

# ACORN CAPITAL INVESTMENT FUND LTD

INVESTOR UPDATE – AUGUST 2024

(INCORPORATING FY24 RESULTS)

ASX:ACQ



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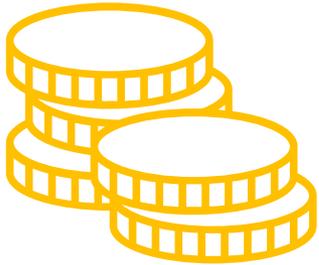
## LONSEC RESEARCH

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# STRATEGY

ACQ investment strategy has demonstrated an ability to deliver positive investment outcomes <sup>1</sup>

## 1. DIVIDEND INCOME<sup>2</sup>



## 2. CAPITAL GROWTH



## 3. DIVERSIFICATION<sup>3</sup>



1. At 30 June 2024, the ACQ portfolio gross return has outperformed the S&P/Small Ordinaries Accumulation Index by 4.2% 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 57.75 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 RESULTS

## SUMMARY

	FY23	FY24
Profit after tax for period (\$'000)	3,033	1,766
Portfolio return (% pre-tax and expenses)	5.61	3.95
Portfolio return (% post-tax and expenses)	4.14	2.94
Shares on issue (m)	87.4	89.0
Market Cap (\$m)	83.0	69.9
NTA (per share, pre-tax)	1.0647	1.0202
Share price (\$)	0.95	0.785
Premium/discount to pre-tax NTA (+/- %)	(10.8)	(23.1)
Dividend (cents per share)	2.75	2.75

### Dividend Update

- Current market conditions continue to present attractive investment opportunities to generate capital growth
- The board has retained the dividend in line with the stated dividend policy (ie. 5% of post-tax NTA of prior financial year)
- 57.5c has been paid in dividends since inception, fully franked
- Dividend of 2.75c payable 28 November 2024, and will be 50% franked

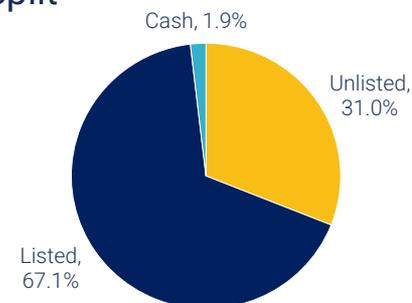
# FY24 RESULTS

## KEY FACTS - 31 JULY 2024

Pre-tax NTA	1.0383
Post-tax NTA <sup>1</sup>	1.0708
ACQ share price	\$0.835
Ordinary Dividends <sup>2</sup>	7.0c
Implied cash dividend yield <sup>3</sup>	8.4%
Franking on dividends <sup>4</sup>	50%
Shares Outstanding	89.0m
Market Capitalisation	\$74.3m
Number of stocks	75

Performance - since inception <sup>5,7</sup>	7.9% p.a.
Benchmark - since inception <sup>6,7</sup>	6.6% p.a.

### Investment Split

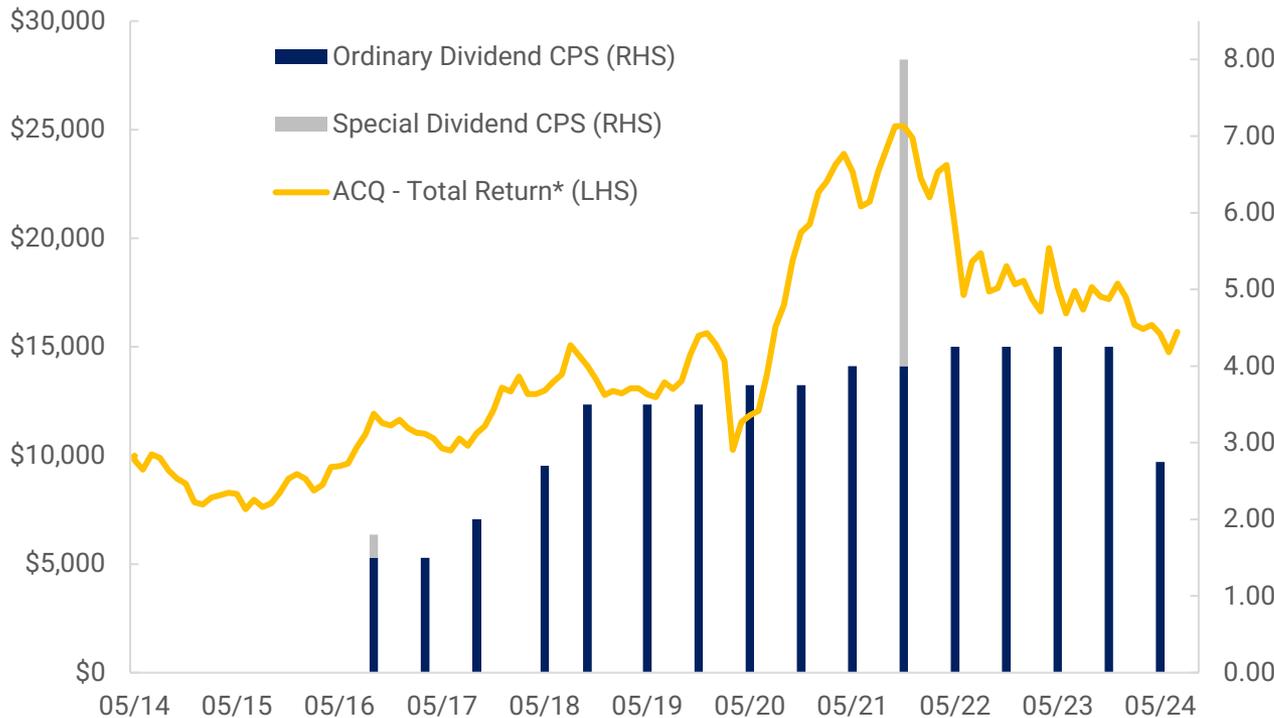


### Lonsec Rating<sup>8</sup>



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 JUL 2024
3. Based on share price at 31 JUL 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

# GROWTH OF \$10K



30 June 2024	Balance
Dividend Reserves	\$25.4m
Franking Credit Balance	\$0.65m

### ACQ Dividend Policy

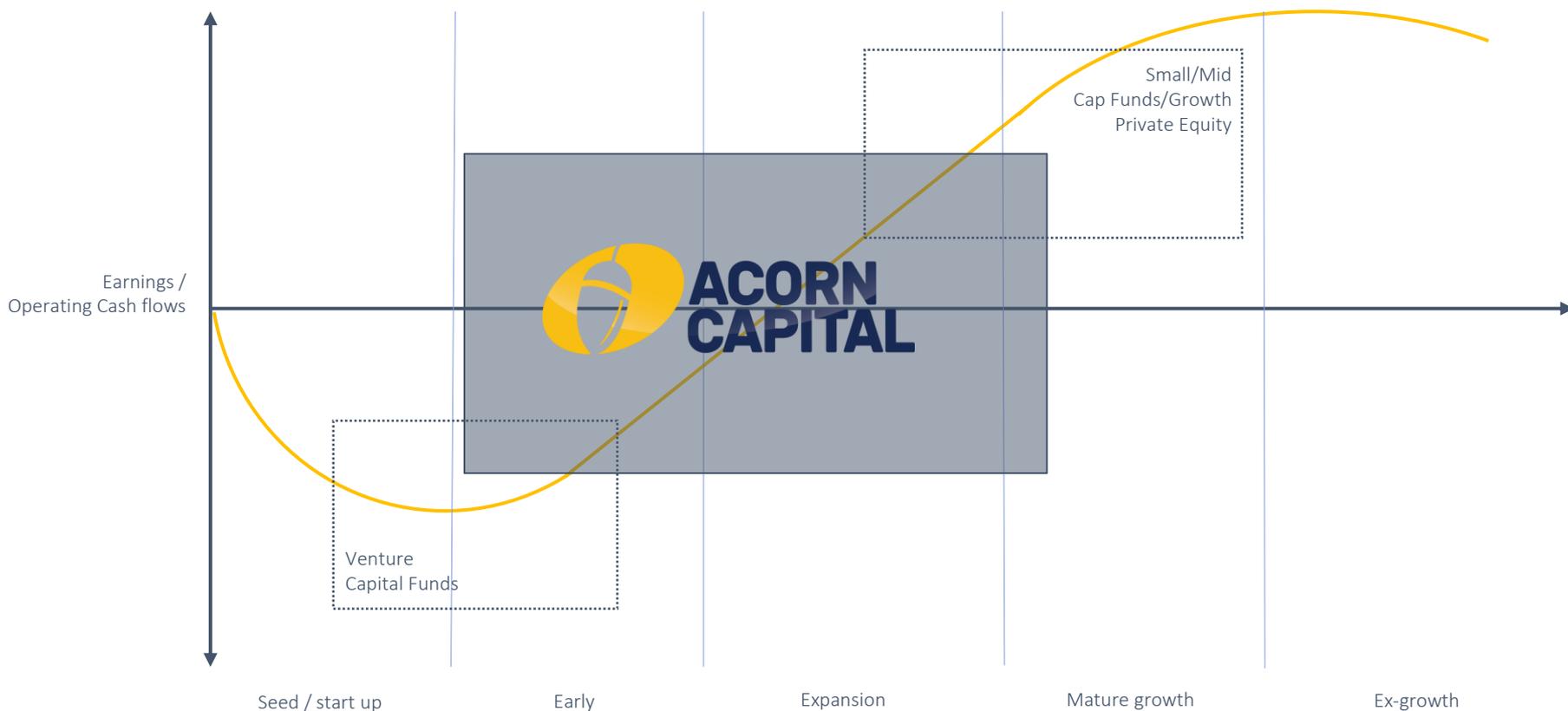
“Acorn Capital Investment Fund Limited intends to pay annual dividends targeting at least 5% of closing post-tax NTA for each financial year, franked to the highest extent possible and without the Company incurring a liability. Where the Company accumulates franking credits that the Board determines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

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

# KEY FOCUS

Recognise the stage of development, reflecting the microcap investment universe



## PROVEN INVESTMENT STRATEGY

Since listing on ASX <sup>1</sup> 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

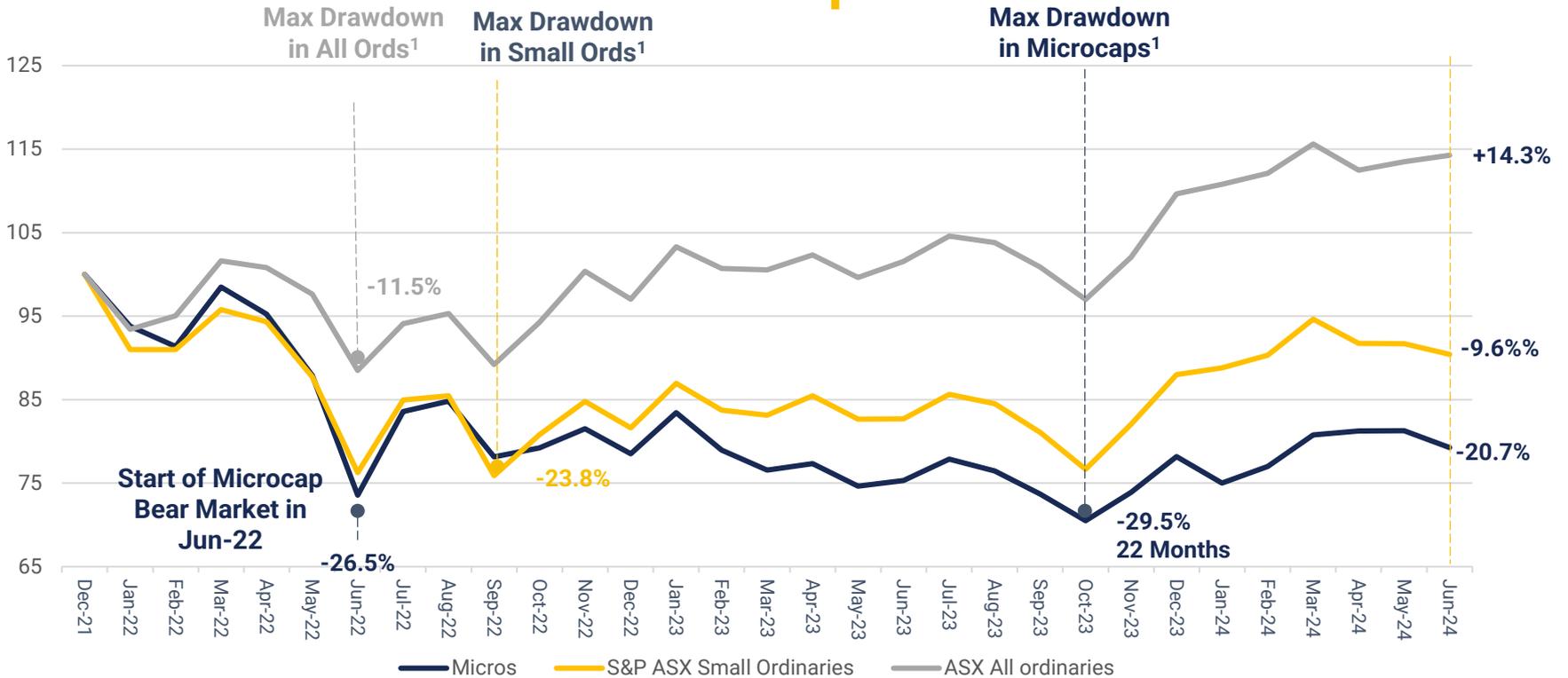
Portfolio Return to 30 JUN 2024	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14
ACQ (Before Fees & Op costs) <sup>2</sup>	3.9	5.6	-16.7	63.7	7.5	-0.1	35.9	7.9	21.0	-6.1	2.2
S&P/ASX Small Ords Acc. Index	9.3	8.4	-19.5	33.2	-5.7	1.9	24.2	7.0	14.4	-0.4	0.3
Acorn Capital / SIRCA Microcap Acc. Index <sup>3</sup>	5.3	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')

# SECTOR OBSERVATIONS

# Current bear market in microcaps



Acorn Capital has observed 9 Microcap bear markets since 1974 <sup>2</sup>

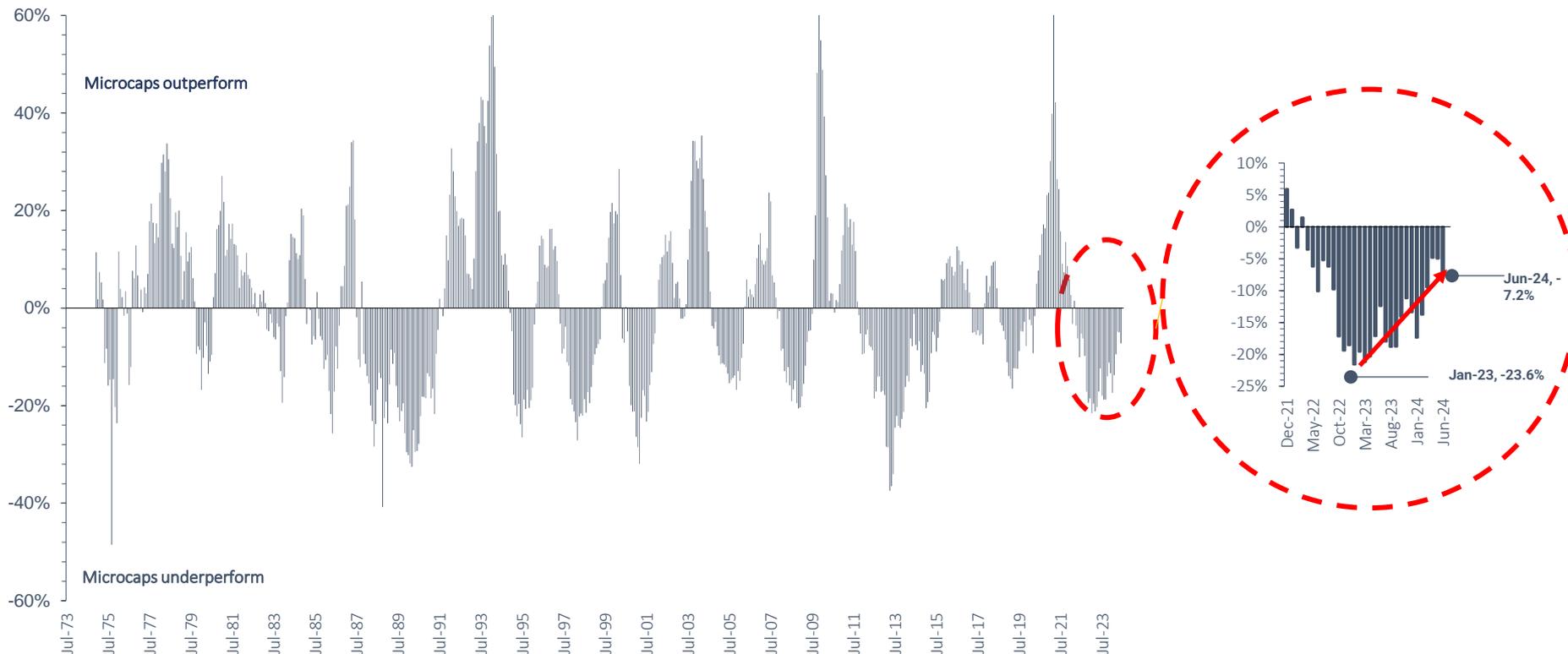
	Median	Average
Time to "bear market" max drawdown (months)	15	14.8
Max drawdown of "bear market"	-31.3%	-37.5%
Return in 12 months post max drawdown	38.6%	49.6% <sup>3</sup>

1. Maximum Drawdown calculated from December 2021  
 2. Observations/calculations based on monthly time series of returns for Acorn Capital/SIRCA Microcap Index  
 3. Excludes current bear market, hence 8 observations

# SIGNAL FOR THE CONTRARIAN INVESTOR

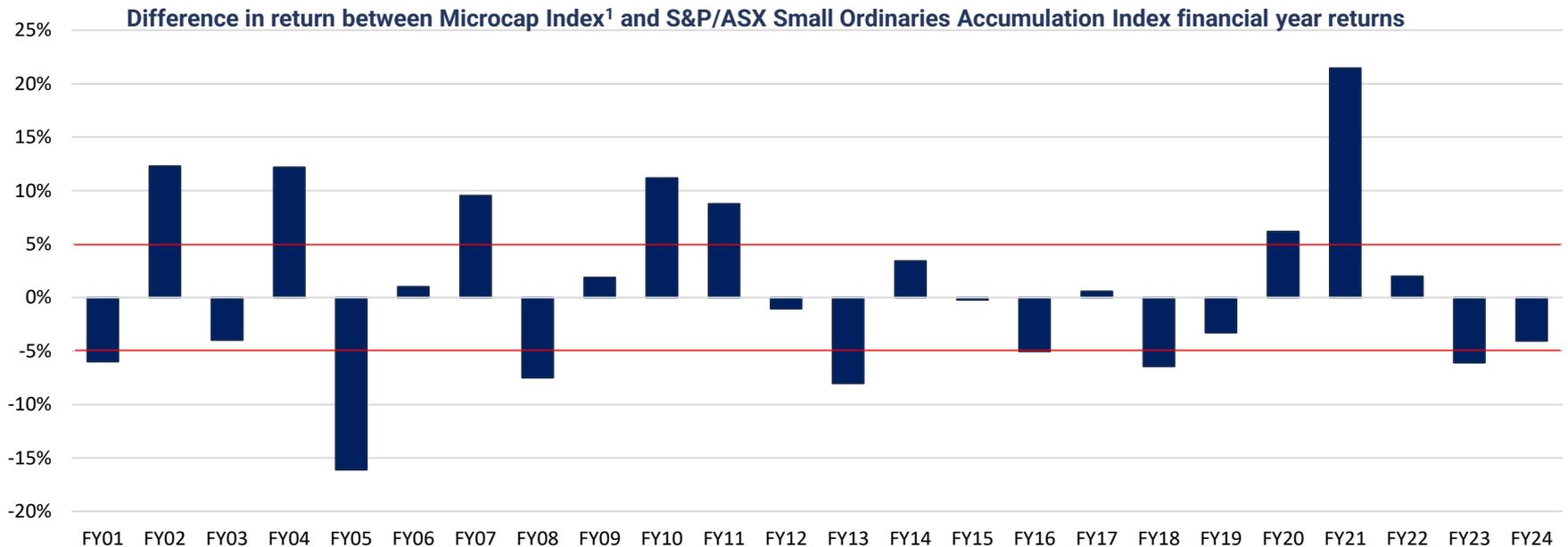
Periods of relative underperformance in microcaps have historically created attractive opportunities to deploy capital into the sector

Rolling 12 Month Return Differentials - Microcaps vs All Ordinaries



## VARIATIONS IN INDICES ARE COMMON

- Since 30 June 2001, the Microcap Index returned 4.9%pa. versus S&P/ASX Aus Small Ords 5.1%pa.
- Despite delivering similar returns, in 14 of the last 24 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



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

# STOCKS IN FOCUS

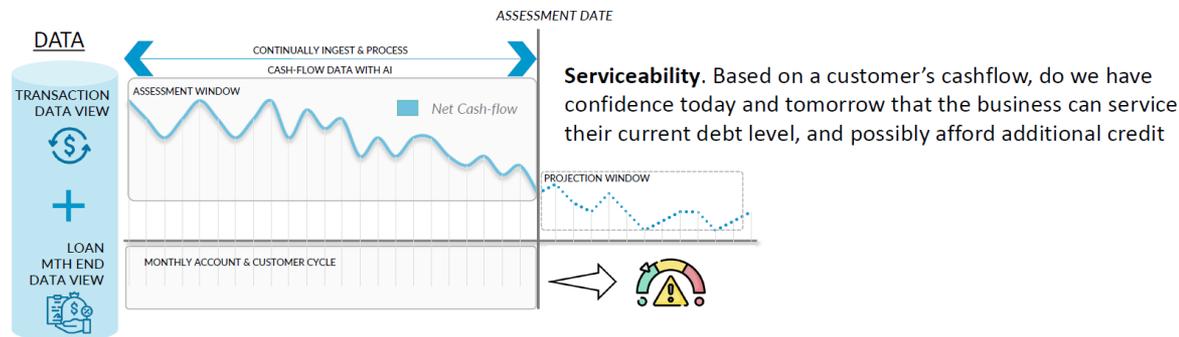




## Rich Data Corporation (Unlisted - Early stage of development)

- Rich Data Corporation (RDC) utilises artificial intelligence and machine learning to provide cloud-based credit risk assessment for financial institutions (especially banks).
- RDC trains its proprietary models using customer data and then provides real time risk assessment of SME customers
- Banks and credit providers are required to regularly stress test their loan books for regulatory purposes – generally a time intensive task
- The outputs from the RDC models help identify credit risks in real time rather than at the time of periodic reviews
- Westpac was the first large institutional client in Australia (and now also an investor in RDC) with M&T in the US being the first institution globally.
- The business is now well funded having just closed a \$25m round led by Westpac with support from NASDAQ listed nCino and Acorn Capital.

Elements to assessing a business's health includes determining:

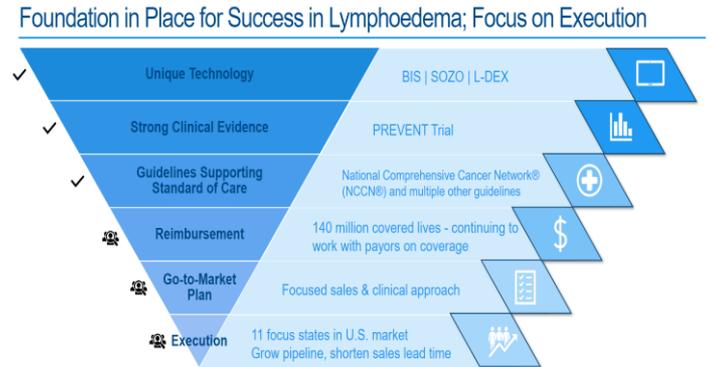


**Serviceability.** Based on a customer's cashflow, do we have confidence today and tomorrow that the business can service their current debt level, and possibly afford additional credit

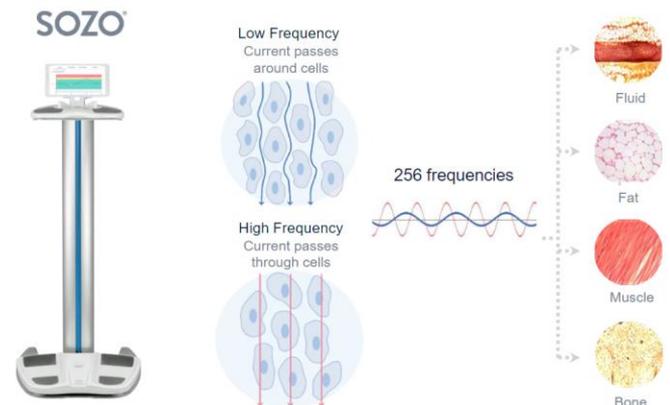
**Level of Credit Risk & the stability of that Risk Profile.** Has a customer's Credit Risk increased or decreased over time

## Impedimed (IPD.ASX - Expansion stage of development)

- IPD is commercializing its SOZO Digital Health Platform, with its lead indication in Lymphoedema prevention.
- “Foundations in place for success” – A unique opportunity on the ASX
  - Technology – 256 frequency bioimpedance enables detection of very small changes in fluid levels
  - Strong Clinical Evidence – PREVENT trial (1200 patients over 3 years) – 59% relative reduction in progression to chronic lymphedema vs SOC
  - Inclusion in NCCN guidelines – significant achievement
  - Increasing private payor coverage – supports technology adoption - cost neutral/profit center for many hospitals
- Attractive, high margin SaaS business model
- Board and management changes in FY24 created significant distraction, impacting execution focus and delaying progress by c12 months
- New board and management now firmly in place and have ownership of strategy and execution outcomes.
- FY25 IPD starts to deliver on its potential

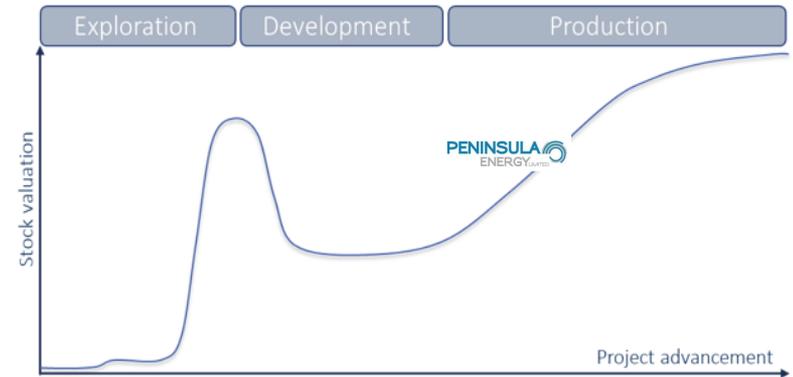


### BIS is Objective and Fast



## Peninsula Energy (PEN.ASX – Expansion 1 (under construction))

- Uranium developer – Wyoming, USA
- Restart of the Lance Uranium operation
  - In-situ recovery (ISR) operation
  - Switching from alkaline to acid leach method (more conventional)
  - Forecast production: 1.8 million pounds  $U_3O_8$  p.a.
  - Late 2024: ISR production starts; plant commissioning begins
  - Mid-2025: First delivery of yellowcake
  - Late 2025: Sustainable positive free cash-flow
- Quality asset:
  - Large resource: 58.0 million pounds  $U_3O_8$
- Completed \$105.9m equity raise in the June quarter
  - Fully funded into production
  - Possibility of US Government funding

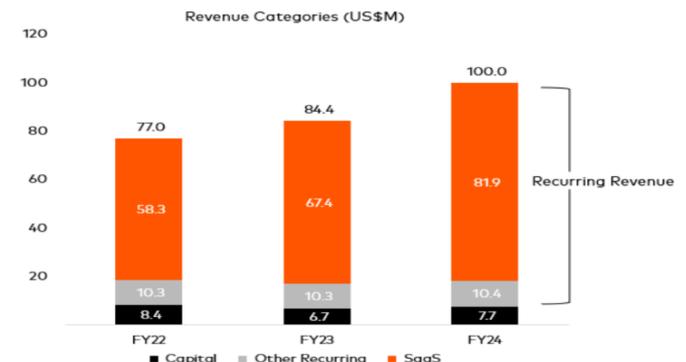
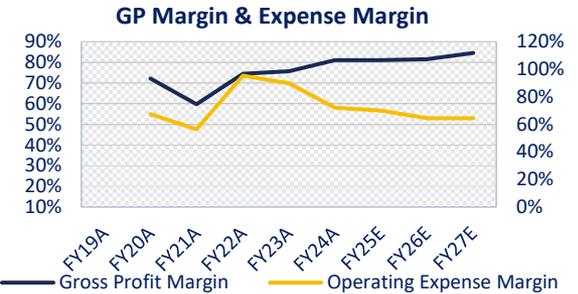


Mine unit 2 at Lance



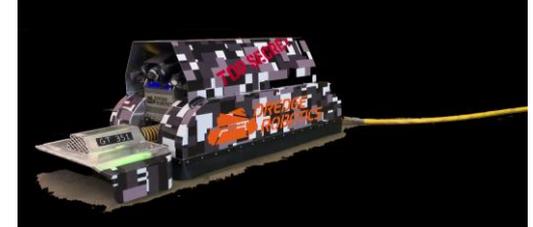
## Catapult (CAT.ASX - Expansion stage of development)

- Catapult is a global leader in wearable sports tracking devices, and now emerging video solutions.
- In the past management has promised higher recurring revenue from new analytics products but this has been more difficult to achieve.
- SBG Sports acquisition provides Catapult with proven video technology with a strong position in motorsports.
- Combined with a new management team, SBG enables Catapult to cross sell into sports using wearables.
- Recurring revenue, led by SaaS, has increased from 67% in FY19 to 92% in FY24 growing at 26% vs 20% total sales.
- The business needed reinvestment in FY22-23, with this now completed, together with improving gross margins, and strong topline growth is now cashflow positive.
- Having waited patiently, we believe Catapult now offers a unique global growth opportunity (96% revenue Ex-AU), with products in demand in markets with growing budgets for technology solutions.



## Fremantle Commercial Diving (FCD) (Unlisted - Expansion stage of development)

- FCD Water, trading as Dredge Robotics (DR) is a tech-enabled services business that conducts essential maintenance of large-scale water storage infrastructure.
- DR has developed proprietary robotic technology to clean and dredge both potable and non-potable water storage facilities (e.g. reservoirs, tanks, process tanks).
- Its clients include water utilities on the potable side and mining, energy, industrial and agricultural businesses for non-potable services. Major non-potable clients include BHP, Rio, Fortescue Mining, Energy Australia and Wesfarmers.
- DR's technology offers three critical benefits to clients.
  - More cost effective than alternatives which historically have been barge dredging or manned diving;
  - Allows asset owners to keep assets online during maintenance
  - Significantly safer for both personnel and mission critical assets.
- DR has grown strongly during since Acorn's investment in November 2021 with revenues increasing from \$6m to \$19m for FY24.
- The business has expanded its margins and is now highly profitable and cashflow positive.



# PORTFOLIO & PERFORMANCE

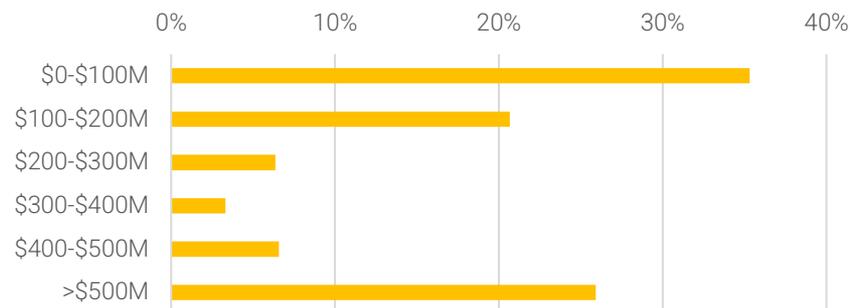


# PORTFOLIO OVERVIEW<sup>1</sup>

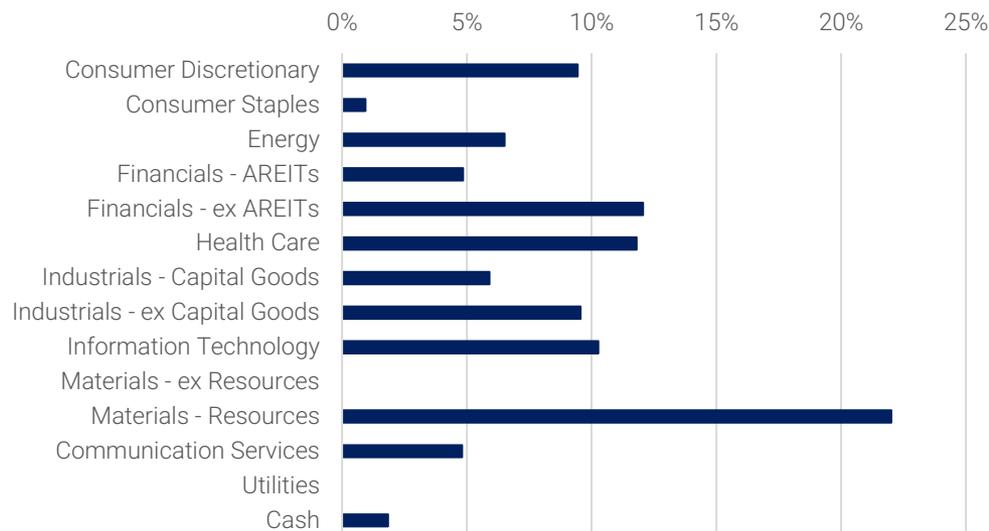
## TOP 10 INVESTMENTS

	Company	Weight %
1	Splend Holdings <sup>2</sup>	3.8%
2	Marketplacer <sup>2</sup>	3.5%
3	Clarity Pharmaceuticals	3.1%
4	Elenium Automation <sup>2</sup>	3.1%
5	Fremantle Commercial Diving <sup>2</sup>	2.7%
7	Eroad	2.5%
6	Aroa Biosurgery	2.4%
9	Koumbia Bauxite Investments <sup>2</sup>	2.4%
8	MX51 Group <sup>2</sup>	2.3%
10	Superloop	2.3%
	<b>Total</b>	<b>28.1%</b>

## MARKET CAP BANDS



## SECTOR EXPOSURES



1. Acorn Capital, at 31 July 2024

2. Unlisted Investment

## PERFORMANCE

Portfolio Return for Periods to 31 JULY 2024	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception % p.a. <sup>3</sup>
ACQ (Post Fees & Op Costs) <sup>1</sup>	5.5	2.4	-5.1	6.2	7.9
S&P/ASX Small Ords Acc. Index <sup>4</sup>	2.0	9.3	-0.6	3.5	6.6
Value add	+3.5	-6.9	-4.5	+2.7	+1.3

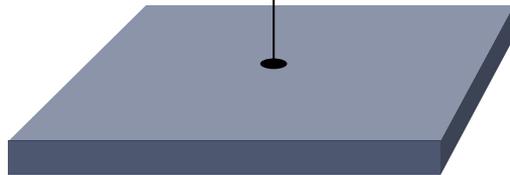
### Alternate market indices

Acorn Capital / SIRCA Microcap Acc. Index <sup>2</sup>	-1.1	3.7	-3.8	5.8	6.5
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## BENCHMARK COMPARISON<sup>6</sup>

Characteristics	Acorn Capital / SIRCA Microcap Acc. Index <sup>2</sup>	S&P/ASX Small Ords Acc. Index <sup>4</sup>
Companies (by number)	1600	194
Universe (by size)	ASX ex-250	ASX101 – 300
Total Market Cap	\$167,925M	\$247,262M
Median Market Cap	\$23M	\$1,094M
Exposure to Developing Companies <sup>5</sup>	55.9%	17.6%

- 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
- Developing company defined as companies where revenue is <10% of Market Cap
- At 30 June 2024



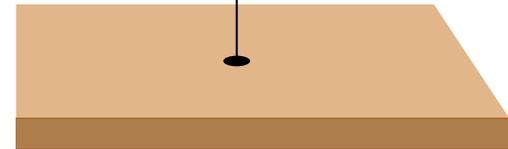
## PROVEN STRATEGY

- 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

- 7.0 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	<ul style="list-style-type: none"> <li>• Australian Listed Equities</li> <li>• Unlisted investments</li> <li>• Cash</li> </ul>
Liquidity	On market
Investment timeframe	3 - 5 years
Dividends	Targeted semi annually (May and Nov)
Market Cap	\$74.3m (31 July 2024)
Management fee	0.95%
Performance fee	20% of returns in excess of the benchmark
Sector limits	Stock: +/- 7.5% at purchase Investment Universe: +/- 7.5%
Board	John Steven – Chair Clark Morgan Maureen Baker 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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