

ersonal use only

ACORN CAPITAL INVESTMENT FUND LTD

ENTITLEMENT OFFER & INVESTOR
UPDATE

SEPTEMBER 2020

ASX: ACQ



Disclaimer and Important Information

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This Presentation is dated 14 September 2020 and has been prepared and authorised by Acorn Capital Investment Fund Limited ACN 167 595 897 (**ACQ** or the **Company**) in connection with the Company's proposed 1 for 4 pro rata non renounceable entitlement offer of new ACQ fully paid ordinary shares (**New Shares**) to eligible shareholders in Australia or New Zealand (and certain existing shareholders who are institutional or professional investors in any other jurisdictions as determined by ACQ) to be made under section 708AA of the *Corporations Act 2001* (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73) (**Entitlement Offer**). The Entitlement Offer will not be underwritten by any party.

NO RECOMMENDATION, OFFER, INVITATION OR ADVICE

This Presentation is not a prospectus, product disclosure statement, financial product or investment advice or other offering document under Australian law (and will not be lodged with the Australian Securities and Investments Commission (**ASIC**)) or any other law. The purpose of this Presentation is to provide general information only and the contents of the Presentation do not purport to provide investment advice. Investors should make their own independent assessment of the information in this Presentation including the assumptions, uncertainties and contingencies which may affect ACQ's future operations and the values and the impact that future outcomes may have on ACQ and obtain their own independent advice from a qualified financial adviser having regard to their objectives, financial situation and needs before taking any action. The Presentation does not take into account the investment objectives, financial situation or particular needs of any person and should not be used as the basis for making investment, financial or other decisions. The information is selective and may not be complete or accurate for your particular purposes and should not be construed as a recommendation to invest in any particular investment or security, or fund/company offered by ACQ or Acorn Capital Limited (**Acorn Capital**). This Presentation should be read in conjunction with ACQ's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

The Entitlement Offer will be made on the basis of the information contained in the offer booklet to be prepared for eligible shareholders of the Company in Australia and New Zealand (**Offer Booklet**), and made available following its lodgement with ASX. Any eligible shareholder in Australia or New Zealand who wishes to participate in the Entitlement Offer should consider the Offer Booklet before deciding whether to apply for New Shares under the Entitlement Offer. Anyone who wishes to apply for New Shares under the Entitlement Offer will need to apply in accordance with the instructions contained in the Offer Booklet and the entitlement and acceptance form.

DISCLAIMER

The information provided in the Presentation has been prepared in good faith and with reasonable care, and is believed to be accurate at the time of compilation, no representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimate, opinions or other information contained in the Presentation. Neither Acorn Capital, ACQ, nor its directors or employees make any representation or warranty as to the accuracy, reliability, timeliness or completeness of the information.

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The information in this Presentation is subject to change without notice and ACQ is not obliged to update or correct it. This Presentation contains statements that constitute "forward-looking statements". The forward-looking statements in this Presentation include statements regarding ACQ's intent, belief or current expectations with respect to the timetable, conduct and outcome of the Entitlement Offer and the use of proceeds therefore, statements about the plans, objectives and strategies of the management of ACQ, statements about the industry and markets in which ACQ operates, statements about the future performance of ACQ's investments and its financial condition, indicative drivers, forecasted economic indicators and the outcome of the Entitlement Offer and the use of proceeds. Words such as "will", "may", "expect", "indicative", "intent", "seek", "would", "should", "could", "continue", "plan", "probability", "risk", "forecast", "likely", "estimate", "anticipate", "believe", "aim" or similar words are used to identify forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this Presentation speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this Presentation are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of ACQ, its officers, employees, agents and advisers, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements may also assume the success of ACQ's investment strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond ACQ's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward looking statements may have been prepared or otherwise. Refer to the 'Risk factors' in slides 18 to 21 of this Presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect ACQ.

Disclaimer and Important Information (Continued)

FORWARD LOOKING STATEMENTS (Continued)

There can be no assurance that actual outcomes will not differ materially from these statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in this Presentation. Investors should consider the forward-looking statements contained in this Presentation in light of those risks and disclosures. The forward-looking statements are based on information available to ACQ as at the date of this Presentation. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. ACQ disclaims any responsibility to update or revise any forward-looking statement to reflect any change in ACQ's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

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The distribution of this Presentation including in jurisdictions outside Australia, may be restricted by law. Any person who receives this presentation must seek advice on and observe any such restrictions.

This Presentation may not be distributed or released in the United States. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold under the Entitlement Offer have not been, and will not be, registered under the U.S. Securities Act of 1933 (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

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FOREIGN SELLING RESTRICTIONS – NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. Other than in the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

MARKET AND INDUSTRY DATA

Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. None of ACQ, its representatives or advisers have independently verified any such market or industry data provided by third parties or industry or general publications.

PAST PERFORMANCE

Past performance and pro forma historical financial information in this Presentation is given for illustrative purposes only and should not be relied upon and is not an indication of future performance, including future share price information. Historical information in this Presentation relating to ACQ is information that has previously been released to the market. For further details on that historical information, please see past announcements released by the Company to the ASX.

Disclaimer and Important Information (Continued)

INVESTMENT RISK

An investment in ACQ securities is subject to investment and other known and unknown risks, including possible loss of income and principal invested, some of which are beyond the control of ACQ. ACQ does not guarantee any particular rate of return or the performance of ACQ securities nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Recipients should read the 'Risk factors' in slides 18-21 of this Presentation for a non-exhaustive summary of the key risks that may affect ACQ and its financial and operating performance. All amounts are in Australian dollars unless otherwise indicated.

FINANCIAL INFORMATION AND REFERENCES TO ACQ

This Presentation may include certain historical financial information extracted from ACQ's audited financial statements with respect to net tangible assets of the Company for the year ended 30 June 2020 (collectively, the **Historical Financial Information**). The Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the Australian Accounting Standards (AAS) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Historical Financial Information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of ACQ's views on its future financial condition and/or performance. Investors should be aware that certain financial measures included in this Presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC, and are not recognised under AAS or International Financial Reporting Standards (IFRS). Such non-IFRS financial information does not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although ACQ believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of ACQ's investments, investors are cautioned not to place undue reliance on any non-IFRS financial information included in this Presentation.

In this presentation references to 'ACQ', 'we', 'us' and 'our' are to ACQ, Acorn Capital and their controlled subsidiaries.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

WITHDRAWAL AND COOLING-OFF

ACQ reserves the right to withdraw, or vary the timetable for any part of the Entitlement Offer without notice. Cooling off rights do not apply to the acquisition of New Shares.

Key facts at a glance as at 31 August 2020

Pre-tax NTA ⁽¹⁾	\$ 1.40	Gross portfolio return since inception ⁽²⁾⁽⁶⁾	+13.3%p.a.
Post-tax NTA ⁽¹⁾	\$ 1.31	S&P/Small Ordinaries Accumulation Index (Benchmark) since inception ⁽³⁾	+7.5%p.a.
ACQ share price	\$1.19	S&P/Emerging Companies Accumulation Index since inception ⁽³⁾	+9.4 %p.a.
2020 Interim + Final Dividend	7.5c	Number of Investments	78
Implied cash dividend yield (based on share price)	6.3% ⁽⁴⁾	Number of Unlisted Investments Current in Portfolio	21
% Franked ⁽⁵⁾	100%	% of Portfolio Unlisted	29% by value
Shares Outstanding	53.6m		

1. Monthly Net Tangible Assets (NTA) is determined in accordance with ACQ valuation policies. The valuation of unlisted investments at the time of liquidity may be in-excess of the value recognised in the NTA as at 31 August 2020.
2. Acorn Capital estimates as at 31 August 2020, reported portfolio return since inception is +10.5% p.a. Refer 31 August Monthly investment update released to the ASX on 9 September 2020 for more information.
3. Inception is the date ACQ listed on the ASX which was 1 May 2014
4. Based on the ACQ share price as at 31 August 2020
5. Dividends paid are estimated to be franked at a rate of 26% (subject to availability of franking credits).
6. Past performance is not a reliable indicator of future performance

ACQ entitlement offer

Key dates⁽¹⁾

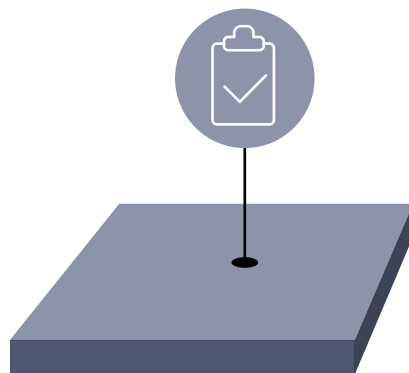
Announcement of Entitlement Offer	Monday, 14 September 2020
Ex-Date for Entitlement Offer	Monday, 21 September 2020
Record Date for Entitlement Offer (7.00pm AEST)	Tuesday 22 September 2020
Entitlement Offer closes (5.00pm AEST)	Tuesday, 6 October 2020
New Shares under the Entitlement Offer quoted on a deferred settlement basis	Wednesday, 7 October 2020
Announcement of Entitlement Offer shortfall	Friday, 9 October 2020
Settlement of New Shares issued under the Entitlement Offer	Tuesday, 13 October 2020
Allotment of New Shares issued under the Entitlement Offer and despatch of holding statements	Wednesday, 14 October 2020
Trading of New Shares issued under the Entitlement Offer on a normal basis	Thursday, 15 October 2020
Ex-Dividend Date	Thursday, 12 November 2020
Dividend Payment Date	Friday, 27 November 2020

1. The above dates are subject to change and are indicative only. ACQ reserves the right to amend this indicative timetable subject to the Corporations Act and the Listing Rules
2. The number of shares available to an existing shareholders are calculated on the number of shares as at the Record Date for Entitlement Offer

The ACQ Board is pleased to offer shareholders the opportunity to increase their interest in the Company with the announcement of an entitlement offer where existing shareholders⁽²⁾ have the opportunity to acquire 1 new ordinary fully paid share in Acorn Capital Investment Fund at a price of \$1.10 per share for every 4 shares that they hold as at the Record Date for the Entitlement Offer.

Existing shareholders will also have the opportunity to apply for additional shares (up to 400% of their entitlement) that are available in the entitlement offer shortfall.

Shareholders who participate in the entitlement offer will be entitled to receive the fully franked final dividend of 3.75 cents per share on shares issued under the entitlement offer.



Proven strategy

- ACQ Investment strategy has outperformed its Benchmark since inception⁽¹⁾
- Strategy has delivered a return of +16.2%⁽²⁾ in 12 months to 31 August 2020 outperforming the S&P/Small Ordinaries Accumulation Index by +14.1%



Attractive dividend yield

- 7.5 cents in fully franked dividends declared in past 12 months
- 3.75 cent 2020 final dividend declared and payable on 27 November 2020
- 42.5 cents per share in dividend reserves⁽³⁾
- ACQ has a policy of paying a dividend of at least 5% of the 30 June Post-Tax NTA⁽⁴⁾



Attractive market opportunity

- ACQ investment strategy has generated strong market returns Experience of recent attractive primary market investment opportunities
- 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




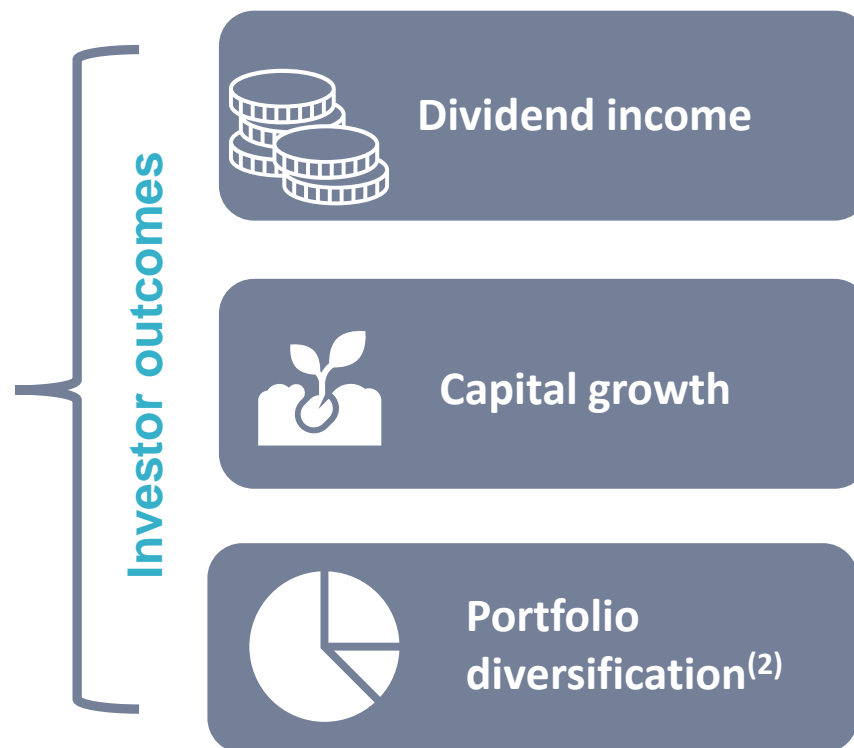
Benefits to all shareholders

- An opportunity to acquire shares in ACQ at a discount to prevailing share price⁽⁵⁾ and access to the final 2020 dividend
- Increased benefit of scale for the Company including: lower fixed costs as a percentage of total assets⁽⁴⁾; increased relevance to the market, improved prospect of broker and research coverage, interest from financial planners

1. Date of listing 1 May 2014
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 performed by Acorn Capital in accordance with ACQ Board approved policies. Assumes re-investment of dividends. Past performance is not a reliable indicator of future performance.
3. Estimated by Acorn Capital as at 30 June 2020
4. Refer ACQ ASX release dated 31 August 2020 for more information
5. As at 11 September 2020

ACQ investment strategy has demonstrated its ability to deliver positive investment outcomes

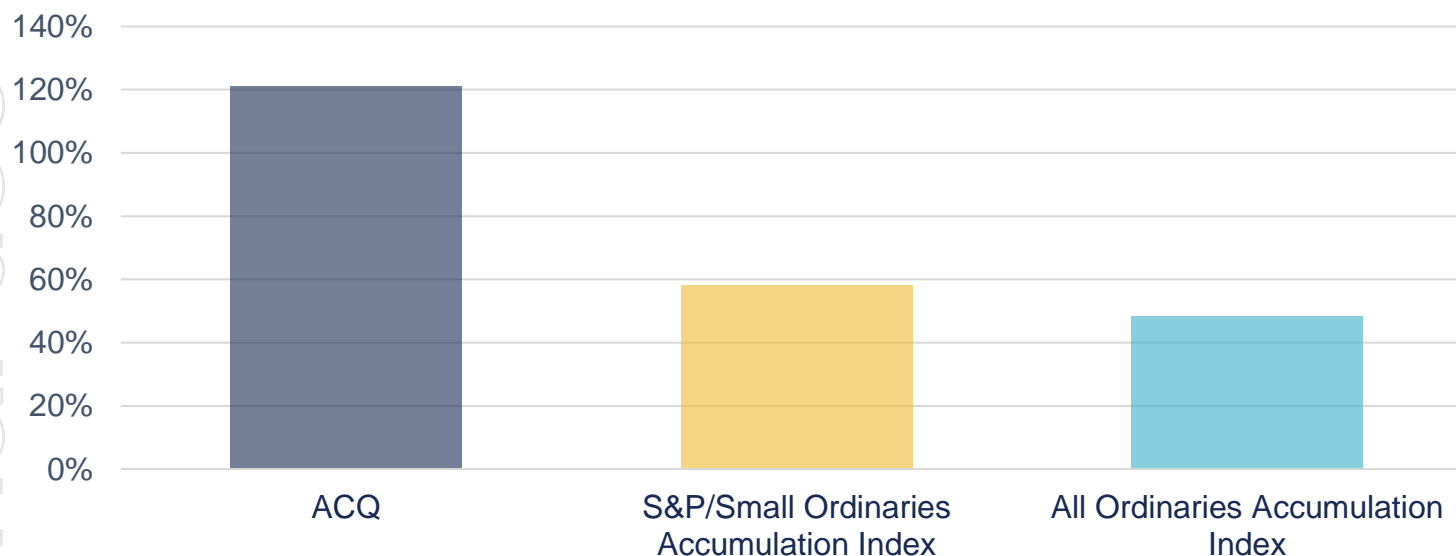
 **ACQ investment Strategy has outperformed its benchmark since listing⁽¹⁾**



1. The ACQ gross portfolio return has outperformed the S&P/Small Ordinaries Accumulation Index by 5.8% 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

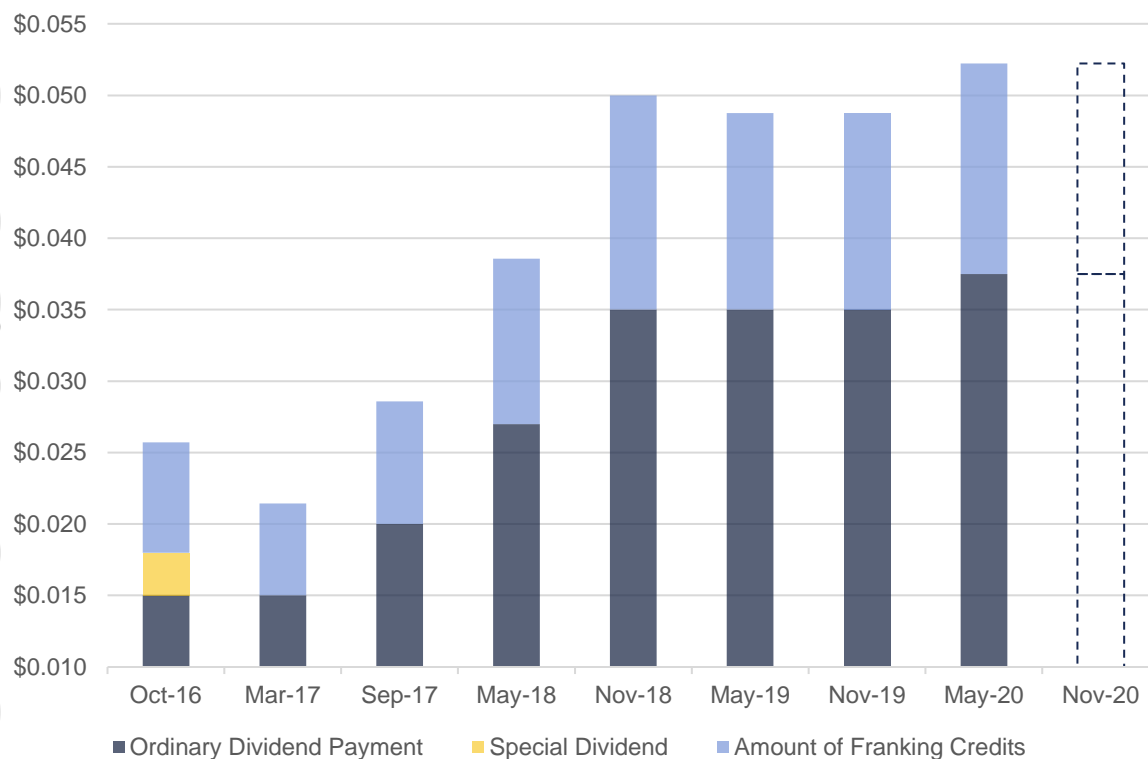
ACQ investment strategy has delivered investment returns⁽¹⁾ in excess of its benchmark⁽²⁾

Since inception⁽³⁾ cumulative gross return (including dividends) of ACQ investment strategy relative to market indices as at 31 August 2020



1. Unaudited calculated by Acorn Capital, based on performance returns before all fees and costs and using last trade price for listed securities in the portfolio. Past performance is not a reliable indicator of future performance.
2. S&P/Small Ordinaries Accumulation index
3. Inception is 1 May 2014

ACQ has declared and paid 25.7 cents per share in fully franked dividends since inception¹



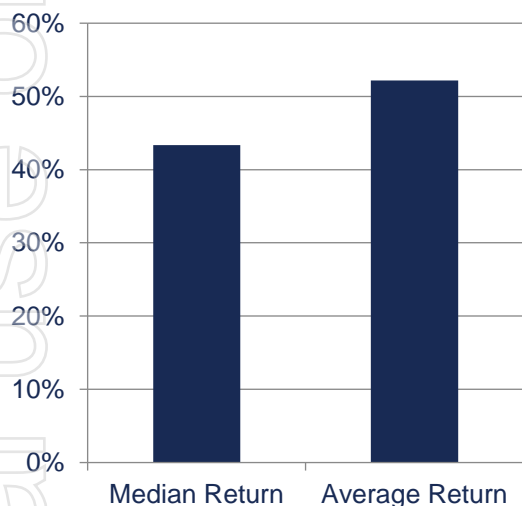
Dividend Reserves

42.5 cps ⁽²⁾
(\$22.8m) ⁽³⁾

1. ASX listing date 1 May 2014
2. Cents Per Share (CPS)
3. As at 30 June 2020

Experience of recent attractive primary⁽¹⁾ market investment opportunities⁽²⁾

Absolute return achieved on primary market investments ⁽³⁾⁽⁵⁾



**85% positive return
on all primary market
transactions⁽³⁾⁽⁶⁾**

**+67% median return
on IPOs⁽⁴⁾⁽⁶⁾**

**18% average discount
on primary market
investments ⁽⁵⁾⁽⁶⁾**

**ACQ participates in
offers that are only
available to
institutional and
wholesale investors⁽⁷⁾**

1. Primary investment refers to a situation where a company raises capital through the issuance of new securities
2. Recent is defined to be period from 31 March 2020 to 7 September 2020
3. Acorn Capital unaudited estimates based on 40 primary market observations for the period 31 March 2020 to 7 September 2020 , calculated by comparing the issue price of the primary market to the last trade price as at 7 September 2020
4. Acorn Capital unaudited estimates based on 3 IPO events that its advised clients have participated in since 31 March 2020
5. Acorn Capital unaudited estimates based on 37 primary market observations for the period 31 March 2020 to 7 September 2020 . Discount calculated as the difference between the security issue price and security last trade price on the issue date (the date on which those securities were available to trade). Median discount 13%
6. There is no assurance that historical returns are representative of future returns
7. That is investors to whom an offer of securities does not require disclosure by reason of section 708 of the Corporations Act 2001(Cth.)

Acorn Capital has built a private investment and management capability over the past 11 years

**21 current
unlisted
investments
representing 29%
of ACQ portfolio**

**+57% weighted
average valuation
uplift on liquidity⁽¹⁾**

**Absolute return ⁽²⁾ achieved on
selected unlisted investments**



+228%



Moula +198%⁽³⁾



CleanSpace³ +598%⁽³⁾



+116%



+369%



REDBUBBLE +88%

1. Of the 21 unlisted investments that have reached a liquidity event as at 31 August 2020 the weighted average uplift is 58% (average 60%), compared to the unlisted portfolio valuation immediately preceding the liquidity revaluation event
2. Calculated as the absolute value of the profit on the investment at the time of liquidity event or the current portfolio value if still unlisted as a percentage of total capital invested. Where the liquidity event is a listing on a stock exchange the return is calculated as the VWAP on the day of listing and does not include the return beyond that date as a listed investment within the ACQ portfolio. Investors should consider the total portfolio return when evaluating the ACQ investment returns.
3. Investment is still unlisted as at 31 August

Acorn Capital is positioning ACQ's portfolio to capture value from changes in demand

Gold



Fintech/Financial
Services
Disruption



Heathcare &
Medtech



Battery Minerals
& Clean Energy

Change in work and education
practices and behaviour

eCommerce



Learning



Communications



Home
Improvement &
Repurposing

Acorn Capital classifications

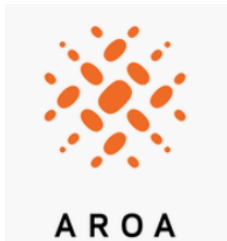
Access to investment opportunities, such as CleanSpace that are performing strongly in current economic environment

- CleanSpace has been an approved product since 2011 in A/NZ & Europe
- Patented breath responsive positive pressure system technology
- Frontline solution for respiratory protection of healthcare workers – explosive growth in the COVID-19 environment
- Strong customer engagement across Australian, Asian, European and US hospitals
- Upfront powered air respirator sales with recurring consumable products growing with installed base

CleanSpace[®]
+ HEALTHCARE

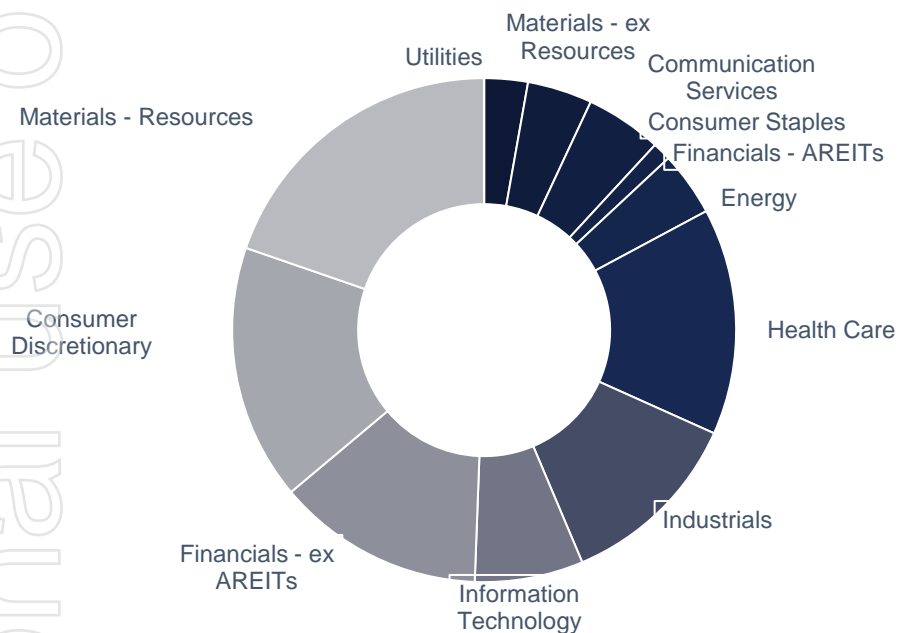


Top 10 largest investments in alphabetical order

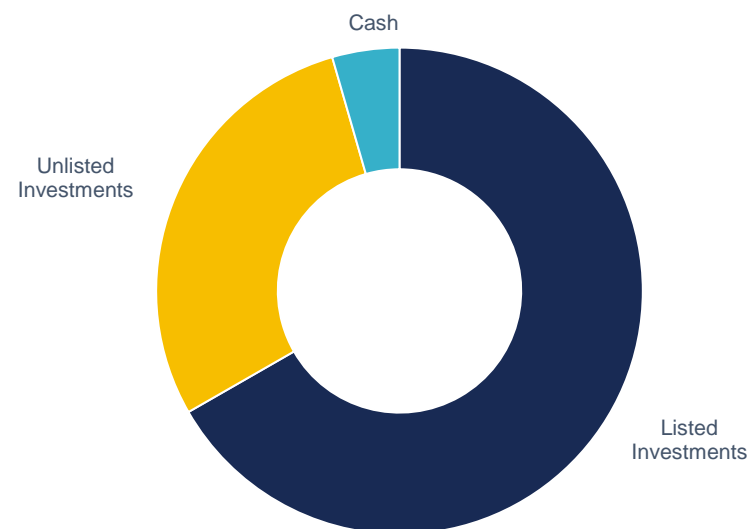


ACQ gives investors access to listed and unlisted companies distinguished by their smaller size and stage of development through a single diversified portfolio

ACQ Sector Diversification



ACQ Portfolio Composition



Source: Acorn Capital, as at 31 August 2020

Benefits to ACQ shareholders of entitlement offer

**Increased
market
relevance**

**Attractive
pricing**

**Attractive
dividend
yield**

**Increased
scale**

Use of Funds

The entitlement offer is an offer of up to 13,405,761 shares at a price per share of \$1.10. The funds raised under the offer will be deployed into the Company's investment strategy.

Capital structure following the entitlement offer assuming the maximum number of new shares are subscribed for under the offer

Shares on issue at the date of this Offer Booklet	53,623,042
New Shares to be issued under the Entitlement Offer (if fully subscribed)	13,405,761
Shares on issue after completion of the Entitlement Offer (if fully subscribed)	67,028,803

Important: Risks associated with Entitlement Offer

Risks to be Considered by Investors

This section describes the key business risks of investing in ACQ together with the risks relating to participation in the Entitlement Offer, which may affect the value of ACQ shares and ACQ's ability to operate as a going concern. It does not describe all the risks of an investment. Before investing in ACQ, you should be aware that an investment in ACQ has a number of risks, some of which are specific to ACQ and some of which relate to listed securities generally, and many of which are beyond the control of ACQ.

Investors should consult their own professional, financial, legal and tax advisers about those risks and the suitability of investing in light of their particular circumstances. Investors should also consider publicly available information on ACQ (including information available on the ASX website) before making an investment decision.

References to "ACQ" or "the Company" in the risks section of this Presentation include ACQ and its related bodies corporate (as defined in the Corporations Act), where the context requires.

Risk Associated with Shares Issued Under Entitlement Offer

New Shares acquired under this Entitlement Offer referred to in this document are considered speculative because of the inherent risks associated with a listed investment company like ACQ. In addition, there are risks inherent in investing in the share market in general.

The Directors have considered and identified the critical areas of risk associated with acquiring New Shares.

This investment is regarded as highly speculative. Neither the Company nor any of its Directors nor any other party associated with the preparation of the Entitlement Offer guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of its Shares, including those offered by the Entitlement Offer, will be achieved. There are risks associated with an investment in Shares. The risks associated with an investment in New Shares include the risks associated with an investment in ACQ. The Company should not be seen as a predictable, low-risk investment. The Company's investments are principally in listed and unlisted microcap and other companies and the Company should therefore be viewed as having a significantly higher risk profile than cash assets.

To reduce the impact of risk, it is important to obtain professional advice suited to your investment objectives, financial situation and particular needs. Shareholders should read the Entitlement Offer document in full and obtain professional advice if they require further information on material risks.

Risks associated with Shares

New Shares acquired under the Entitlement Offer entitle the Recipient to participate in an increase in the value of ACQ, by way of dividends that may be declared by ACQ in the future (refer to the ASX announcement dated 31 August 2020 for information on the Company's dividend policy) and in the assets of ACQ if it is wound up. ACQ, being a company listed on ASX, is subject to the market forces that influence the broad share market trends and the price of securities of individual companies. Recent global political and economic events, including the continuing threat of terrorism and the global financial climate, may cause share price fluctuations in the Australian share market and globally. Fluctuations in the price of the New Shares are therefore a key risk for Recipients.

Company Specific Risks

Reliance on the Investment Manager

The success and profitability of the Company in part will largely depend the ability of Acorn Capital Limited ACN 082 694 531, being the manager of the Company's investment portfolio (Portfolio and Investment Manager) to manage the Portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments set out in the Entitlement Offer. Even if the Company does not perform as expected, it may be difficult to remove the Investment Manager.

The ability of the Investment Manager to continue to manage the Portfolio may be compromised by such events as the loss of its Australian Financial Services Licence (AFSL) or its non-compliance with conditions under its AFSL or the Corporations Act. If the Investment Manager ceases to manage the Portfolio or the management agreement between the Investment Manager and the Company dated 11 March 2014 (as varied) (Management Agreement) is terminated, the Company will need to identify and engage a suitably qualified and experienced investment manager to implement the investment strategy.

Reliance on the Investment Manager

The success and profitability of the Company in part will largely depend on the Investment Manager's ability to manage the Portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments set out in the Entitlement Offer. Even if the Company does not perform as expected, it may be difficult to remove the Investment Manager.

The ability of the Investment Manager to continue to manage the Portfolio may be compromised by such events as the loss of its AFSL or its non-compliance with conditions under its AFSL or the Corporations Act. If the Investment Manager ceases to manage the Portfolio or the Management Agreement is terminated, the Company will need to identify and engage a suitably qualified and experienced investment manager to implement the investment strategy.

Key Person Risk

The staff of the Investment Manager consists of ten investment professionals. The Company is exposed to the risk that certain or all of these investment professionals cease to be involved with the Investment Manager.

Investment Strategy Risk

The success and profitability of the Company in part will depend upon the ability of the Investment Manager to invest in a Portfolio which will have the ability to generate a return for the Company. The past performance of portfolios managed by the Investment Manager is not a reliable guide to future performance of the Portfolio. There are risks inherent in investments in listed and unlisted microcap (and other) companies.

Sector risk

The Company invests in listed and unlisted microcap (and other) companies. Microcap companies are likely to be at an early stage of development and therefore possess limited financial profiles. They may face a high degree of business and financial risk. Such companies are highly reliant on external funding from capital providers including the Company. To the extent that such capital becomes difficult to access, the viability of such investee companies may be challenged. The liquidity of listed microcap companies is typically less than that of larger listed companies. There is a risk that the Investment Manager may be unable to easily convert the Portfolio to cash which may result in the Company incurring losses if cash is required within a particular timeframe.

Important: Risks associated with Entitlement Offer (Continued)

Company Specific Risks (Continued)

Manager Risk	<p>The success and profitability of the Portfolio in part will depend upon the ability of the Investment Manager to make investments that increase in value over time and the retention of the Investment Manager as manager of the Portfolio (together with the retention of the Investment Manager's investment professionals).</p> <p>The following factors may affect the Investment Manager's performance:</p> <ol style="list-style-type: none"> 1. poor investment strategy and securities selection in that the Investment Manager may be unable to construct a Portfolio in accordance with the Company's investment strategy, strategy guidelines and permitted investments and even if it does so, there can be no guarantee that the investment strategy will be successful or that the Investment Manager will not make investment decisions that result in unprofitable outcomes; 2. changing conditions such as: <ol style="list-style-type: none"> i. negative changes in market sentiment to microcap companies or equities in general; and ii. changes in a specific sector of microcap companies which adversely affects such sector's financial and market performance, may adversely affect the investment strategy and decisions; 3. loss of key clients and/or personnel; 4. market perception of the Investment Manager and its funds management business; 5. market and systemic risk; and 6. loss or imposition of restrictions on the Investment Manager's AFSL.
Unlisted Security Risk	<p>The Company's Portfolio includes a number of unlisted securities. In general there is less government regulation and supervision of transactions in the unlisted securities market than of transactions entered into in regulated financial markets. In addition, many of the protections afforded to participants on regulated financial markets may not be available in connection with unlisted securities. There is a risk that in unlisted investments undertaken by the Company, the direct counterparty of the Company will not perform its obligations under the transactions and that the Portfolio consequently suffers losses.</p> <p>In addition, there may be little or no liquidity in unlisted securities and it may be difficult to establish a robust market price for them. Many unlisted securities are relatively illiquid or have low trading volume. This could enhance the volatility of the price of the securities and/or make it difficult to sell the securities at a later date. The valuation of unlisted securities is more difficult to calculate than listed securities. Valuations may be misleading.</p>

Significant risks in investing in the Company

Market Risk	<p>Broad market risks include movement in domestic and international securities markets, movements in foreign exchange rates and interest rates, changes in taxation laws and other laws affecting investments and their value.</p> <p>The Portfolio will be exposed to market and liquidity risks. Certain events may have a negative effect on the price of all types of investments within a particular market. Microcap investments, particularly unlisted microcap investments, may be difficult or impossible to realise at a fair price.</p> <p>These events may include changes in economic, social, technological or political conditions, as well as market sentiment. Even in a strong share market, the Portfolio may underperform against the market indices.</p>
Impact of COVID-19	<p>There is continued uncertainty as to the ongoing impact of COVID-19 on the Australian economy and share markets including in relation to governmental action, work stoppages, university and school stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian economy and equity and debt capital markets. Any of these events and resulting market fluctuations may materially adversely impact ACQ's earnings or the market price of ACQ's ordinary shares, particularly considering that there is a real possibility that any of ACQ's microcap investments may face pressures if the unemployment rate increases in Australia or Australian economic conditions worsen. Such impacts of the pandemic on ACQ may materially and adversely impact the net tangible asset of the Portfolio.</p>
Acquisition activities	<p>From time to time ACQ evaluates acquisition opportunities. Any acquisition would lead to a change in ACQ's net tangible asset and could increase the volatility of its earnings. Integration of new investments into the Portfolio may be costly, may not generate expected earnings and may occupy a large amount of management's time. There is no guarantee that future potential acquisitions will be available on favourable terms or that they will be successfully integrated.</p>
Compensation Fee Structure Risk	<p>The Investment Manager is expected to receive compensation based on the performance of the Portfolio. Performance fee arrangements may create an incentive for the Investment Manager to make more speculative or higher risk investments than might otherwise be the case.</p>
Regulatory Risk	<p>All investments carry the risk that their value may be affected by changes in laws and regulations, especially taxation laws. Regulatory risk includes risk associated with variations in the taxation laws of Australia or other jurisdictions in which the Company holds investments. Future changes in taxation law may impact the future tax liabilities of ACQ or may affect taxation treatment of an investment in ACQ shares, or the holding or disposal of those shares. Tax liabilities are the responsibility of each individual shareholder.</p>
Interest Rate Risk	<p>Interest rate movements may adversely affect the value of the Company through their effect on the price of a security and the cost of borrowing.</p>
Liquidity Risk	<p>The Company is exposed to liquidity risk in relation to the investments within its Portfolio. If a security cannot be bought or sold quickly enough to minimise potential loss the Company may have difficulty satisfying commitments associated with financial instruments.</p>

Important: Risks associated with Entitlement Offer (Continued)

Risks Associated with Investments in Shares

Market Risk

Share markets tend to move in cycles, and share prices may fluctuate and underperform other asset classes over extended periods of time. The value of the New Shares quoted on the ASX may rise or fall depending on a range of factors beyond the control of the Company. Shareholders of the Company are exposed to this risk both through their holding in new Shares as well as through the Company's Portfolio.

Economic Risk

Investment returns are influenced by numerous economic factors. These factors include changes in the economic conditions (e.g. changes in interest rates or economic growth), changes to legislative and political environment, as well as changes in investor sentiment.

In addition, exogenous shocks, natural disasters and acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Portfolio or appreciation of the Company's share price.

Liquidity Risk

The Company is a listed entity, therefore the ability to sell shares will be a function of the turnover of the shares at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the company at any one point in time.

Discount to NTA

The Company is listed on the ASX and shares may not trade in line with the underlying value of the Portfolio. Shares may trade at a discount or a premium to NTA.

Time Frame for Investment

Recipients are strongly advised to regard any investment in the Company as a medium-to-long term proposition for at least 7 years and to be aware that, as with any investment, substantial fluctuations in the value of their investment may occur over that period. Even if the investments made by the Company prove successful, they are unlikely to produce a realised return for a number of years.

Risks associated with not taking up New Shares under the Entitlement Offer

You should note that if you do not take up all or part of your Entitlement, then your percentage shareholding in ACQ will be diluted by not participating to the full extent in the Entitlement Offer. Investors may also have their investment diluted by future capital raisings by ACQ. ACQ may issue new securities in the future to finance acquisitions or pay down debt which may, under certain circumstances, dilute the value of an investor's interest. Before deciding whether to take up New Shares under the Entitlement Offer, you should seek independent advice.

General Risks

General Economic Climate

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on operating costs. The Company's future income, asset values and Share price can be affected by these factors and, in particular, by the market price for any products or services that the Company may acquire or sell.

Stock Market Conditions

There are general risks associated with an investment in the share market. As such, the value of New Shares may rise above or fall below the offer price, depending on the financial position and performance of the Portfolio and other factors. Further, the market price of ACQ shares will fluctuate due to various factors, many of which are non-specific to ACQ, including:

- operating results of ACQ that may vary from expectations of securities analysts and investors;
- recommendations by brokers and analysts;
- general movements in Australian and international stock markets, including market volatility;
- investor sentiment and the risk of contagion;
- Australian and international general economic conditions, including changes in inflation rates, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- changes in Australian and foreign government regulation and fiscal, monetary and regulatory policies;
- global geo-political events and international hostilities, acts of terrorism and the response to COVID-19;
- loss of key personnel and delays in replacement;
- announcement of new technologies; and
- future issues of ACQ securities.

In the future, these factors may cause ACQ shares to trade at a lower price.

The share prices for many listed companies have in recent times been subject to wide fluctuations and high volatility, which in many cases may reflect a diverse range of non-company specific influences referred to above. In particular, the events relating to COVID-19 have recently resulted in significant market falls and volatility both in Australia and overseas, including in the prices of securities trading on the ASX.

It is also possible that new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks (including the impacts of COVID-19) may evolve in ways that are not currently foreseeable. The equity capital markets have in the past and may in the future be subject to significant volatility.

No assurances can be given that the New Shares will trade at or above the Offer Price. None of ACQ, its Board, the Authorised Intermediary, or any other person guarantees the market performance of the New Shares.

Important: Risks associated with Entitlement Offer (Continued)

General Risks (Continued)

Government Policy Changes

Any material adverse changes in government policies or legislation of any countries in which it may operate may affect the viability and profitability of the Company.

Foreign Currency and Exchange Rate Fluctuations

Revenue and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure.

The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to assist managing these risks. However, the implementation of such measures may not eliminate all such risks and the measures themselves may expose the Company to related risks.

Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares.

Therefore, the New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares.

Potential investors should consider that the investment in the Company is speculative

ersonal use only/
Further Information
www.ACQfund.com.au

