

For personal use only

# ACORN CAPITAL

## INVESTMENT FUND LIMITED

2021 ANNUAL GENERAL MEETING

19 NOVEMBER 2021

ASX : ACQ



For personal use only

# Disclaimer and Important Notices



This presentation has been prepared by Acorn Capital Investment Fund Limited ACN 167 595 897 (ACQ). The information in this presentation is only intended for Australian residents. The purpose of this presentation is to provide information only and the contents of the presentation does not purport to provide investment advice. We strongly suggest that investors consult a financial adviser prior to making any investment decision. 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).

The information provided in the presentation is given in good faith and is believed to be accurate at the time of compilation. 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.

To the extent permissible by law, Acorn Capital, ACQ and its respective officers, employees agents and advisers give no warranty, representation or guarantee as to the accuracy, completeness or reliability of the information contained in this presentation. Further neither ACQ nor Acorn Capital, or its respective officers, employees, agents and advisors accept, to the extent permitted by law, responsibility for any loss, claim, damages, costs or expenses arising out of or in connection with the information contained in this presentation. Any recipients of this presentation should independently satisfy themselves as to the accuracy of all information contained herein.

## **AGENDA**

- |                                            |                                         |
|--------------------------------------------|-----------------------------------------|
| ▪ <b>INTRODUCTION</b>                      | <b>JOHN STEVEN</b>                      |
| ▪ <b>PORTFOLIO UPDATE &amp; COMMENTARY</b> | <b>ROBERT ROUTLEY/<br/>ROBERT BRUCE</b> |
| ▪ <b>FORMAL BUSINESS</b>                   | <b>JOHN STEVEN</b>                      |
| ▪ <b>CLOSURE OF MEETING</b>                | <b>JOHN STEVEN</b>                      |

For personal use only



## AGENDA

▪ INTRODUCTION	JOHN STEVEN
▪ PORTFOLIO UPDATE & COMMENTARY	ROBERT ROUTLEY/ ROBERT BRUCE
▪ FORMAL BUSINESS	JOHN STEVEN
▪ CLOSURE OF MEETING	JOHN STEVEN

## ACQ BOARD



### Experienced board and majority independent directors

- **John Steven – Independent Chairman**
  - Senior Partner National Capital Markets and Commercial Business Unit and Transactions Solutions Team of law firm Minter Ellison
- **Judith Smith – Independent Director**
  - Director of LUCRF, Director Funds SA and former Head of Private Equity at IFM Investors
- **David Trude – Independent Director**
  - Chairman of Hansen Technologies and Waterford Retirement Village, Director of Chi-X Australia and MSL Solutions
- **Barry Fairley – Director**
  - Former Managing Director and Non Executive Director of Acorn Capital
- **Rob Brown – Director**
  - Former Non Executive Director of Acorn Capital

## Online Attendees : Question Process

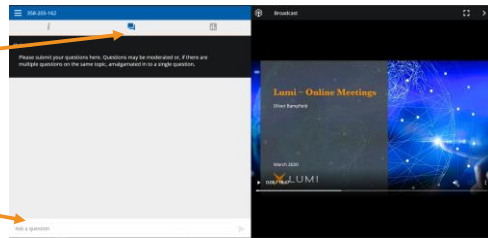


- When the Question function is available, the Q&A icon will appear at the top of the app.



- To send in a question, simply click in the 'Ask a question' box, type your question and the press the send arrow

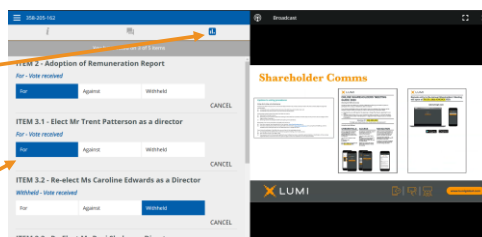
- Your question will be sent immediately for review



## Online Attendees : Voting Process



- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



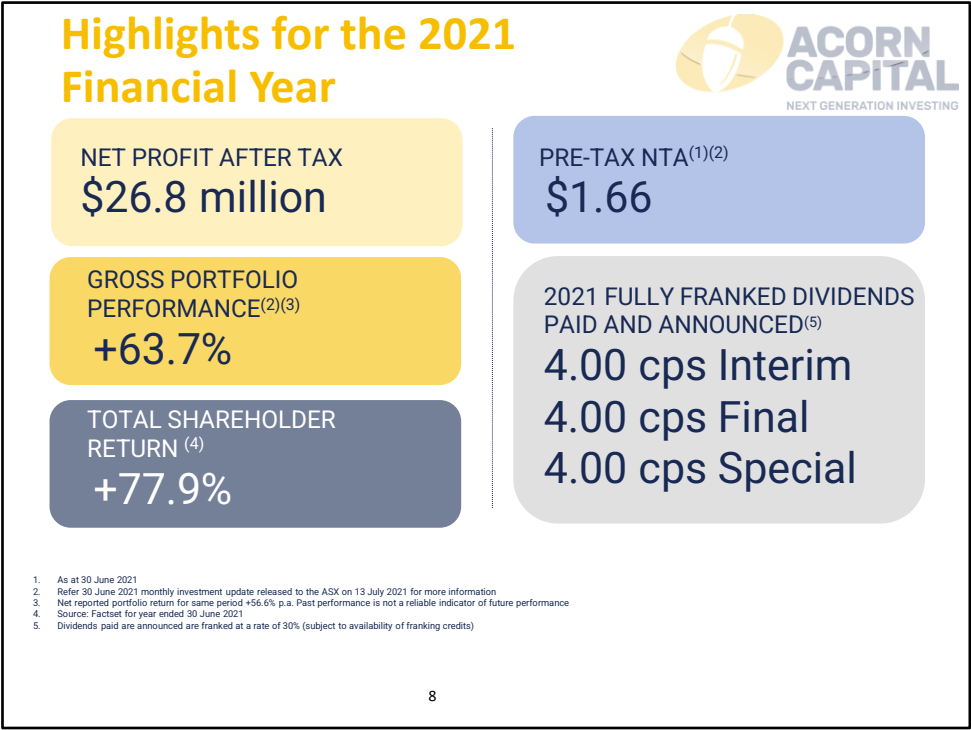
- To vote simply select the direction in which you would like to cast your vote, the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.

## AGENDA

- |                                                                                                      |             |
|------------------------------------------------------------------------------------------------------|-------------|
| ▪ INTRODUCTION                                                                                       | JOHN STEVEN |
| <div><div>▪ PORTFOLIO UPDATE &amp; COMMENTARY</div><div>ROBERT ROUTLEY/<br/>ROBERT BRUCE</div></div> |             |
| ▪ FORMAL BUSINESS                                                                                    | JOHN STEVEN |
| ▪ CLOSURE OF MEETING                                                                                 | JOHN STEVEN |



For personal use only



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



### 1. Dividend income



### 2. Capital growth<sup>(1)</sup>



### 3. Portfolio diversification<sup>(2)</sup>



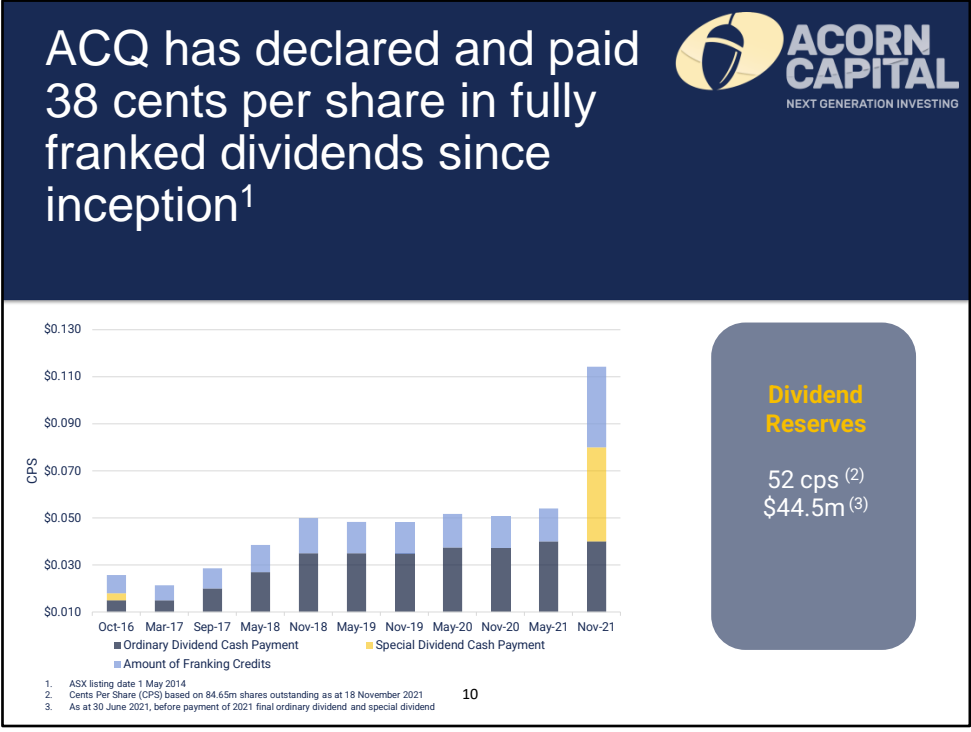
1. As at 31 October 2021 the ACQ gross portfolio return has outperformed the S&P/Small Ordinaries Accumulation Index by 7.9% p.a. since ACQ listed on the ASX on 1 May 2014. Past performance is not a reliable indicator of future performance
2. Acorn Capital believes that the ACQ investment strategy should provide diversification benefits to an already diversified investment portfolio

### **ACQ Investment Strategy Demonstrated Ability to Deliver Positive Outcomes.**

ACQ's investment strategy, which has received a Recommended rating from Lonsec, has continued to outperform the S&P/Small Ordinaries Accumulation Index, its performance benchmark.

Listed Investment Companies provide a stable capital structure from underlying investments which include illiquid securities and permits the payment of fully franked dividends to investors.

Acorn Capital believes the emerging company or microcap investment universe that ACQ invests in can provide diversification to the investment portfolios of many individuals as well as access to a fast growing and innovative part of the Australian economy.



Dividends

Moving to dividends, ACQ has to date paid 30 cents per share in fully franked dividends since inception with a further 8 cents to be paid on 29 November 2021.

The ACQ Board has adopted a policy of paying out at least 5% of post-tax NTA in annual dividends. In its ASX release of 20 October 2021 ACQ’ updated its dividend policy to state that “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 underpinned ACQ’s recent declaration of a 4 cents per share special dividend.

ACQ had \$44.5m in dividend reserves as at 30 June 2021. This is the equivalent of 52 cents per share on the expanded share base post the recent entitlement offer. The dividend reserve is estimated to be 44 cents per share after the payment of the final FY21 and special dividends.

## Successful completion of ACQ 2021 entitlement offer



### Offer Summary

Pro rata **1 for 4** entitlement offer at a price of **\$1.60** with an ability for shareholders to apply for up to **400%** of their entitlement raising a maximum of **\$27.1m**

### Key Results

Eligible applications of more than **\$39m** or **1.4x** maximum offer size

Participation from **1,122** individual representing **57.5%** of all shareholders

**84,562,126** shares on issue for ACQ post entitlement offer

11

### Successful Completion of ACQ Entitlement Offer

On 20 October 2021, ACQ announced a 1-for-4 entitlement offer providing shareholders the opportunity to acquire 1 new ordinary fully paid share in ACQ at a price of \$1.60 per share for every 4 shares that they held. The shares issued under the entitlement offer are eligible to receive the 4 cents per share fully franked final ordinary dividend and 4 cents per share fully franked special dividend payable on 29 November 2021. The offer was strongly supported with over 1,100 (57.5% by number) individual holders participating and more than \$39m in applications for the \$27.1m entitlement. The new shares commence trading on ASX today.

I would now like to hand over to Robert Bruce, Portfolio Manager to speak to the ACQ investment portfolio.

# ACQ generated a portfolio return of +10.9% for the 4 months to 31 October 2021



Portfolio Return for Periods to 31 October 2021	FYTD	3 months	6 months	1 year	3 years p.a.	5 years p.a.	Since inception p.a. <sup>2</sup>
ACQ (Post Fees & Op Costs) <sup>1</sup>	+10.9%	+7.6%	+15.2%	+34.1%	+25.8%	+23.0%	+17.0%
S&P/ASX Small Ords Acc. Index <sup>3</sup>	+4.4%	+3.7%	+7.9%	+31.0%	+13.1%	+13.5%	+11.5%

(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 are performed by Acorn Capital in accordance with ACQ Board approved policies  
(2) Inception is 1 May 2014  
(3) Source: Factset

12

Thank you Rob. Good morning ladies and gentlemen and thank you for your continued support.

## ACQ Portfolio Update

Investment markets continue to benefit from record low interest rates, ongoing monetary and fiscal stimulus and now a renewed optimism of recovery from a vaccinated population. There was a clear switch from Covid beneficiaries to recovery themes earlier this year. Acorn's portfolio risk management, providing diversification across sector, stage of development and unlisted investments, meant it was not materially impacted. Whilst we remain cognizant that inflationary pressures are now a potential risk to earnings and valuations, Acorn, as a bottom-up manager, identifies businesses with a sustainable competitive advantage, and has specific investment theses driven by structural growth and innovation, rather than macro changes.

Inexpensive debt is fuelling a wave of M&A activity and whilst this does not drive our investment thesis, Acorn focuses on mispriced and undervalued quality businesses and thus has benefitted and continues to do so through positions in Praemium and Over The Wire. With increasing focus on ESG, many of Acorn's emerging investments are well positioned to benefit, led by Calix, Envirosuite and a host of next generation resources.

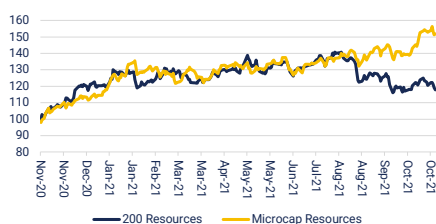
The portfolio returned +13.1% gross and +10.9% net performance for the 4 months to 31 October 2021. The strong performance has been driven by Materials Ex-Resources, Energy, Resources, Communications and Consumer Discretionary all generating greater than +23% returns. The Portfolio's gross return of +19.5% (net +17.3%) for the year to 31 October 2021 was pleasingly +3.9% above the Small Ordinaries Accumulation Index's +15.6% return for the same period.

This financial year, both Australian Rare Earths and Lumos Diagnostics have listed on ASX. We have recently completed five new unlisted investments: Author-IT, Conflux, Fremantle Commercial Diving, Straxcorp and Padua, as well as a further investment in Marketplacer.

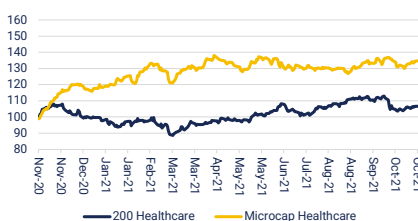
# Divergence in performance between microcaps and large caps



Microcap Resources vs ASX 200 Resources



Microcap Healthcare vs ASX 200 Healthcare



Source: Factset, S&P/ASX 200, Acorn Capital/SIRCA Microcap Index

13

## Opportunities in Microcaps

The beauty of the emerging company universe we invest in is that with over 1,400 listed companies and a multiple of this in eligible private companies, we are presented with many opportunities in a diverse range of businesses across all sectors.

This provides Acorn with the ability to strategically target a broader range of investment opportunities. As an example, in Resources and Energy the ASX 100 is limited to 18 companies with two thirds in Iron Ore, compared to our Microcap Universe which has grown from 362 to 596 companies in the last year with Battery Minerals accounting for 26% of the market and iron ore only 7%. Since July the Microcap Resources have significantly diverged from the ASX 200 Resources and over the past year delivered 52% return compared to 18% for the latter. Rick Squire and Karina Bader have managed the portfolio well in the past 12-months delivering +106% in Energy and 85% in Resources.

Similarly in Healthcare, the large cap market is dominated by CSL and service providers, while the microcap market provides an opportunity to invest in biotechs, medical device makers, medtech and services. The microcap market has risen 34% in the last year compared to just 8% for the ASX 200 Healthcare sector. Paul Palumbo's performance has been stellar generating 72% over the last 12-months.

## Selected case studies



ASX: AR3

Sector: Materials - Resources

- Unique early stage ionic-clay rare-earths project in South Australia
- The paucity of rare-earth ionic clay deposits outside of China gives AR3 a potentially important advantage in terms of supply chain security. Also, low uranium and thorium contents give its project a major ESG advantage over many of its peers
- AR3 has generated ACQ investors a 26.4x<sup>(1)(2)</sup> uplift (on a per share basis)



ASX: TLX

Sector: Healthcare

- Telix is a health technology company that focused on pharmaceuticals
- Telix's research pipeline aims to address significant unmet medical need in prostate, kidney, brain (glioblastoma), and hematologic cancers as well as a range of immunologic and rare diseases
- ACQ first invested in TLX in February 2017 at \$0.17<sup>(2)</sup> per share compared to a current \$6.03<sup>(1)</sup> share price



ASX: CHL

Sector: Consumer Discretionary

- Camplify operates a marketplace platform focused on the global caravan and campervan (RV) sharing market
- CHL has grown its global RV owner community to over 6,100 vans
- CHL has generated ACQ investors a 4.7x<sup>(1)(2)</sup> uplift (on a per share basis)

(1) As at 31 October 2021

(2) Calculated with reference to initial investment price per share adjusted for share splits and consolidations

Acorn's Resources team identified a unique rare earth deposit in Coonawarra that was both potentially high quality, and a very scarce product outside of China. Australian Rare Earths is an early stage ionic-clay, rare-earths project with its Australian based ionic clay deposits giving AR3 a potentially material advantage in terms of supply chain security. Significantly, it is also low in uranium and thorium content providing the project a major ESG advantage over many of its peers.

Acorn initially invested a risk adjusted weight at 3.3 cents per share in November 2020, and as key milestones were achieved, we increased our investment with the level of conviction. Today is the AR3 one year investment anniversary, and to date has generated ACQ investors a 27x uplift on the initial investment.

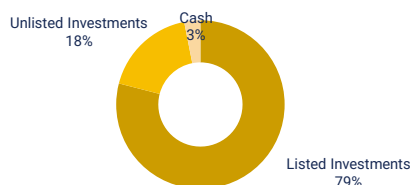
Telix is a health technology business focused on pharmaceuticals. We believe Telix has a unique research pipeline aiming to provide solutions for significant unmet medical needs in prostate, kidney, brain (glioblastoma), and hematologic cancers as well as a range of immunologic and rare diseases. Acorn first invested in TLX in January 2017 at \$0.17, versus the Company's current share as at 31 October 2021 of \$6.03 per share.

Camplify operates a marketplace platform focused on the global caravan and campervan (RV) sharing market, essentially the AirBnb of caravans. Camplify is benefitting from a domestic tourism supercycle and since Acorn invested in early 2019, Camplify has grown its global RV owner community from 1,200 to over 6,100 vans, and has generated ACQ investors a 4.7x uplift on their investment on a price per share basis as at 31 October 2021.

# ACQ portfolio is diversified by number of investments and industry



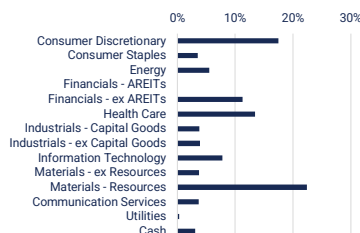
**ACQ PORTFOLIO COMPOSITION<sup>(1)</sup>**  
(90 investments, 15 unlisted)<sup>(1)(2)</sup>



**TOP 10 INVESTMENTS (in alphabetical order)<sup>(1)</sup>**

Australian Rare Earths	Elenium Automation (UL)
Aroa Biosurgery	Jervois Global
Calix	Marketplacer (UL)
	Moula Money (UL)

**SECTOR WEIGHTS<sup>(1)</sup>**



Sandfire Resources  
Shine Justice  
Telix Pharmaceuticals

1. Acorn Capital, as at 31 October 2021

2. Stock numbers consolidate positions where multiple securities are held and excludes positions with nil value

UL = Unlisted

## Portfolio Diversification

The portfolio is well diversified with 90 stock positions spread across 12 of 13 industry sectors, and a range of different stages of development. The top 10 positions account for 28.8% of the portfolio, highlighting the conviction in the portfolio, but also the important tail of optionality in developing businesses until they pass key milestones.

The portfolio is appropriately diversified across both industry and stage of development, and has significant exposure to Resources, Consumer Discretionary, Healthcare, and Financial companies.

As at 31 October 2021, 18% of the gross portfolio assets were in unlisted assets. Acorn Capital is actively considering a number of new unlisted investments in the areas of Software Workflow Management, Communications and Medical Technologies that will potentially be added to the portfolio in the next 3-4 months.





**ACORN CAPITAL**  
NEXT GENERATION INVESTING

## Proven approach that provides attractive yield and diversification benefits



### Proven strategy

- ACQ's investment strategy has outperformed its Benchmark since inception
- Recommended rating from Lonsec
- Strategy has delivered a return of +34.1%<sup>(1)</sup> in LTM to 31 October 2021 outperforming the S&P/Small Ordinaries Accumulation Index by +3.1%



### Attractive dividend yield

- 8.0 cents in fully franked dividends declared and paid in past 12 months
- 4.00 cent special dividend declared
- 52 cents per share in dividend reserves<sup>(2)</sup>
- ACQ has a policy of paying a dividend of at least 5% of the 30 June Post-Tax NTA<sup>(3)</sup>



### Unique portfolio & Attractive returns

- ACQ provides investors with a unique emerging company portfolio, that is difficult to replicate
- Risk managed through bottom up stock selection and diversification – industry & stage of development
- 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

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 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.

2. Refer slide 10 for more information

3. Refer ACQ ASX release dated 20 October 2021 for more information

16

### Benefits of ACQ

We believe that ACQ is an attractive investment option for investors:

1. ACQ has a proven strategy delivering outperformance since inception and recognized by external investment research;
2. An attractive income stream with a sustainable dividend yield, supported by \$44.5m in dividend reserves as at 30 June 2021.
3. The strategy provides a unique exposure to attractive emerging growth companies, which are capital hungry creating strong potential returns in significant primary market opportunities;

Following the successful entitlement offer Acorn Capital will now deploy funds selectively into attractive opportunities in the listed and unlisted markets; optimize the portfolio balance and broaden the potential investor base with increased size and liquidity.

## AGENDA

- |                                 |                                 |
|---------------------------------|---------------------------------|
| ▪ INTRODUCTION                  | JOHN STEVEN                     |
| ▪ PORTFOLIO UPDATE & COMMENTARY | ROBERT ROUTLEY/<br>ROBERT BRUCE |
| ▪ FORMAL BUSINESS               | JOHN STEVEN                     |
| ▪ CLOSURE OF MEETING            | JOHN STEVEN                     |

## **ADOPTION OF THE 2021 ANNUAL REPORT**

### **AGM RESOLUTION**

TO RECEIVE AND CONSIDER THE FINANCIAL REPORT OF THE COMPANY AND THE REPORTS OF DIRECTORS AND AUDITORS FOR THE YEAR ENDED 30 JUNE 2021, AS SET OUT IN THE 2021 ANNUAL REPORT

For personal use only

REMUNERATION REPORT



**ACQ RESOLUTION**  
THE REMUNERATION REPORT FOR THE YEAR  
ENDED 30 JUNE 2021 IS ADOPTED

	Voted	%
For	7,972,966	93.34
Against	275,552	3.23
Open-Usable	293,154	3.43

For personal use only

**RE-ELECTION OF DIRECTORS**



**ACQ RESOLUTION**

**RE-ELECTION OF DIRECTORS**

**RE-ELECTION OF JOHN STEVEN**

	<b>Voted</b>	<b>%</b>
<b>For</b>	8,419,200	96.29
<b>Against</b>	15,624	0.18
<b>Open-Usable</b>	308,508	3.53

For personal use only

**RE-ELECTION OF DIRECTORS**



**ACQ RESOLUTION**

**RE-ELECTION OF DIRECTORS**

**RE-ELECTION OF DAVID TRUDE**

	<b>Voted</b>	<b>%</b>
<b>For</b>	8,419,200	96.29
<b>Against</b>	15,624	0.18
<b>Open-Usable</b>	308,508	3.53

For personal use only

**RE-ELECTION OF DIRECTORS**



**ACQ RESOLUTION**

ISSUANCE OF SECURITIES IN SATISFACTION OF  
PERFORMANCE FEE

	Voted	%
For	8,085,605	93.06
Against	308,993	3.56
Open-Usable	293,154	3.38

## AGENDA

- |                                 |                                 |
|---------------------------------|---------------------------------|
| ▪ INTRODUCTION                  | JOHN STEVEN                     |
| ▪ PORTFOLIO UPDATE & COMMENTARY | ROBERT ROUTLEY/<br>ROBERT BRUCE |
| ▪ FORMAL BUSINESS               | JOHN STEVEN                     |
| ▪ CLOSURE OF MEETING            | JOHN STEVEN                     |