



ACORN CAPITAL

Acorn Capital Investment Fund

June 2014 Quarterly Update

(ASX: ACQ)

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ABOUT ACQ

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
- Rationale for the ACQ offer as an LIC :
 - Closed end vehicle required to manage portfolio liquidity, particularly with inclusion of Unlisted Microcaps in the portfolio
 - Differentiated strategy not previously available to retail/SMSF investors
 - ASX platform offers transactional efficiency, liquidity and transparency

ABOUT ACORN CAPITAL

Acorn Capital was founded in 1998 and has a long-term track record of managing microcap equities for institutional investors

- Manages funds for 11 institutional clients
- 60%⁽¹⁾ owned by directors and management (and their related parties), 40%⁽¹⁾ owned by Australian Unity
- Specialist manager investing in Listed and Unlisted Microcaps⁽²⁾
- Research driven philosophy aimed at capturing value through stock selection in large and inefficient markets
- Operated institutional mandates under a listed/unlisted strategy since February 2009 (and has invested in ASX listed securities on behalf of clients since September 2000)
- Has managed investments worth \$99.6 ⁽³⁾ million over 16 Unlisted Microcaps since 2009, reaching liquidity on 9 of those investments
- Substantial positions in 50⁽³⁾ ASX listed companies
- Large investment team of eleven (see Appendix A)

(1) On a fully diluted basis

(2) Listed and Unlisted Microcaps with a market capitalisation outside the ASX250 (less than ~\$515 million in market capitalisation as at 30 June 2014)

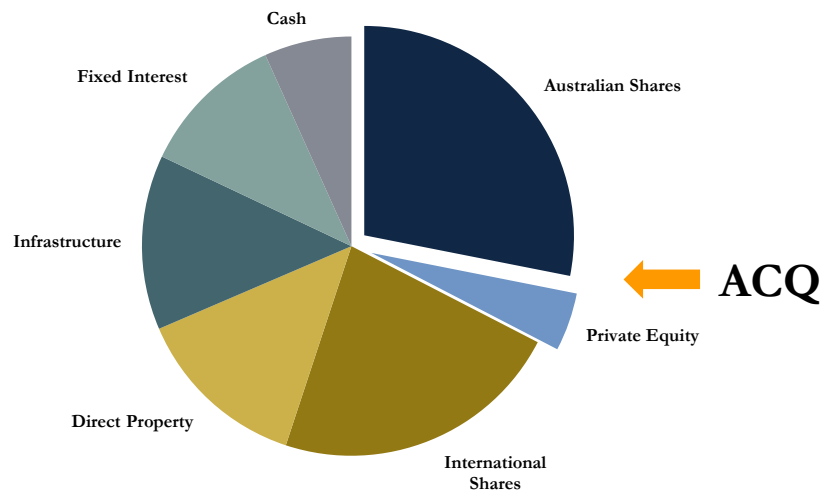
(3) Source: Acorn Capital estimates as at 30 June 2014

ACQ 'FIT' IN ASSET ALLOCATION MIX

ACQ provides investors access to a differentiated asset class through a single diversified portfolio

- The increasing array of investment products available on the ASX platform, including LIC's, ETF's and mFunds assist investors in the creation their own balanced portfolios
- The SMSF market now represents more than \$545 billion⁽¹⁾ of the \$1.84 trillion⁽²⁾ of assets in the Australian superannuation fund market
- Exchange traded products can offer the investor improved transactional efficiency, cost and transparency
- ACQ's strategy offers investors access to the asset classes of ex-ASX 250 companies and Australian Private Equity through a single entity

Illustrative Asset Allocation for a Balanced Strategy



(1) Source: ATO, March 2104

(2) Source: APRA Statistics – March 2014

Asset Class Size ⁽³⁾

Asset Class -Segments	No. of Companies	Aggregate Capitalisation	% of ASX Market Cap.
Large Caps (ASX 100)	100	\$1,334b	82%
Small Caps (ASX 100-300)	200	\$193b	12%
Microcaps (ASX <250)	1,738	\$90b	6%
Aust. Private Equities	>13,000 ⁽⁴⁾	Large	Large

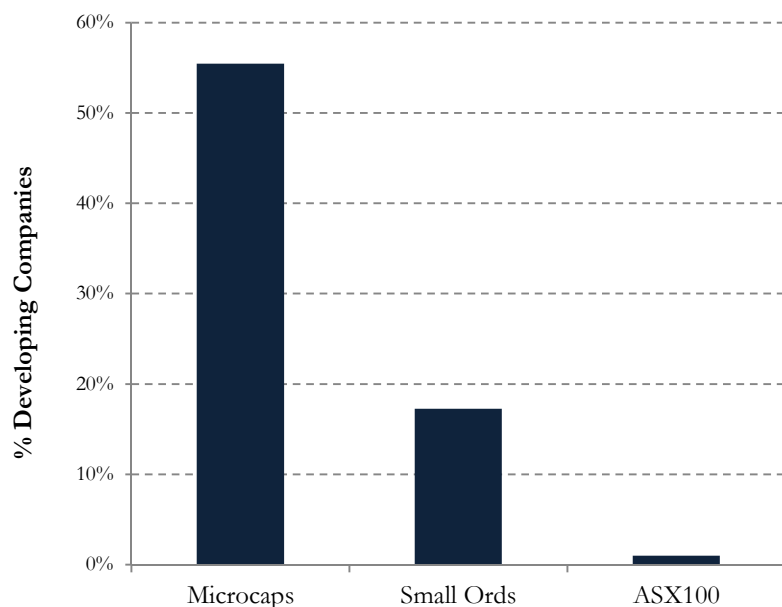
(3) Source: Acorn Capital, 30 June 2014

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

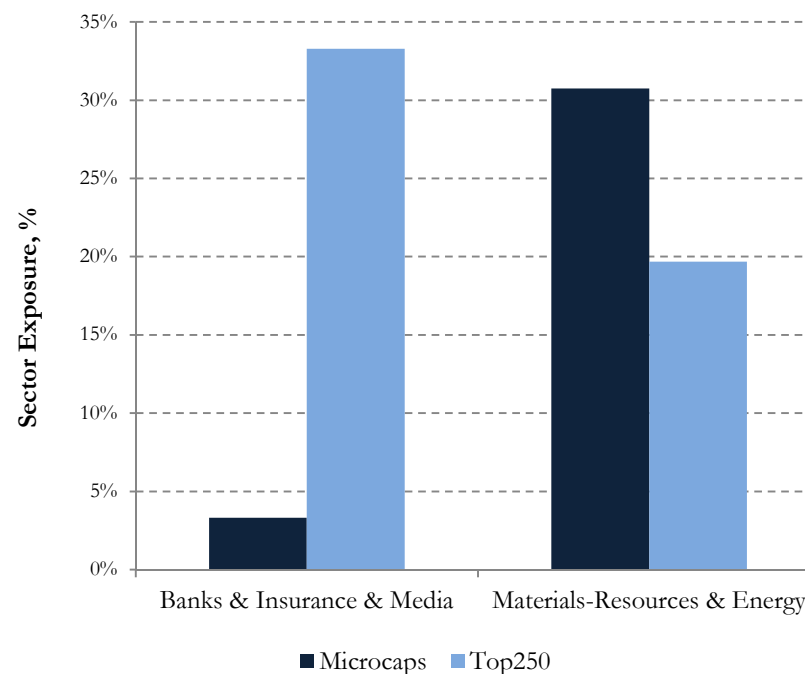
Microcap Companies are generally at an earlier stage of corporate development and have a greater demand for capital

- 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⁾



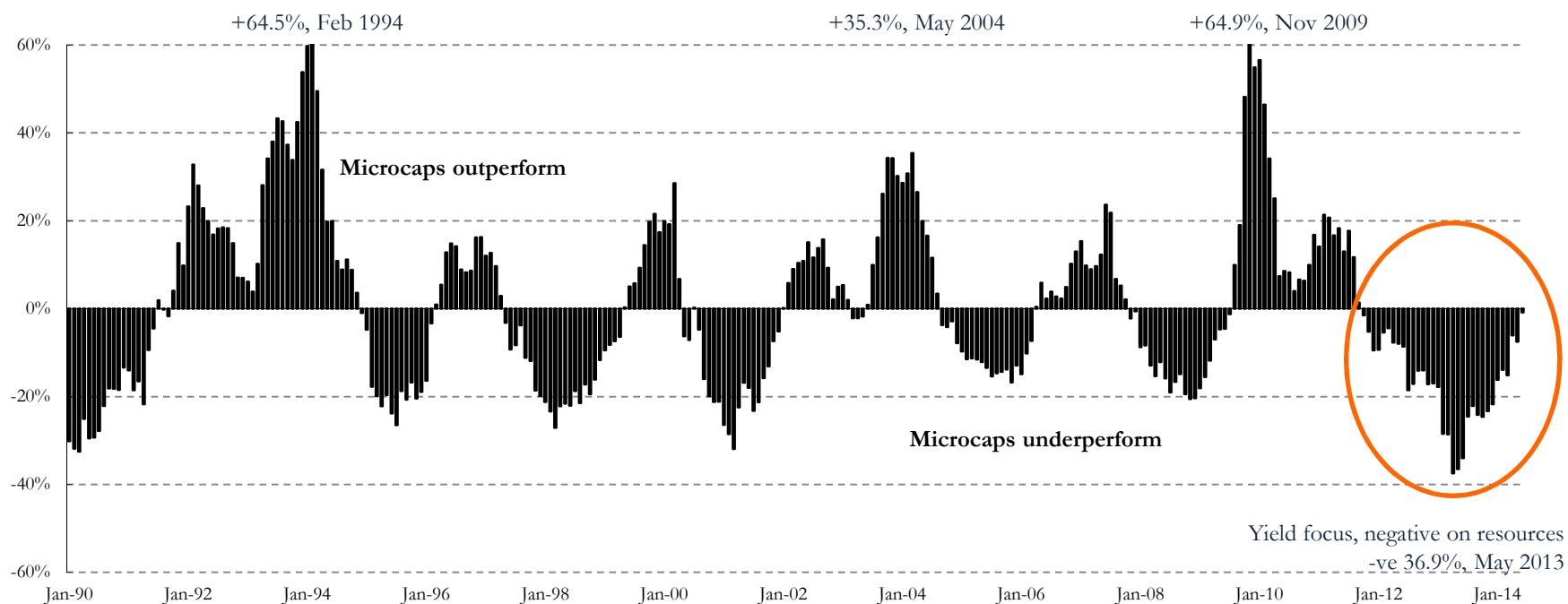
Source: Acorn Capital, as at 30 June 2014.

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

Microcap sector relative performance has improved in the year to 30 June 2014

- Microcaps generated a return of +16.9% in the year to 30 June 2014 as compared to the XAOAI of +17.6%
- Materials Resources, which has been the key contributor to the Microcap Sector underperformance in FY13 (-47.7%) was +6.7% for FY14

Rolling 12 Month Return Differentials (Microcaps vs All Ords)



Source: Acorn Capital, as at 30 June 2014. Microcap performance based on Acorn Capital/SIRCA ('Securities Industry Research Centre of Asia-Pacific') Microcap Accumulation Benchmark.

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

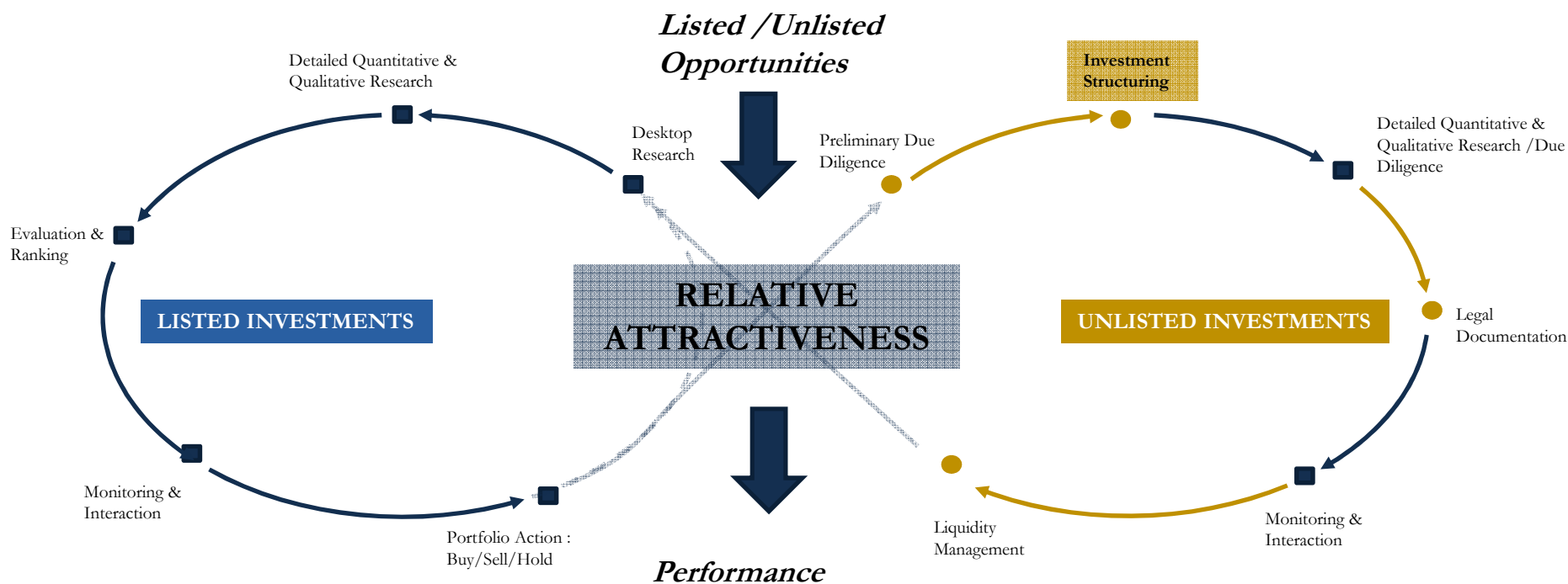
METRIC

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Stock Numbers | <p>60-80 stocks</p> |
| <ul style="list-style-type: none"> ▪ Portfolio Sector Weights | <p>Acorn Capital / SIRCA Microcap Benchmark (although exposures may vary from the benchmark)</p> |
| <ul style="list-style-type: none"> ▪ Range of Unlisted Exposure | <p>0%-50% (weight not fixed)</p> |
| <ul style="list-style-type: none"> ▪ Average Investment Duration | <p>3-5 years (listed and unlisted)</p> |
| <ul style="list-style-type: none"> ▪ Exposure to Single Company at Time of Investment | <p>Max 7.5% of portfolio at time of investment</p> |
| <ul style="list-style-type: none"> ▪ Cash | <p>To a level considered appropriate as determined by the Manager, although typically less than 10%</p> |

Capital is transitioned from listed to unlisted investments only if relatively more attractive opportunities are identified

- Portfolio management is at sector level
- No fixed allocation to unlisted investment; rather seek to add unlisted positions where they are considered to be relatively more attractive than listed alternatives at sector level

Process designed to Find Best In Industry Class

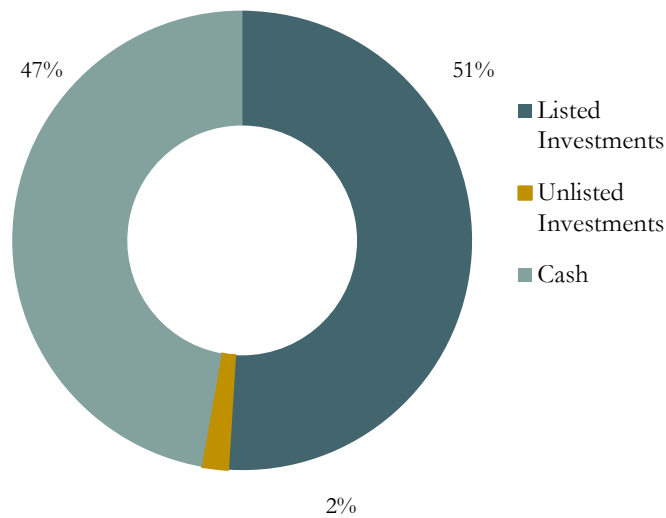


PORTFOLIO OVERVIEW

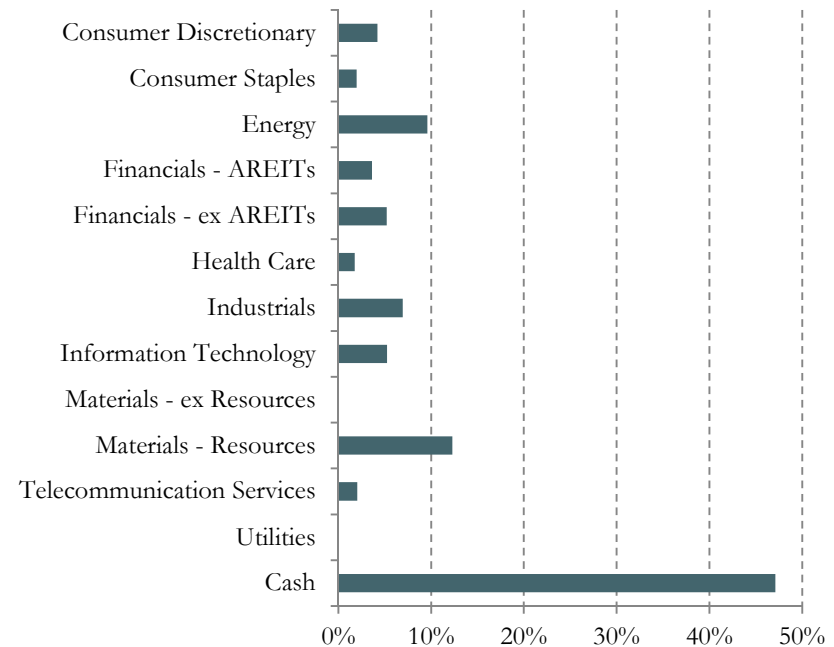
ACQ is 53% invested as at 30 June 2014 and has completed 2 unlisted investments

- Portfolio investment commenced on 1 May 2014 (ACQ listing date) and holds 61 investments as at 30 June 2014
- 2 unlisted investments have been completed (OneVue Holdings Limited and Nimble Money Limited) which represent 2% of gross portfolio assets
- Since listing, Acorn Capital has had direct contact with management at over 280 companies

Composition of Gross Portfolio Assets ¹



Sector Weights ¹



(1) Source: Acorn Capital As at 30 June 2014

PORTFOLIO OVERVIEW

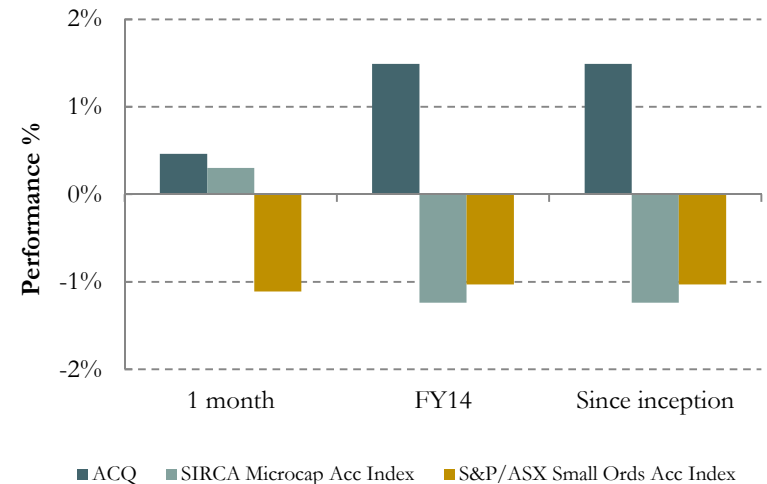
PERFORMANCE

ACQ has performed in line with expectations since listing

- ACQ has generated a return of +1.49% ⁽¹⁾ since listing on 1 May 2014, which is +2.52% ⁽¹⁾ above the XSOAI and 2.73% ⁽¹⁾ above the Acorn Capital / SIRCA Microcap Accumulation Index
- Strongest performing portfolio sectors have been Materials-Resources, Energy and Information Technology

ACQ Performance as at 30 June 2014 ¹

Period	1 month	FY14	Since inception ²
ACQ ¹	+0.46%	+1.49%	+1.49%
Acorn Capital / SIRCA Microcap Acc.Index ³	+0.30%	-1.24%	-1.24%
S&P/ASX Small Ords Acc. Index ('Benchmark')	-1.11%	-1.03%	-1.03%
Outperformance Relative to Benchmark	+1.57%	+2.52%	+2.52%



- 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 a accordance with ACQ Board approved policies
- Inception is 1 May 2014
- Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA

FUND DETAILS

Company	Acorn Capital Investment Fund Limited
Manager	Acorn Capital Ltd
Board	Majority independent directors (refer Appendix B)
Securities on Issue	Ordinary Shares (ASX:ACQ) <ul style="list-style-type: none">▪ 50,820,001 Options (ASX:ACQO) <ul style="list-style-type: none">▪ 50,820,000▪ Exercise Price, \$1.00▪ Last date for exercise, 24 October 2015
NTA before any Tax Effect	\$0.9756 (June 2014)
Base Management Fee	0.95% p.a. (ex-GST)
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Performance fee	20% (ex-GST) of the outperformance compared to the Benchmark. Performance, features a high watermark and retention mechanism

Acorn Capital's investment team has a large and experienced team dedicated to microcap investment

Team	Description
Barry Fairley	Barry is Acorn Capital's Managing Director. He founded Acorn Capital in 1998 and has more than 40 years of investment experience. <i>Dip of Mining Engineering, SA Fin</i>
Robert Routley	Robert is Head of Private Markets. Rob established the listed/unlisted microcap strategy of which he has ongoing product responsibility. He previously held investment management roles with Colonial First State Private Equity and Baron Corporation. <i>B.Com, MBA, CA</i>
Paul Palumbo	Paul is a Portfolio Manager and Dealer. Paul previously held positions at Mercer, IBM and PwC. <i>B.BusSys, Dip in Applied Finance & Investment</i>
Matthew Sheehan	Matthew is an Investment Director as well as Legal Counsel and Company Secretary of Acorn Capital. He began his career as a private practice lawyer and worked at firms in Melbourne, New York and London and was most recently at Macquarie Group. <i>B.Ec (Hons), LLB (Hons), M.AppFin</i>
David Ransom	David is a Portfolio Manager for the Energy and Materials (Resources) sectors. He has a long and extensive background in geology and consulting spanning over four decades. <i>B.Sc (Hons), PhD (Structural Geology), FAIG</i>
Karina Bader	Karina is an Analyst for the Energy and Materials (Resources) sectors. She began her career as an exploration geologist. <i>B.Sc (Hons), MBA (Tech Mgt)</i>
Kylie Molinaro	Kylie is a Portfolio Manager for the Consumer Discretionary, Consumer Staples and Healthcare & Biotechnology sectors. She began her career in the pharmacy profession. <i>B.Pharm, B.Com (Hons)</i>
Cameron Petricevic	Cameron is a Portfolio Manager for the Industrials (ex-Capital Goods), Information Technology, Telecommunication Services and Materials (ex-Resources) sectors. He joined Acorn Capital after eight years at AXA Asia PACQic. <i>B.Eng (Hons), B.Com, Associate of the Institute of Actuaries (Actuary)</i>
Robert Bruce	Robert is an Investment Manager for the private markets and part of the Research Advisory Committee. He has 22 years experience in the accounting and investment sectors, including 13 of the last 17 years in Asian equity research with CLSA. <i>B.Com, CA</i>
Tony Pearce	Tony is a Research Analyst for the Private Markets team. He has more than 45 years of investment experience spanning across Legg Mason, Citigroup, JPMorgan, Salomon Smith Barney and Colonial. <i>Dip in Business Studies, CFA, CPA, F Fin</i>
Xing Zhang	Xing is an Investment Executive in the Private Markets team. She started her career in investment banking. <i>B.Eng (Hons), B.Com, GradCert in Entrepreneurship & Innovation</i>

ACQ is overseen by an experienced Board

Director	Background
John Steven <i>Chairman and Independent Non-executive Director</i>	John is the non-executive Chairman of ACQ. He is the head of the National Corporate Division and a member of the National Board of Minter Ellison. He practises in the corporate and capital markets area and also has an extensive general corporate practice. <i>B.Ec, LLB (Hons), DipComLaw</i>
Judith Smith <i>Independent Non-executive Director</i>	Judith was formerly the Head of Private Equity at IFM Investors and Chair of the IFM Risk Committee. Judith was also a member of the IFM Investments Committee. She also held various investment management roles including more than a decade at National Mutual Funds Management. <i>B.Ec (Hons), M.AppFin</i>
David Trude <i>Independent Non-executive Director</i>	David is a senior corporate banking executive with 40 years' experience in a variety of financial services roles in the banking and securities industries. He is the Chairman of Baillieu Holst. David was formerly Managing Director, Australian CEO of Credit Suisse, where he is currently a Consultant. He currently holds several other board positions.
Robert Brown <i>Director</i>	Robert is an independent director of Acorn Capital and is Chairman of its subsidiary Australian Microcap Investments Pty Ltd. He is a professor of finance in the Department of Finance, University of Melbourne, where his research has focused on security market behaviour. <i>B.Ec (Hons), M.Ec, GradDip.Acc, FCPA, SF Fin</i>
Barry Fairley <i>Director</i>	Barry is Acorn Capital's Managing Director. He founded Acorn Capital in 1998 and has more than 40 years of investment experience. <i>Dip of Mining Engineering, SA Fin</i>