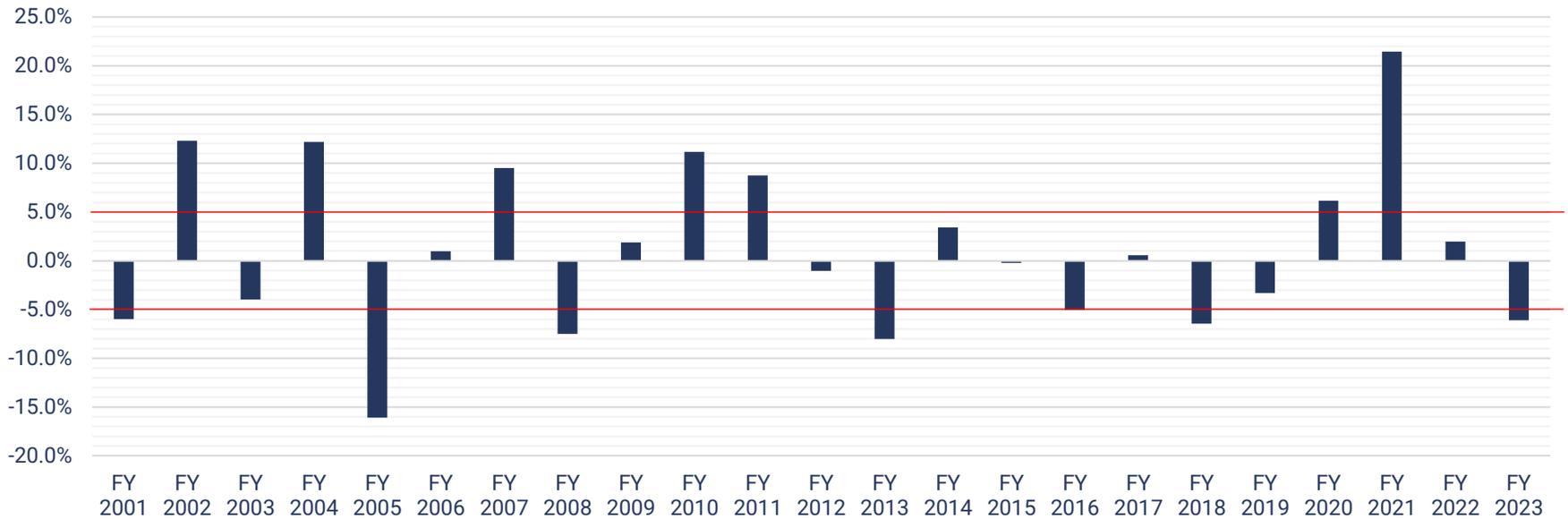
Recognise the stage of development, reflecting the microcap investment universe



VARIATIONS IN INDICES ARE COMMON

- Since 30 June 2001, the Microcap Index returned 5.9%pa. versus S&P/ASX Aus Small Ords 5.7%pa.
- Despite delivering similar returns, in 14 of the last 23 financial years the indices have materially diverged by more than 5%
- Acorn Capital believes that this reflects the compositional differences of the underlying index constituents

Difference in return between Microcap Index¹ and S&P/ASX Small Ordinaries Accumulation Index² financial year returns



1. Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')

2. Source: Factset

BENCHMARK DISPERSION - CY2023 BREAKDOWN

The sector weight, specific macro/industry themes and market sentiment all result in compositional differences in the indices, delivering quite varied returns

Sector	Microcap Universe ¹		
	Average Weight	Total Return	Contrib. To Return
Technology	7.63	16.14	1.23
Materials - ex Resources	2.70	1.49	0.04
Industrials - ex Cap Goods	4.06	33.40	1.36
Energy	5.92	-1.66	-0.10
Utilities	0.48	7.86	0.04
AREITs	4.79	-2.09	-0.10
Financials - ex AREITs	11.30	-0.41	-0.05
Staples	3.63	-6.27	-0.23
Telco	3.64	-1.93	-0.07
Industrials - Cap Goods	7.83	15.61	1.22
Discretionary	10.34	14.77	1.53
Health Care	9.73	-4.52	-0.44
Materials - Resources	27.96	-16.38	-4.58
Total	100.00	-0.81	-0.81

S&P/ASX Small Ordinaries ²		
Average Weight	Total Return	Contrib. To Return
5.69	9.65	0.39
5.81	21.67	1.06
3.67	9.89	0.30
7.11	14.04	0.92
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12.17	-0.56	-0.17
11.53	7.26	0.63
3.95	12.87	0.48
5.14	10.46	0.49
5.10	9.80	0.53
14.78	18.30	2.33
7.24	23.13	1.63
17.81	-5.98	-0.76
100.00	7.82	7.82

Characteristics	Microcap Universe ¹
Companies (by number)	1500
Universe (by size)	ASX ex-250
Total Market Cap	\$151,936M
Median Market Cap	\$27M
Exposure to Developing Companies ³	53.6%

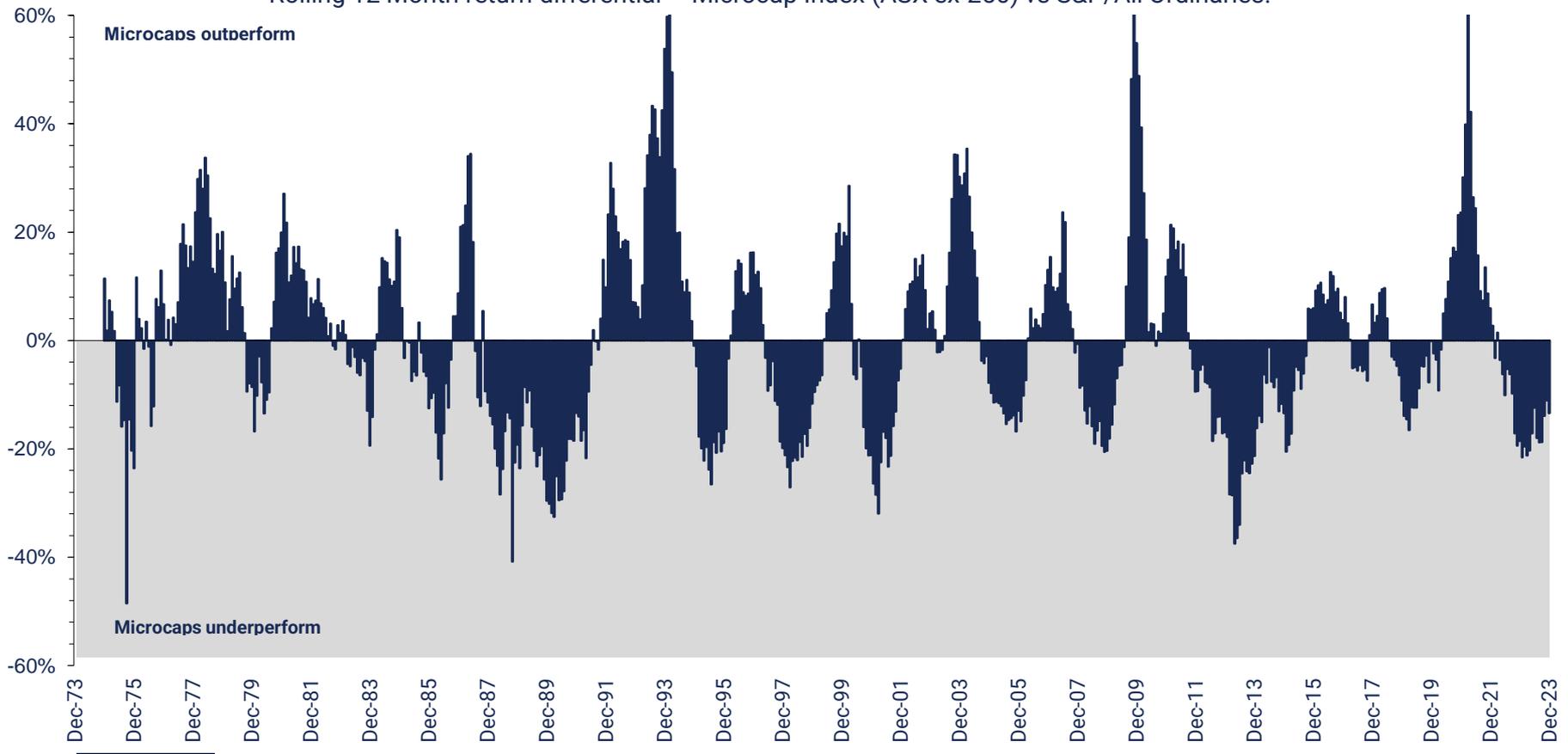
S&P/ASX Small Ordinaries ²	
200	
ASX101 – 300	
\$250,036M	
\$1,333M	
18.5%	

1. Source: Acorn Capital with reference to the Acorn Capital / SIRCA Microcap Accumulation Index as at 31 December 2023
2. Factset at 31 December 2023
3. Developing company defined as companies where revenue is <10% of Market Cap

SIGNAL FOR THE CONTRARIAN INVESTOR

Periods of relative underperformance in microcaps have historically created attractive opportunities to deploy capital into the sector

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



STOCKS IN FOCUS



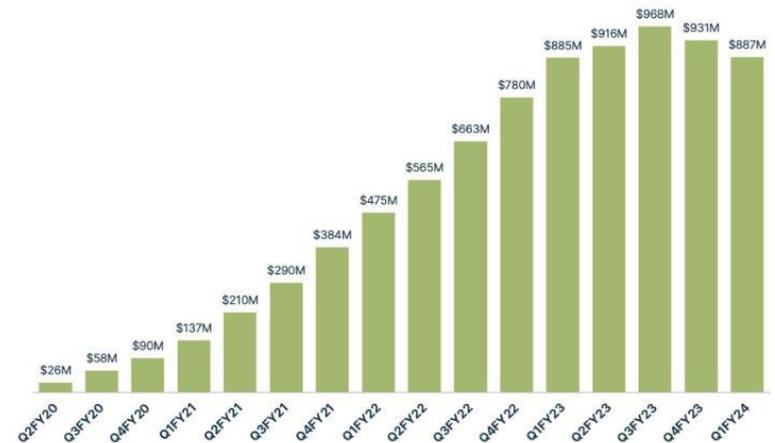
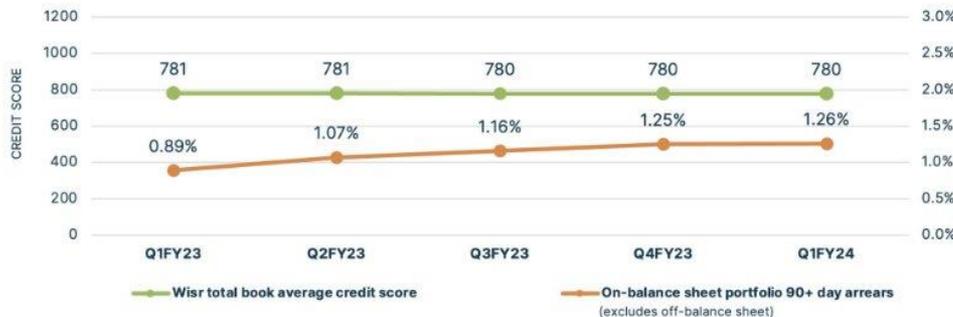


WISR (WZR.ASX - Early stage of development)

- WISR is a digital consumer lending business targeting prime credit lending customers.
- Like all consumer lending businesses, the increasing interest rate cycle through FY22 and FY23 had a material impact on: a) tightening net interest margin (NIM), b) potential increase in credit losses and c) slower loan book growth.
- WISR has been a material underperformer vs the broader small and microcap market as a result.
- We recently bought a significant line of stock from a founder who has now exited the business, which we see as beneficial.
- We expect there will be significant cyclical support for WISR as interest rates peak/decline in 2H24, with expanding NIM, accelerating loan book growth and an improvement in credit impairments, all driving a material improvement in profitability in FY25 and beyond.

WISR quarterly loan book balance¹

WISR total book average credit score & 90+ day arrears



Micro-X (MX1.ASX - Expansion stage of development)

- MX1 is a platform company with foundational technology in 1) cold cathode digital x-ray tubes, 2) high powered generators, and 3) software development.
- MX1 has faced and overcome significant technical and engineering challenges, reflecting its breakthrough technology
- Historically commercial milestones have disappointed, yet scientific and engineering progress has been world leading.

Why now?

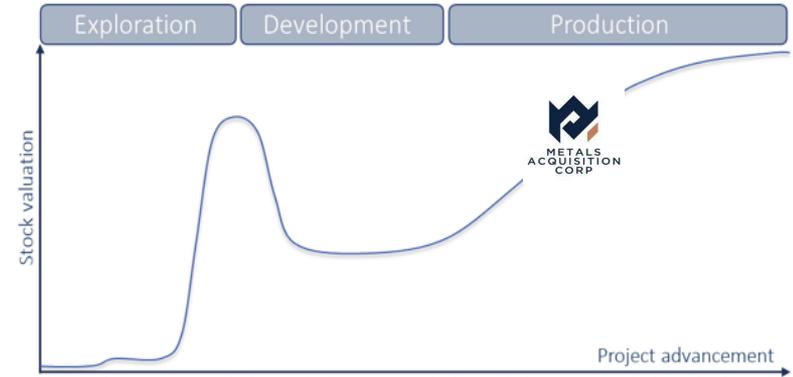
- Technology has matured
 - world leading engineering team understand their tech
 - external validation evident
- Single platform supporting 4 separate business lines
 - Leveraging IP, operational benefits
- Transition in management
 - A clear mandate to monetise technology
- Revenue generation
 - Argus commercial launch imminent (Q1CY24)
 - Nano now approved globally
 - Brain CT & Checkpoints (both externally funded programs) have key milestones in CY2024



Metals Acquisition Limited (MTAL.NYSE)

– planned dual listing on ASX in Feb 2024

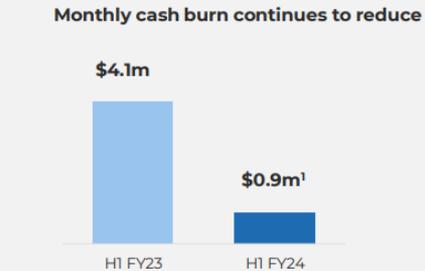
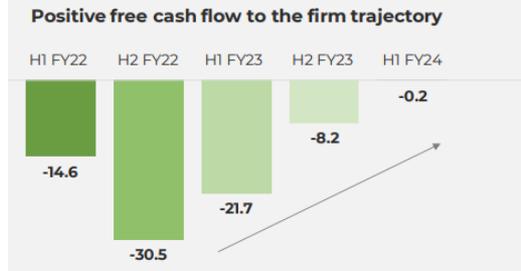
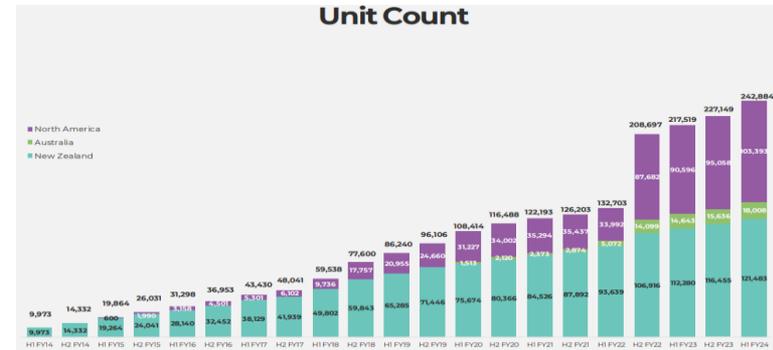
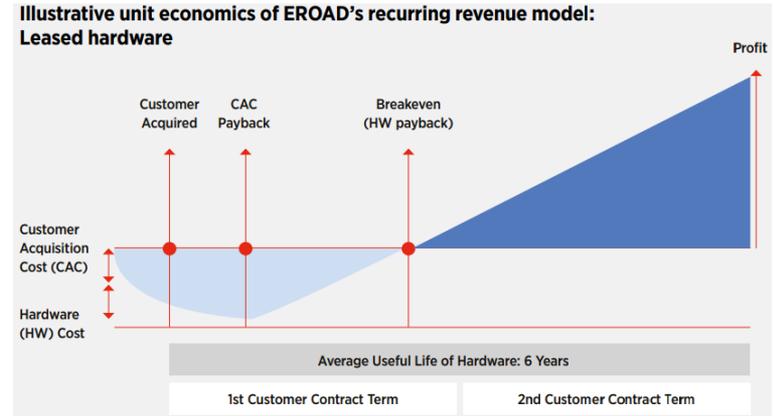
- Copper producer – CSA Mine, Cobar NSW
- Will be one of the few large ASX-listed copper producers
- Mine was operated by Glencore for 24 years
- Quality asset:
 - Large: produced 37kt of copper in 2022
 - High grade: Reserves of 7.9Mt @ 4.0% Cu
 - Long life: 314kt of Reserves
 - Strong exploration upside (limited exploration by Glencore in last 5 years)
- Quality management team:
 - Mick McMullen (ex-Detour Gold) as CEO
- Positive catalysts:
 - Debottlenecking of processing plant could increase throughput from 1.4 to 1.9mtpa
 - Resource upgrade: recent exploration + lower costs (improved efficiencies) = potential large increase
 - Cobar region is ripe for consolidation (e.g., Aurelia Metals, Peel Mining and Aeris)





EROAD (ERD.ASX - Expansion stage of development)

- EROAD provides complete hardware and software solutions in the growing global telematics market.
- Coretex was acquired in late 2021, giving expansion into US, with a greater enterprise grade solution in addition to refrigerated transport.
- Significant investment in tech stack, Coretex and NZ 4G switch program in 2022/23.
- Well positioned for growth in emerging Australian market.
- Holds a dominant market position in NZ, and now offering a complete suite for USA (competitive but large market)
- All customer acquisition, hardware and operating capital costs recovered during first 3-years of contract, resulting in higher returns in subsequent renewals.
- Operating cashflow growing consistently, capital expenditure has peaked and free cashflow forecast by Dec 2024.
- New emissions module launched in NZ, providing accurate tracking for ESG reports.
- NZ\$50m capital raise improves financial strength & flexibility for future growth.



UNLISTED PORTFOLIO

Transactional activity in Q4 - 2023

REDEYE

- Redeye is a Brisbane based asset management software group that provides engineering document management systems
- ACQ Invested in February 2022. RedEye was sold in a trade sale transaction in December 2023 to Accruent (a subsidiary of Fortive (NYSE:FTV), which has a market cap ~US\$29b¹)
- ACQ achieved a gross IRR of ~25% on Redeye investment
- The sale value resulted in a 50% uplift in portfolio carrying value. Note the weighted average uplift of holding values for ACQ's unlisted assets has been ~60%³

1. As at 8 February 2024

2. Source: Acorn Capital at 31 December 2023

3. Source Acorn Capital, measure across 32 investments that have reached liquidity since 1 May 2014

4. Initial investment in November 2023



- Merger of me&u and M Yum completed in Q4 - 2023
- Merger is highly synergistic and gives the combined company a stronger position in the hospitality market
- The merger has created a global leader in “order and pay” technology servicing, with over 6,000 bars, pubs and restaurants enabling the technology
- Portfolio value of investment has not changed materially from the initial acquisition cost, but will be recognised as the merger is implemented⁴

PORTFOLIO POSITIONING

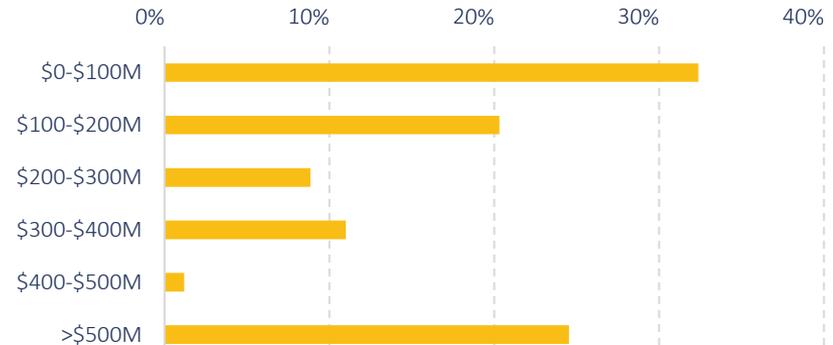


PORTFOLIO OVERVIEW¹

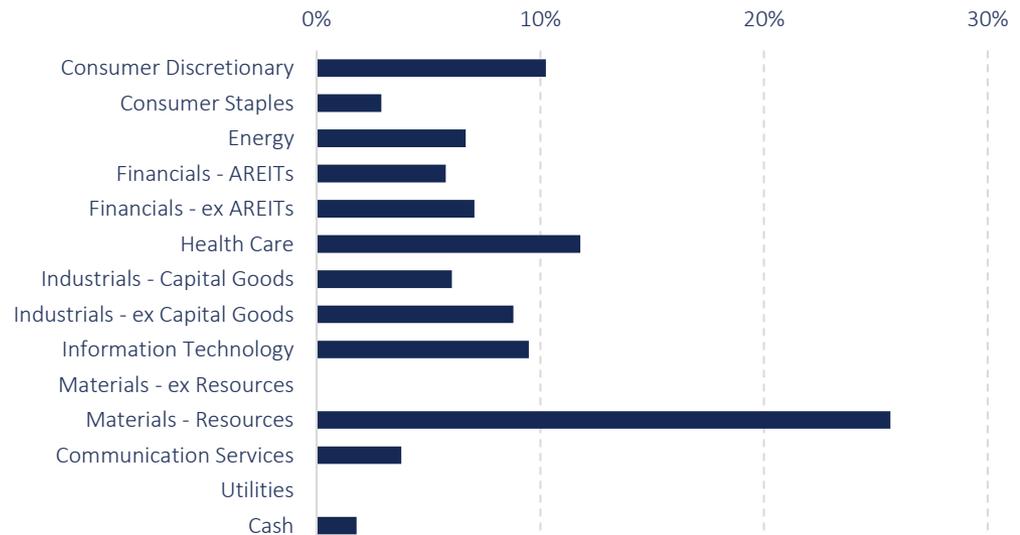
TOP 10 INVESTMENTS

Company	Weight %
1 Ramelius Resources	4.3
2 Splend Holdings ²	4.0
3 Marketplacer ²	3.9
4 Elenium Automation ²	3.1
5 Red 5	3.0
6 Meteoric Resources	2.9
7 Metals Acquisition	2.8
8 Clarity Pharmaceuticals	2.6
9 Impedimed	2.5
10 MX51 Group ²	2.5
Total	31.6

MARKET CAP BANDS



SECTOR EXPOSURES

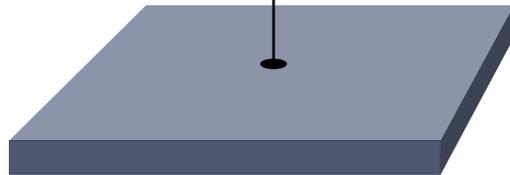


1. Acorn Capital, as at 31 January 2024
 2. Unlisted Investment

PERFORMANCE

Portfolio Return for Periods to 31 January 2024	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. ³
ACQ (Post Fees & Op Costs) ¹	-2.2	-9.5	-6.6	6.2	7.1
S&P/ASX Small Ords Acc. Index ⁴	15.8	2.1	1.3	5.4	6.4
<i>Value add</i>	-18.0	-11.6	-8.0	+0.8	+0.7
<i>Alternate market indices</i>					
Acorn Capital / SIRCA Microcap Acc. Index ²	6.4	-10.1	-3.5	7.3	6.0
S&P/ASX Emerging Companies Acc Index ⁴	4.6	-11.9	0.4	10.9	8.2

- 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
- Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')
- Inception is 1 May 2014
- Source: Factset



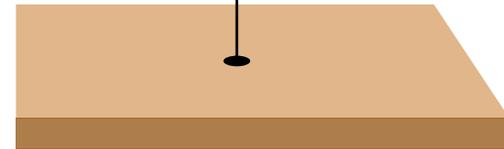
PROVEN STRATEGY

- 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

- 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

FURTHER INFORMATION

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