

ACORN CAPITAL

Acorn Capital Investment Fund

2014 Annual General Meeting

(ASX: ACQ)

John Steven – ACQ Chairman

Robert Routley – Acorn Capital

19 November 2014

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AGENDA

- **INTRODUCTION** **JOHN STEVEN**
- **INVESTMENT MANAGERS REPORT** **ROBERT ROUTLEY**
- **FORMAL BUSINESS** **JOHN STEVEN**
- **CLOSURE OF MEETING** **JOHN STEVEN**

AGENDA

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ACQ BOARD

Experienced board and majority independent directors

- John Steven – Independent Chairman
 - Head of the National Corporate Division and a member of the National Board of Minter Ellison
 - Previously a Board Member of the Monash University Law Foundation.
- Judith Smith – Independent Director
 - Formerly the Head of Private Equity at IFM Investors and Chair of the IFM Risk Committee
 - Formerly in Investment Management roles with National Mutual Funds Management
- David Trude – Independent Director
 - Chairman of Baillieu Holst (formerly E.L.&C. Baillieu)
 - Formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse
- Barry Fairley – Director, Managing Director of Acorn Capital
- Rob Brown – Director, Non Executive Director of Acorn Capital

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ACQ OVERVIEW

ACQ is a Listed Investment Company ('LIC') that provides investors exposure to a diversified portfolio of Microcap Companies

- “Microcap Companies” are defined as those entities with an equity valuation below that of the 250th largest (by full market capitalisation) ASX-listed entity
- Microcap Companies comprise Listed Microcaps (being those listed on ASX) and Unlisted Microcaps (being either entities not listed on the ASX, or unlisted instruments of Listed Microcaps)
- ACQ’s primary objective is to achieve after-fee returns on its investment portfolio in the long term that are higher than the S&P/ASX Small Ordinaries Accumulation Index, through long-term capital growth by way of investment in a diversified portfolio of Microcap Companies
- ACQ offers investors access to a diversified portfolio in the asset class of Microcap Companies
- Attractive product for long term investors within their own diversified portfolios

Key Company Details		Portfolio Metrics	
Company	Acorn Capital Investment Fund Limited	Net Proceeds Raised in IPO	\$50.1 million
Manager	Acorn Capital Ltd	Market Capitalisation	\$42.2 million
IPO Date (Inception)	1 May 2014 (6 months)	Gross Market Value of Portfolio ⁽¹⁾	\$47.6 million
Ordinary Shares on Issue (ACQ)	50,820,001	NTA before any Tax Effect⁽¹⁾	\$0.9360
Options on Issue (ACQO)	<ul style="list-style-type: none"> ▪ 50,820,000 ▪ Exercise Price, \$1.00 ▪ Last date for exercise, 24 October 2015 	NTA After Tax⁽¹⁾	\$0.9505
Number of Shareholders	1,335	ACQ Performance Since Inception⁽¹⁾	-2.47%
Acorn Capital & Shareholders Interest in ACQ	13.5%	XSOAI Since Inception	-0.10%
		Acorn Capital/SIRCA Microcap Acc Index Since Inception ⁽¹⁾⁽²⁾⁽³⁾	-1.70%

(1) Unaudited

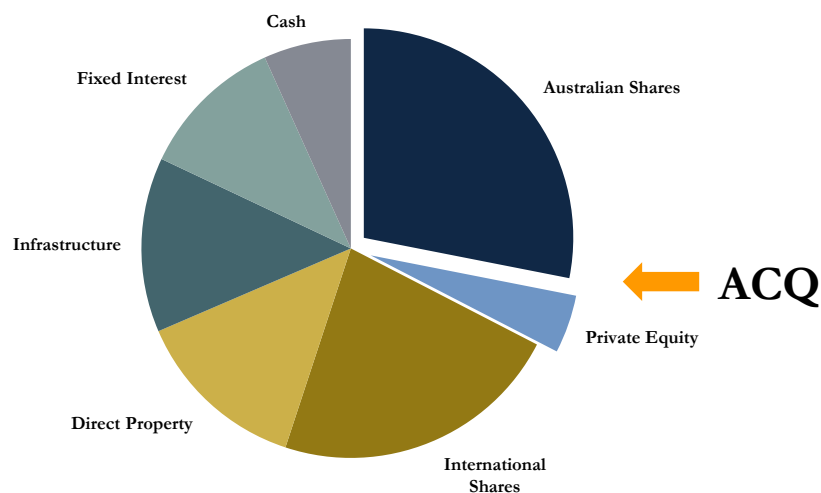
(2) Portfolio performance is post all operating expenses, excluding management fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders

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

ACQ provides investors access to an alternative investment strategy through a single diversified portfolio

- ACQ's strategy offers investors access to a constructed portfolio of listed and unlisted microcap companies
- The universe of microcap companies is large by both number and aggregate capitalisation

Illustrative Asset Allocation for a Balanced Portfolio Strategy



Asset Class Size ⁽¹⁾

Asset Class -Segments	No. of Companies	Aggregate Capitalisation	% of ASX Market Cap.
Large Caps (ASX 100)	100	\$1,309b	82%
Small Caps (ASX 100-300)	200	\$187b	12%
Microcaps (ASX <250)	1,803	\$92b	6%
Aust. Private Equities	>13,000 ⁽²⁾	Large	Large

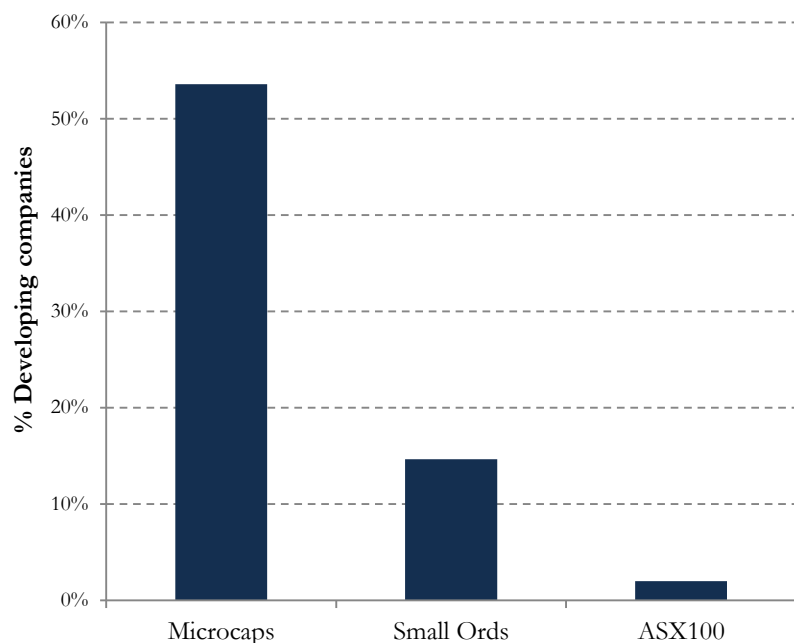
(1) Source: Acorn Capital, 31 October 2014

(2) Source: Acorn Capital based on data from the Treasury and ASIC

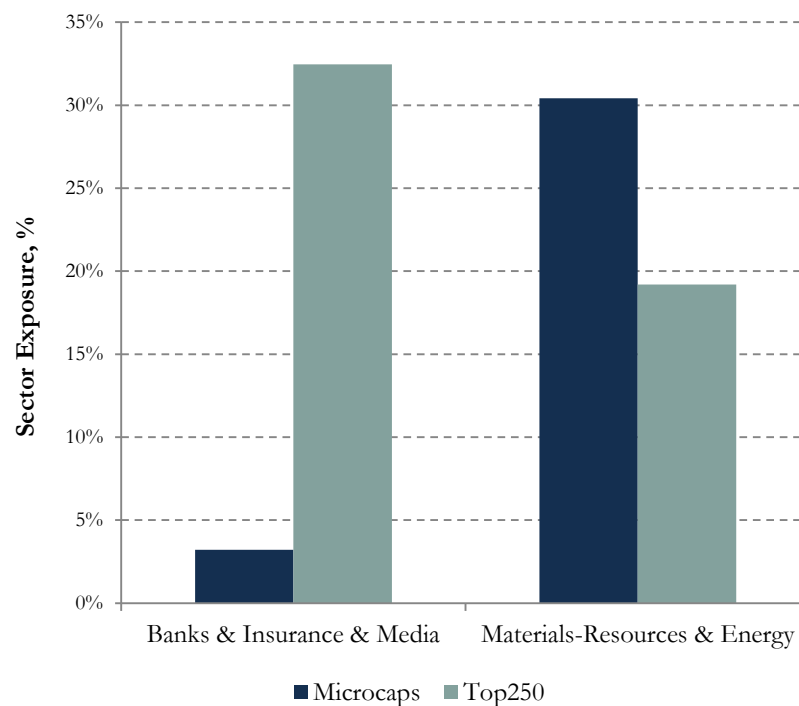
Microcap Companies are generally at an earlier stage of corporate development and have a greater demand for capital

- Over 50% of Listed Microcaps are “developing companies”, being those companies with revenues 10% or less than their market capitalisation (similar characteristics to that of venture capital/growth private equity investments)
- Microcap Companies represent a different part of the economy

Percentage of Developing ⁽¹⁾ Companies



Industry Sector Exposure Comparison ⁽¹⁾



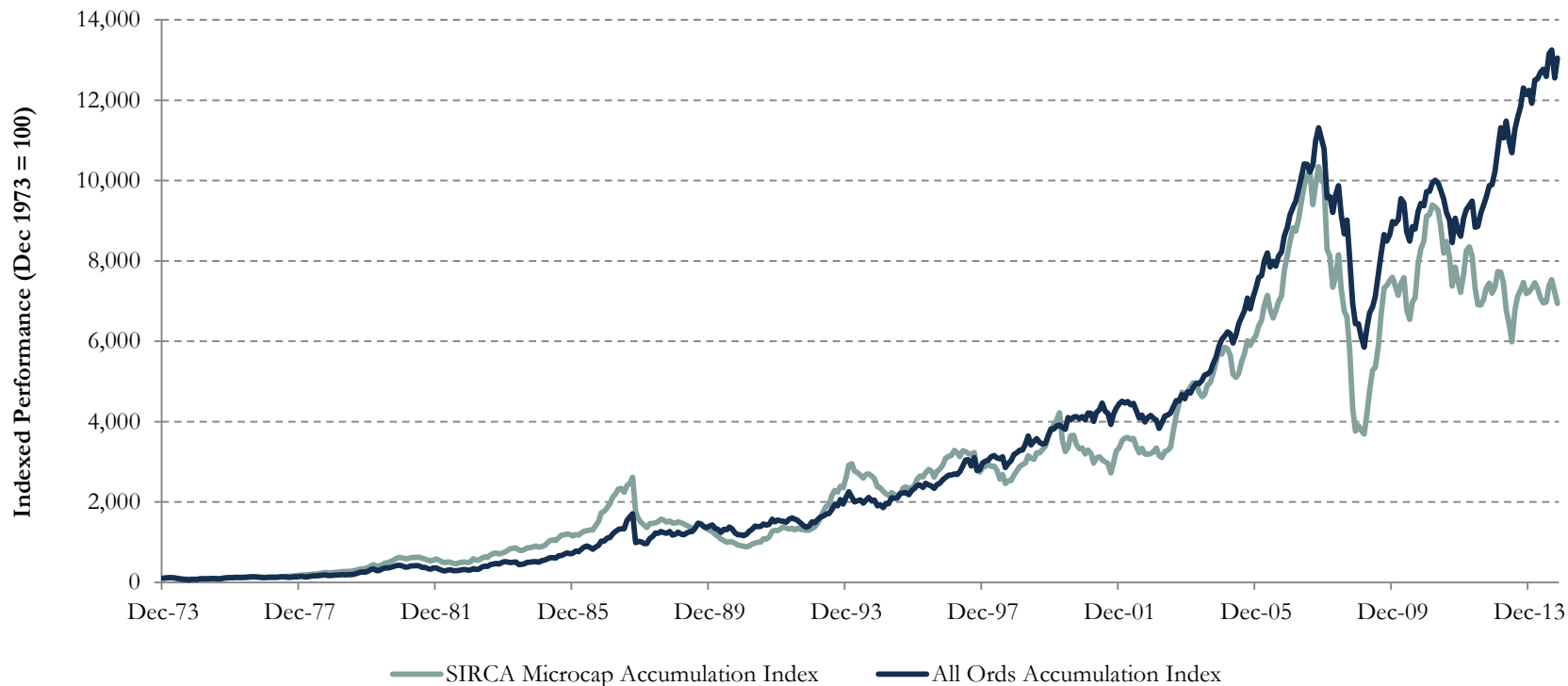
Source: Acorn Capital, as at 30 September 2014.

(1) Calculated by number of companies using IRESS subject to data availability.

The Microcap sector has averaged approximately 11% p.a. return since 1973

- Microcaps generated a return of 10.94% p.a. since December 1973 compared to a return of 12.67% p.a. for the All Ords Accumulation Index
- Divergence in returns since 2012 can be attributed compositional differences between All Ords & Microcaps, (ie Microcaps have a higher weighting to Materials-Resources) and the search for yield

Microcap Sector Annual Returns Compared to All Ords since December 1973



Source: Acorn Capital, as at 31 October 2014. Microcap performance based on Acorn Capital/SIRCA ('Securities Industry Research Centre of Asia-Pacific') Microcap Accumulation Benchmark since September 2000. Acorn Capital estimates from December 1973 to September 2000. Return and index calculations unaudited.

PHILOSOPHY AND STRATEGY

INVESTMENT PHILOSOPHY

- Identify the best investments within each industry based on relative value, remaining fully invested across all industries
- Exploit inefficiencies in the pricing of Listed and Unlisted Microcap Companies
- Investment opportunities for long term capital growth are identified through research and regular company interaction
- Manage risk through creation of diversified portfolios

INVESTMENT STRATEGY

- | | |
|-----------------------------------|-----------------------------------------------------------------------------------|
| ▪ Research Driven Stock Selection | Significant potential value added due to lack of research in microcap sector |
| ▪ Economic Sector Diversified | Enable relative rank, provide diversification by industry, optimise risk / reward |
| ▪ Style agnostic | Avoid style bias, capture both growth and value, developing and mature companies |
| ▪ Long term investor | Minimise transaction costs and maximise participation in the primary market |
| ▪ Stock Numbers | Create diversified portfolios, reduce volatility |

TARGET PORTFOLIO

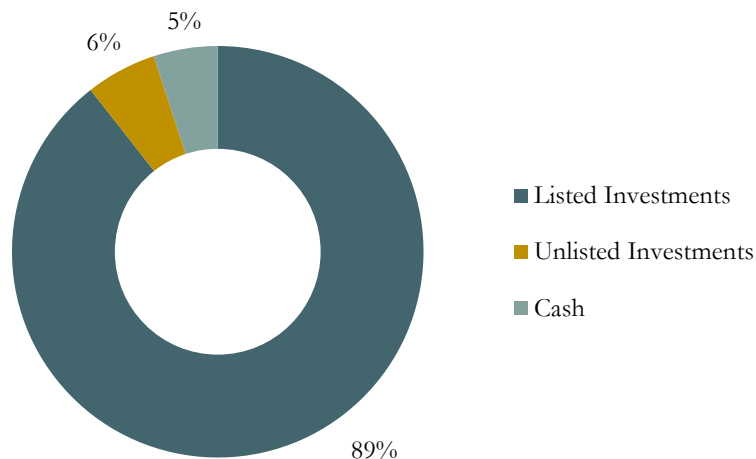
METRIC

- | | |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------|
| ▪ Stock Numbers | ~80 stocks |
| ▪ Portfolio Sector Weights | Acorn Capital / SIRCA Microcap Benchmark (although exposures may vary from the benchmark) |
| ▪ Range of Unlisted Exposure | 0%-50% (weight not fixed) |
| ▪ Average Investment Duration | 3-5 years (listed and unlisted) |
| ▪ Exposure to Single Company at Time of Investment | Max 7.5% of portfolio at time of investment |
| ▪ Cash | To a level considered appropriate as determined by the Manager, although typically less than 10% |

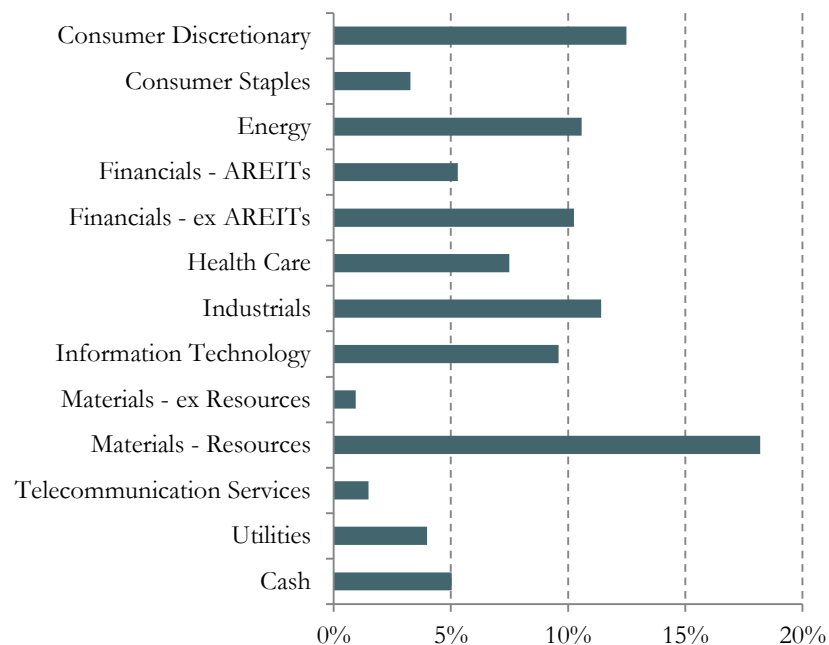
ACQ portfolio is constructed with reference to the Microcap sector benchmark weights

- Portfolio investment commenced on 1 May 2014 (ACQ listing date) and holds 84 stocks as at 31 October 2014
- Unlisted investments represent approximately 6% of gross portfolio assets, this will vary over time but expected to increase
- Since IPO 2014 Acorn Capital has had over 800 meetings with the management of microcap companies

Composition of Gross Portfolio Assets ¹



Portfolio Sector Weights ¹



(1) Source: Acorn Capital As at 31 October 2014

The 10 largest stock holdings account for approximately 25% of the ACQ Investment Portfolio

- Portfolio strategy is to diversify by sector and by stock number to manage risk
- Largest position, Servcorp approximately represents 4.2% of the ACQ investment portfolio
- Top 20 positions represent approximately 42% of portfolio
- Average market capitalisation of the companies that ACQ is invested in is approximately \$214 million

Top 10 Holdings ¹

% of ACQ Gross Portfolio Assets

1) Servcorp	4.18%
2) Sundance Energy Australia	3.02%
3) Horizon Oil	2.56%
4) eServGlobal	2.35%
5) Indophil	2.17%
6) amaysim Australia (Unlisted)	2.17%
7) Generation Healthcare	2.12%
8) Sub161 (Unlisted)	2.08%
9) iProperty	1.96%
10) Shine Corporate	<u>1.94%</u>
	<u>24.55%</u>

(1) Source: Acorn Capital As at 31 October 2014

Portfolio stock selection process is designed with regard to medium to long term performance objectives

- ACQ has generated a return of -2.47% ⁽¹⁾ since listing on 1 May 2014, which compares to the XSOAI of -0.10%
- Acorn Capitals analysis indicates that underperformance can be primarily attributed to Cash and Energy, Information Technology and Industrials – Ex Capital Goods sectors

ACQ Performance as at 31 October 2014 ¹

Period	1 month	3 months	FY15	Since inception ²
ACQ ¹	-1.18%	-6.78%	-3.90%	-2.47%
Acorn Capital / SIRCA Microcap Acc.Index ³	-3.85%	-6.05%	-0.46%	-1.70%
S&P/ASX Small Ords Acc. Index ('Benchmark')	-0.54%	-3.79%	0.94%	-0.10%
Outperformance Relative to Benchmark	-0.63%	-3.00%	-4.84%	-2.37%

1. Portfolio performance is post all operating expenses, excluding management fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. All figures are unaudited, unlisted valuations performed by Acorn Capital in accordance with ACQ Board approved policies

2. Inception is 1 May 2014

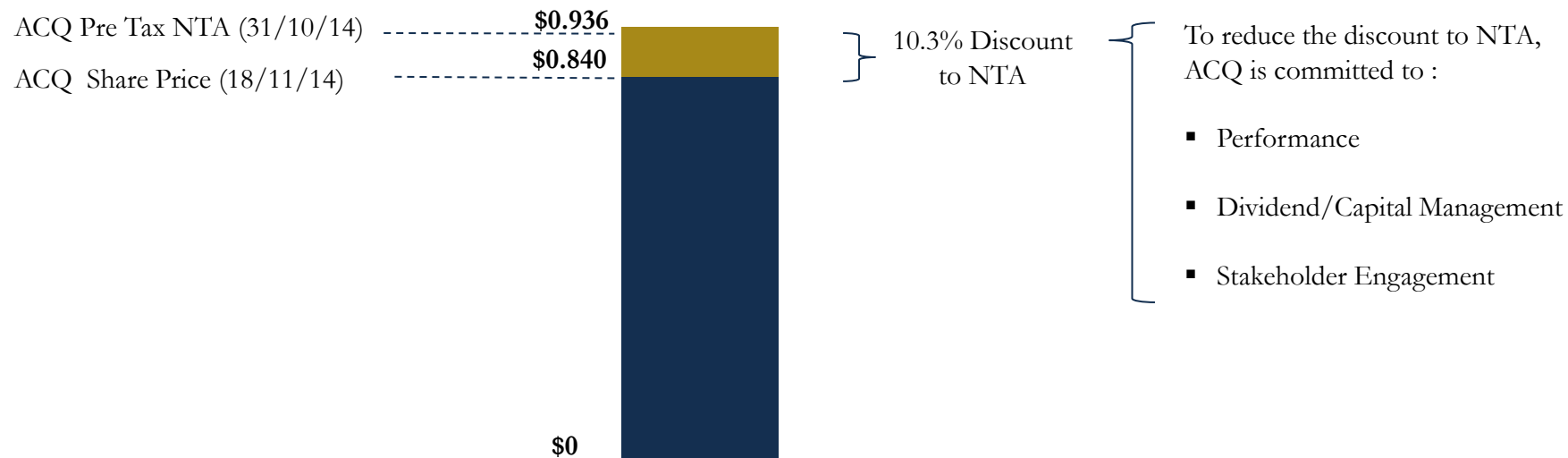
3. Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA

4. Unaudited

ACQ is committed to delivering shareholder value and reducing the discount to NTA

- Current disconnect between NTA and share price
- Important to recognise that the investment strategy is designed to deliver outcomes over medium to long term
- It has been Acorn Capital's experience that the investment strategy returns will exhibit volatility relative to the S&P/Small Ordinaries Index whilst still outperforming in the medium to long term

Analysis of NTA Compared to Share Price¹



(1) Data Unaudited

ACQ SUMMARY

- ACQ should be considered in the context of investment choices in the alternative asset class
- Strategy suits longer term investors
- The Microcap universe offers investors access to companies that have a strong growth bias
- Investors should expect that the performance of the investment portfolio to be correlated with the broader market and to outperform over the long term
- ACQ's investment strategy leverages off the Manager's large investment team and 13 years of experience as a specialist Microcap investor
- Strong alignment of interests between ACQ shareholders and Acorn Capital
- ACQ believes that in the medium term portfolio performance, shareholder engagement and dividends will assist in improving the returns to shareholders and minimising the implied share discount to Net Tangible Assets

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ADOPTION OF THE 2014 ANNUAL REPORT

ACQ RESOLUTION 1

TO RECEIVE AND CONSIDER THE FINANCIAL REPORT OF THE COMPANY AND THE REPORTS OF DIRECTORS AND AUDITORS FOR THE YEAR ENDED 30 JUNE 2014, AS SET OUT IN THE 2014 ANNUAL REPORT

RE-ELECTION OF DIRECTORS

ACQ RESOLUTION 2

RE-ELECTION OF BARRY FAIRLEY AS A DIRECTOR

PROXY AND DIRECT VOTES

(AS AT CLOSE OF PROXY VOTING, 10AM 17 NOVEMBER 2014)

	For	Against	Abstain	Proxy's Discretion
Validly appointed proxies received	2,127,255	0	0	55,000
Direct votes received	5,621,061	8,000	0	0
Total Votes	7,748,316	8,000	0	55,000

PERCENTAGE IN FAVOUR OF THE MOTION: 99.20%

Includes open proxies for the Chairman which he intends to vote in favour of the resolution

REMUNERATION REPORT

ACQ RESOLUTION 3

THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE
2014 BE ADOPTED

PROXY AND DIRECT VOTES

(AS AT CLOSE OF PROXY VOTING, 10AM 17 NOVEMBER 2014)

	For	Against	Abstain	Proxy's Discretion
Validly appointed proxies received	1,942,000	133,255	20,000	57,000
Direct votes received	5,409,300	115,561	104,200	0
Total Votes	7,351,300	248,816	124,200	57,000

PERCENTAGE IN FAVOUR OF THE MOTION: 96.00%

Includes open proxies for the Chairman which he intends to vote in favour of the resolution

APPOINTMENT OF AUDITOR

ACQ RESOLUTION 4

ERNST & YOUNG, HAVING BEEN DULY NOMINATED BY A SHAREHOLDER OF THE COMPANY AND HAVING CONSENTED TO ACT IN WRITING, BE APPOINTED AS THE AUDITOR OF THE COMPANY

PROXY AND DIRECT VOTES

(AS AT CLOSE OF PROXY VOTING, 10AM 17 NOVEMBER 2014)

	For	Against	Abstain	Proxy's Discretion
Validly appointed proxies received	2,107,255	20,000	0	55,000
Direct votes received	5,629,061	0	0	0
Total Votes	7,736,316	20,000	0	55,000

PERCENTAGE IN FAVOUR OF THE MOTION: 99.04%

Includes open proxies for the Chairman which he intends to vote in favour of the resolution

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