

ACORN CAPITAL

Acorn Capital Investment Fund

December 2014 Quarter

(ASX: ACQ)

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ACQ Key Details		ACQ Metrics	
<b>Company</b>	Acorn Capital Investment Fund Limited	<b>Net Proceeds Raised in IPO</b>	\$50.1 million
<b>Manager</b>	Acorn Capital Ltd	<b>Market Capitalisation</b>	\$37.1 million
<b>IPO Date (Inception)</b>	1 May 2014	<b>Gross Market Value of Portfolio <sup>(1)</sup></b>	\$44.0 million
<b>Ordinary Shares on Issue (ACQ)</b>	50,820,001	<b>NTA before any Tax Effect<sup>(1)</sup></b>	\$0.8602
<b>Options on Issue (ACQO)</b>	<ul style="list-style-type: none"> <li>▪ 50,820,000</li> <li>▪ Exercise Price, \$1.00</li> <li>▪ Last date for exercise, 24 October 2015</li> </ul>	<b>NTA After Tax<sup>(1)</sup></b>	\$0.8973
<b>Number of Shareholders</b>	1,286	<b>ACQ Performance Since Inception<sup>(1)</sup></b>	-10.16%
<b>Acorn Capital &amp; Shareholders Interest in ACQ</b>	13.5%	<b>XSOAI Since Inception</b>	-3.46%
		<b>Acorn Capital/SIRCA Microcap Acc Index Since Inception <sup>(1)(2)(3)</sup></b>	-6.25%

(1) Unaudited

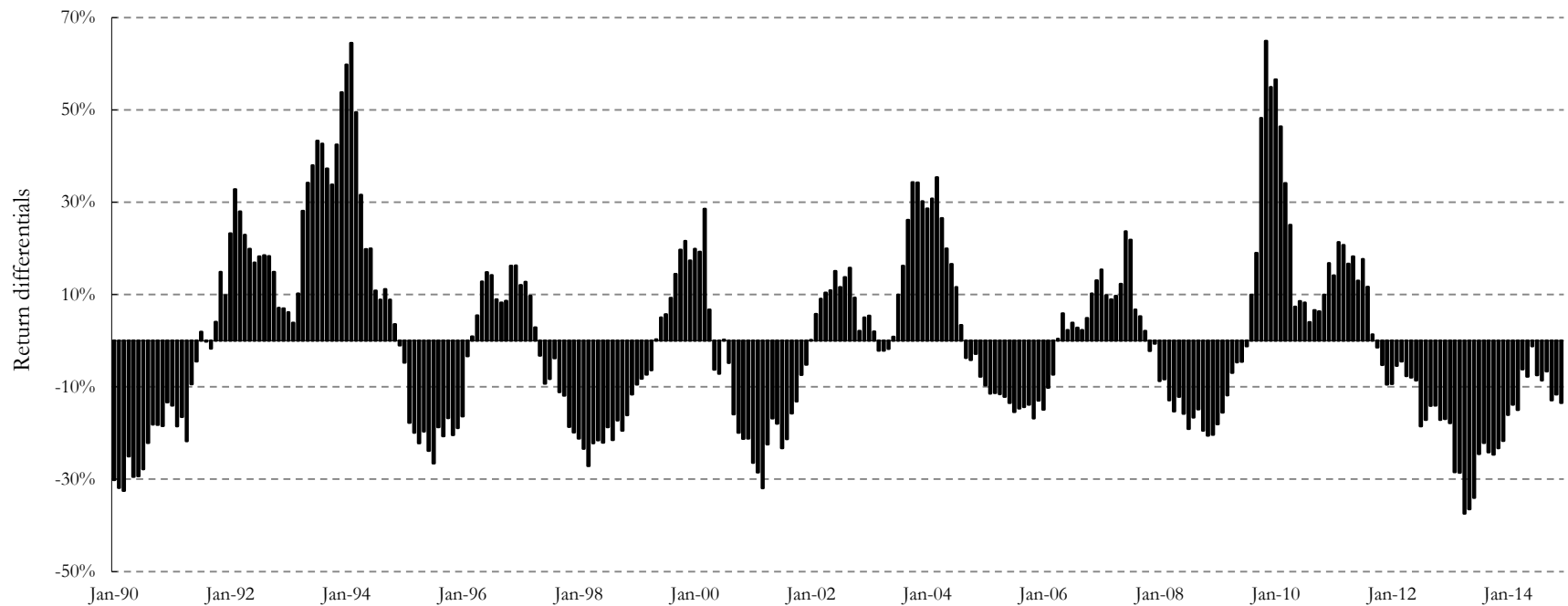
(2) Portfolio performance is post all operating expenses, excluding management fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders

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

### Microcap sector relative performance has been less favourable for the 12 months to 31 Dec 2014

- Microcaps generated a return of -8.42% for the 12 months to 31 December 2014 as compared to the XAOAI of +5.02%
- Over the past 4 years the microcap sector has underperformed the All Ordinaries Index by 59.6%

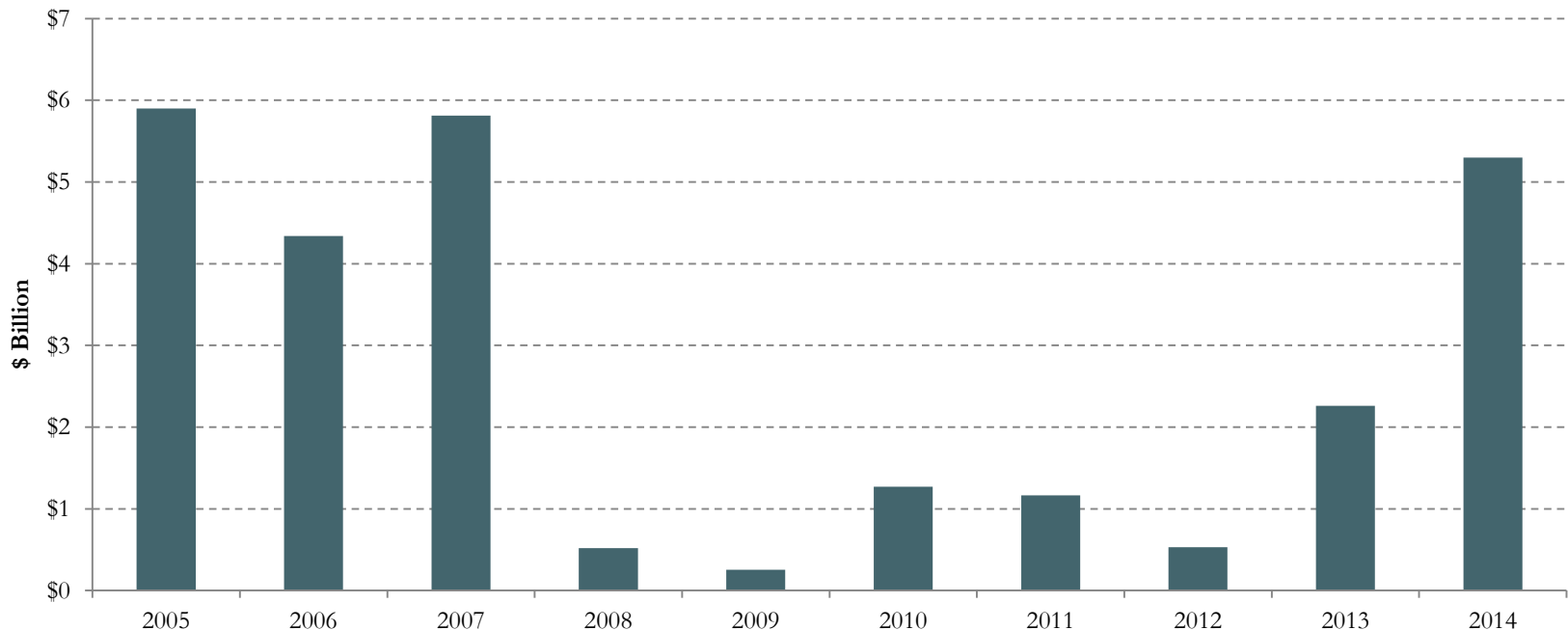
### Rolling 12 Month Return Differentials (Microcaps vs All Ords)



### 2014 saw the return of the microcap IPO market, with a total of \$5.3 billion of new equity issued

- 2014 saw the return of the microcap IPO market, with a total of \$5.3B being issued
- Total amount raised in 2014 was similar to the amount raised in 2007 (\$5.8B)
- IPO issuance was dominated by several large deals – APN Outdoor (\$329M), Monash IVF (\$315M) and iSentia Group (\$284M) were the largest 3 and the top 10 deals accounted for 48% of the total IPO issuance

### Microcap IPO Issuance (Calendar Years)



### Microcap sector return in the December 2014 impacted by performance of the Energy, Materials – Resources and Industrials Sectors

- Microcap sector return -8.3% for the December quarter, relative to the S&P Small Ordinaries Accumulation Index which returned -3.9%.
- Best performing sectors were telecommunications (+17.3%), Utilities (+9.9%) and Financials-AREITS (+9.3%) which had an aggregate Benchmark Weight of 10.5% of the Microcap sector
- The worst performing sectors were Energy (-26.0%), Materials – Resources (-20.2%) and Industrials – Capital Goods (-18.0%) which had an aggregate Benchmark Weight of 36% of the Microcap sector
- Key external impacts on the Energy and Materials Resources sectors were the performance of Oil and Iron Ore that were down 41.5% and 16.0% respectively for the quarter in US dollar terms

### Attribution for the three months to 31 December 2014

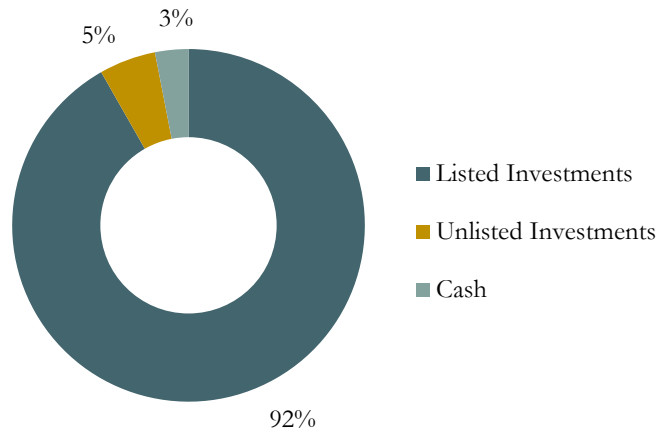
To 31 Dec 2014	Microcap Benchmark Sector Return (%)	Benchmark Weight (%)
Consumer Discretionary	-2.2%	13.4%
Consumer Staples	7.7%	3.8%
Energy	-26.0%	9.2%
Financials – AREITs	9.3%	6.9%
Financials – ex AREITs	2.3%	10.4%
Healthcare	-5.0%	8.2%
Industrials – Capital Goods	-18.0%	7.2%
Industrials – ex Capital Goods	-9.3%	6.4%
Information Technology	-2.3%	10.4%
Materials – ex Resources	6.9%	1.0%
Materials – Resources	-20.2%	19.6%
Telecommunication Services	17.3%	2.1%
Utilities	9.9%	1.5%
Cash	0.0%	0.0%
<b>Total</b>	<b>-8.3%</b>	<b>100.0%</b>

Source: Acorn Capital, as at 31 December 2014. Microcap performance based on Acorn Capital/SIRCA ("Securities Industry Research Centre of Asia-Pacific") Microcap Accumulation Benchmark.

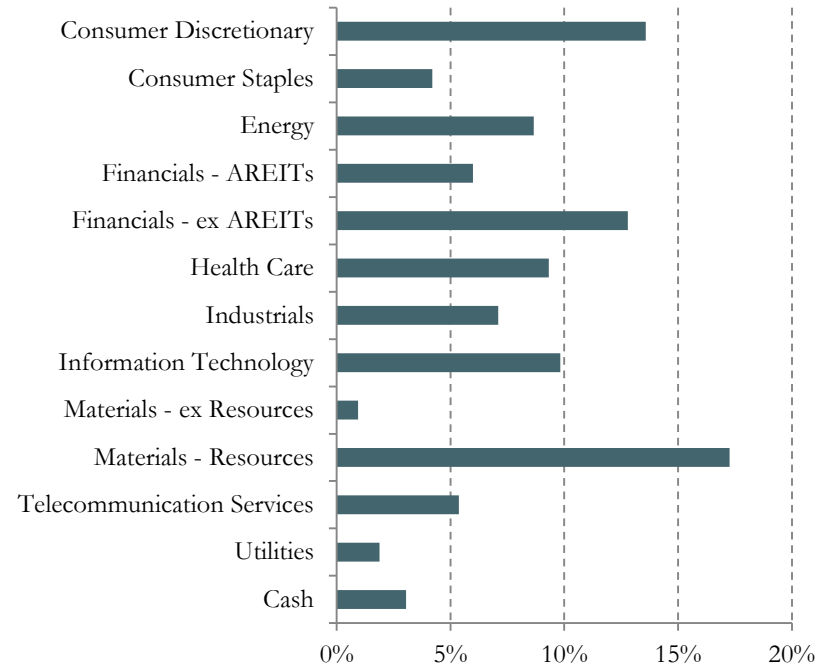
### The ACQ Investment Portfolio is diversified across all microcap sectors

- ACQ Investment Portfolio investment commenced on 1 May 2014 (ACQ listing date) and holds 86 stocks as at 31 December 2014
- Unlisted investments represent approximately 5% of gross portfolio assets
- In the December 2014 quarter Acorn Capital has had over 406 meetings with the management of microcap companies

### Composition of Gross Portfolio Assets <sup>1</sup>



### Sector Weights <sup>1</sup>



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

### At 31 December 2014 the 10 largest stock holdings account for approximately 26% of the ACQ Investment Portfolio

- Portfolio strategy is to diversify by sector and by stock number to manage risk
- Largest position, Servcorp represents 4.5% of the ACQ Investment Portfolio
- Top 20 positions represent approximately 44% of the ACQ Investment Portfolio
- Average market capitalisation of the companies that ACQ is invested in is approximately \$201 million

#### Top 10 Holdings <sup>1</sup>

#### % of ACQ Gross Portfolio Assets

1) Servcorp	4.48%
2) amaysim Australia	3.26%
3) Capitol Health	2.68%
4) Indophil Resources	2.48%
5) Generation Healthcare REIT	2.41%
6) IMF Bentham	2.39%
7) iProperty	2.35%
8) eServGlobal	2.16%
9) Amcom Telecommunications	2.11%
10) Shine Corporate	2.10%

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

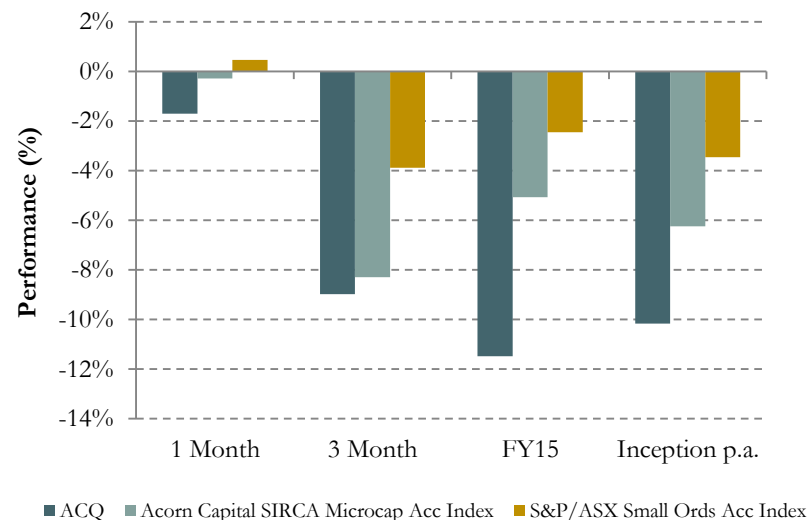


### ACQ Investment Portfolio stock selection is designed to focus on medium to long term performance

- ACQ has generated a return of -10.16% <sup>(1)</sup> since listing on 1 May 2014, which compares to the XSOAI of -3.46%

### ACQ Performance as at 31 December 2014 <sup>1</sup>

Period	1 month	3 months	FY15	Since inception <sup>2</sup>
ACQ <sup>1</sup>	-1.71%	-8.98%	-11.48%	-10.16%
Acorn Capital / SIRCA Microcap Acc.Index <sup>3</sup>	-0.29%	-8.30%	-5.07%	-6.25%
S&P/ASX Small Ords Acc. Index ('Benchmark')	+0.47%	-3.89%	-2.45%	-3.46%
<b>Outperformance Relative to Benchmark</b>	<b>-2.18%</b>	<b>-5.09%</b>	<b>-9.03%</b>	<b>-6.70%</b>



- 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
- Inception is 1 May 2014
- Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA

- During the December 2014 quarter the microcap sector, and consequently the ACQ Investment Portfolio has been impacted by a number of significant swings in commodity prices and the Australian dollar
- While the impact of these macroeconomic influences is very difficult to predict Acorn Capital remains confident that it can identify microcap companies that can grow strongly over the medium to longer term despite these macro level uncertainties
- Short term performance of the ACQ portfolio is not inconsistent with the Manager's 14 years of experience in managing microcap securities
- Investors could expect that the performance of the ACQ Investment Portfolio will be correlated with the broader market to outperform over the longer term

## 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
- ACQ offers a long term strategy that should be considered in the context of investment choices in the alternative asset class

### 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                                    | Approx. 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% |

## Director

## Background

John Steven  
*Chairman and Independent  
 Non-executive Director*

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.  
*B.Ec, LLB (Hons), DipComLaw*

Judith Smith  
*Independent Non-executive Director*

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.  
*B.Ec (Hons), M.AppFin*

David Trude  
*Independent Non-executive Director*

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.  
*B.Com*

Robert Brown  
*Director*

Robert is an independent director of Acorn Capital and is Chairman of its subsidiary Australian Microcap Investments Pty Ltd. He is an emeritus professor of finance in the Department of Finance, University of Melbourne, where his research has focused on security market behaviour.  
*B.Ec (Hons), M.Ec, GradDipAcc, FCPA, SF Fin*

Barry Fairley  
*Director*

Barry is Acorn Capital's Managing Director. He founded Acorn Capital in 1998 and has more than 40 years of investment experience.  
*Dip of Mining Engineering, SA Fin*