



# ACORN CAPITAL

# NEXTGEN RESOURCES FUND

Evolution Trustees Limited ABN 29 611 839 519

Australian Financial Services Licence (AFSL) No. 486217

ARSN 673 344 691, APIR Code ACQ3509AU

The information in this document forms part of the product disclosure statement dated 15 December 2023 and issued by Evolution Trustees Limited as responsible entity of the Acorn Capital NextGen Resources Fund



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**ABOUT THIS REFERENCE GUIDE**

The information in this Reference Guide forms part of the Product Disclosure Statement (PDS) issued by Evolution Trustees Limited (Evolution, the Responsible Entity, we or us) as Responsible Entity of the Acorn Capital NextGen Resources Fund (ARSN 673 344 691) (Fund) and dated 15 December 2023. Acorn Capital Limited (Acorn Capital or the Investment Manager) is the Investment Manager of the Fund.

Defined terms used in the PDS have the same meaning in this Reference Guide unless stated otherwise.

We recommend that you keep a copy of the PDS for the Fund and this Reference Guide for future reference.

The Information contained in the PDS and this Reference Guide is general information only and has been prepared without taking into account your personal objectives, financial situation or needs. You should read this Reference Guide together with the PDS (in their entirety) before making a decision to invest in the Fund. You should consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances before proceeding to acquire or dispose of units in the Fund.

You can access the PDS and this Reference Guide from [www.acorncapital.com.au](http://www.acorncapital.com.au). You can obtain, free of charge, a paper copy of the PDS and this Reference Guide upon request by emailing Acorn Capital on [info@acorncapital.com.au](mailto:info@acorncapital.com.au)



# A

## How the Acorn Capital NextGen Resources Fund works

### INVESTING AND WITHDRAWING

#### Initial applications

You may invest in the Fund by using the application form accompanying the PDS. The PDS and application form are available at [www.acorncapital.com.au](http://www.acorncapital.com.au).

We can only process your application if:

- ◆ we consider that you have correctly completed the application form;
- ◆ you have provided us with the relevant identification documents, if required; and
- ◆ we have received the application money (in cleared funds) stated in your Application Form. The time it takes for application money to clear varies depending on how you transfer the money and your bank.

We reserve the right to accept or reject applications in whole or in part at our discretion and delay processing of applications where we believe this to be in the best interest of all the Fund's investors, without giving any reason.

We reserve the right at our discretion to accept application or redemption amounts below any applicable minimum amounts.

To invest in the Fund, use the application form accompanying the PDS.

#### Additional investments

Additional investments can be made at any time in writing using the appropriate form and will generally be processed on the business day they are received (if received by the Unit Registry by 2pm Melbourne time).

#### Distributions

Any distributions reinvested are reinvested at the ex-distribution net asset value (NAV) per unit price. The ex-distribution NAV per unit price is calculated by taking the value of the investments of the Fund and taking away the value of the liabilities as defined in the Fund's constitution including the provision for distribution. We make no adjustment for costs of buying or realising investments (called a buy/sell spread). We divide the result of this by the number of units we have on issue. These steps give us a per unit price used in connection with reinvestment of distributions.

#### Withdrawing

Units in the Fund are not listed on any stock exchange like the ASX, so you cannot sell your units through a stockbroker.

If you want to withdraw your money, submit a withdrawal form to the Unit Registry. Instructions on how to submit a withdrawal form are contained on the form itself.

If you request a withdrawal of units using electronic means, you will need to accept full responsibility (to the extent permitted by law) for loss arising from us acting upon faxed or scanned instructions which comply with these security processes and you also agree to release and indemnify us and our agents (including the Unit Registry) in respect of any liabilities arising from us acting on faxed or scanned instructions (including future instructions), even if those instructions are not genuine. You also agree that neither you nor any other person has any claim against us in relation to a payment made or action taken under the facsimile or scanned instruction service if the payment is made in accordance with these conditions. These terms and conditions are additional to any other requirements for giving withdrawal instructions.

The amount of money you receive is determined by the unit price we calculate at the time we process your withdrawal request. We can withhold from amounts we pay you any amount you owe us or we owe someone else relating to you (for example, the Australian Taxation Office).

We generally pay withdrawal proceeds in cash to your nominated bank account, however we are permitted under the constitution of the Fund to pay proceeds in kind (i.e. in specie).



# A

## How the Acorn Capital NextGen Resources Fund works (continued)

### Payments can be delayed

In certain circumstances we may need to delay withdrawal of your money. We can delay withdrawal of your money for 120 days in accordance with the Fund's constitution, including if:

- ◆ there are not enough investments which we can easily turn into cash (the law dictates this). We do not expect the Fund to become illiquid. If the Fund is illiquid you do not have a right to withdraw from the Fund. In such circumstances you can only withdraw where we make a withdrawal offer in accordance with the Corporations Act. We are not obliged to make such offers;
- ◆ something outside our control affects our ability to properly or fairly calculate the unit price (for example, if the investments are subject to restrictions or if there is material market uncertainty). We can delay payment for so long as this goes on;
- ◆ we receive a quantity of withdrawal requests representing more than 10% of the value of the investments of the Fund. We can stagger withdrawal payments;
- ◆ an emergency or similar state of affairs occurs which, in our reasonable opinion, makes it impractical to redeem units or which might be prejudicial to the remaining investors;
- ◆ there is a closure or material restriction on trading on the ASX or realisation of the assets cannot be effected at prices which would be obtained if assets were realised in an orderly fashion over a reasonable period in a stable market; or
- ◆ we otherwise consider it is in the best interests of the investors to delay withdrawal of units.

### Compulsory redemption

In certain circumstances we can, or may be required to, redeem some or all of your units compulsorily, including:

- ◆ if your account falls below the minimum investment amount;
- ◆ if you breach your obligations to us (for example, you provide misleading information in your unit application form);
- ◆ to satisfy any amount of money due to us (as responsible entity or in any other capacity relevant to the Fund) by you;
- ◆ to satisfy any amount of money we (as responsible entity or in any other capacity relevant to the Fund) owe someone else relating to you (for example, to the Australian Taxation Office);
- ◆ where we suspect that law prohibits you from legally being an investor; or
- ◆ such other circumstance as we determine in our absolute discretion (but we must always act in the best interests of investors as a whole when deciding to do this).

### How we calculate unit prices

We calculate unit prices in the following way:

1. we calculate the value of the investments of the Fund and take away the value of the liabilities as defined in the Fund's constitution;
2. we make an adjustment (up for the entry price, to take account of the costs of buying investments or down for the exit price to take account of the costs of realising investments – by applying a buy/sell spread). The buy/sell spreads do not represent a fee payable to us or the Investment Manager and are discussed in more detail in "Additional explanation of fees and costs" in the PDS; and
3. we divide the result of this by the number of units we have on issue to produce a unit price.

Please note, all forms related to the administration of your investment in the Fund are available from the following website: [www.acorncapital.com.au](http://www.acorncapital.com.au). This includes application forms, additional investment forms, and withdrawal forms. Each form contains details as to how to send the form to the Fund's Unit Registry.



# B

## Benefits of investing in the Acorn Capital NextGen Resources Fund

### BENEFITS AND FEATURES

#### Experience

Managed funds pool investor money in one place, and the professionals who manage the Fund use their resources, experience and expertise to make investment decisions.

Acorn Capital believes emerging Australian companies provide investors with the ability to access attractive financial returns and portfolio diversification, whilst delivering a positive economic benefit to the broader Australian economy.

The investment approach utilised at Acorn Capital seeks to identify the best emerging companies within an industry. These companies are the next generation of Australian corporate successes, typically associated with high levels of productivity and innovation, as well as providing new employment opportunities for Australians.

Acorn Capital distinguishes itself through its large research and investment team, with expertise across the majority of industries and the provision of expansion capital to developing companies. Together they are committed to investing for better outcomes.

Rick Squire is primarily responsible for managing the assets of the Fund on a day to day basis.

#### Rick Squire (Portfolio Manager)

Rick Squire is a Portfolio Manager for the Energy and Materials – Resources sectors. He is a geologist with over 25 years of experience in the resources industry, including 12 years in mining finance and investment. Rick joined Acorn Capital 7 years ago after working at Deutsche Bank and TrailStone Group. Prior to this, Rick was a Research Fellow at The University of Melbourne and Monash University where he held industry-supported positions investigating the genesis of world-class gold and base-metal deposits. Rick holds a Bachelor of Science (Hons) from Monash University and a PhD (Geology) from The University of Tasmania

#### Corporate governance

Under the Corporations Act and the Fund documents, investors are provided with several layers of independent oversight providing a robust corporate governance structure. The structure provides additional investor safeguards through the separation of duties, specialisation of expertise, clear lines of responsibility and layered approval processes.

Evolution is the responsible entity and we operate and administer the Fund through third party service providers as detailed below. We hold an appropriate AFSL.

We have appointed Acorn Capital as the investment manager of the Fund.

We have appointed Artega Investment Administration Pty Limited as the independent custodian to hold the assets of the Fund and to provide administration services for the Fund.

We have appointed Boardroom Pty Limited to provide registry services for the Fund.

#### Clear legal rights

The constitution establishes the Fund and sets out the rules. Together with the PDS and the law from time to time, it governs your relationship with us and sets out your (and our) legal rights.

It gives us rights to be paid fees and expenses and be indemnified from the Fund. It governs (amongst other things) our powers (which are very broad), investor meetings and unit issue, pricing and withdrawal, as well as what happens if the Fund terminates.

The constitution limits our need to compensate you if things go wrong. Generally, subject always to liability which the Corporations Act imposes, we are not liable in equity, contract, tort or otherwise to investors for any loss suffered in any way relating to the Fund.

The constitution also contains a provision that it alone is the source of the relationship between you and us and not any other laws (except, of course, those laws that cannot be excluded).

We must have investor approval to make changes to the constitution that are adverse to the rights of investors.

You can obtain a free copy of the Fund's constitution by calling us on +61 2 8866 5150.



# C

## Risks of managed investment schemes

### RISKS IN GENERAL

#### About risk and return

All investments are subject to varying risks and the value of your investment can decrease as well as increase (i.e. you can experience investment gains or investment losses).

Investment returns are affected by many factors including market volatility, interest rates and economic cycles. Changes in value can be significant and they can happen quickly.

Different types of investments perform differently at different times and have different risk characteristics and volatility.

These are some of the reasons why you should consider investing in several different types of investments (often called diversification).

The significant risks associated with investing in this Fund are discussed in the PDS.

We cannot eliminate all risks and can't promise that the ways they are managed will always be successful. However, the Investment Manager's process is an important step in managing many of these risks.

The performance of the Fund will be influenced by many factors, some of which are outside our control and the Investment Manager's control.

If these risks materialise, your distributions may be lower than expected or there may be none. The value of your investment could fall and you could lose money.

#### Ways to manage your risk

You can help manage your own risks too. You can:

- ◆ know your investment goals and your risk tolerance;
- ◆ understand risk and return and be comfortable that an investment may not give you the outcomes you hope for;
- ◆ diversify your investments (that is, don't invest all your monies in the Fund);
- ◆ invest for at least the recommended timeframe;
- ◆ keep track of your investment; and
- ◆ speak with a financial adviser and make sure the Fund is the right investment for you.

#### Additional Risks (in addition to section 4 of the PDS)

**Emerging companies risk:** The Fund has exposure to companies generally considered very small to small in terms of market capitalisation. Companies within this sector of the market may include recently established entities with limited public information, or entities engaged in new-to-market concepts which may be speculative in nature. Shares in companies in this sector are generally less liquid and more volatile than those of larger companies. Emerging companies exposure may result in higher unit price volatility and an increased risk of loss.

**Security specific risk:** Securities and the companies that issue them are exposed to a range of factors that affect their individual performance. These factors may cause an investment's return to differ from that of the broader market. The Fund may therefore underperform the market and/or its peers due to its security specific exposures.

**Commodity risk:** The Fund investments will have exposure to different commodity prices. Commodity prices can fluctuate significantly, and the prices are exposed to numerous factors beyond the control of any one

investment or the Fund. A significant decrease in a commodity price is likely to adversely affect sentiment and market support towards a particular commodity and therefore may impact the value of any equity investments exposed to those commodities that the Fund may be invested in at the time.

**Reliance on information provided:** Acorn Capital relies on the Ore Reserves and Mineral Resources Statements, financial data and other information that is publicly available to the companies they invest in. If any of the data or information relied upon by Acorn Capital in its investment process proves to be incomplete, incorrect, inaccurate or misleading, there is a risk to the performance of the Fund.

**Analysis of opportunities:** Acorn Capital will undertake technical and financial analysis of companies in order to determine their attractiveness for investment. It is possible that despite such analysis and the best estimate assumptions made by Acorn Capital, the conclusions drawn are inaccurate or are not realised which may impact the performance of the Fund.

**Defensive strategies risk:** The Fund may be protected against market downturns by employing defensive investment strategies. Such strategies have the aim of reducing the Fund's market exposure, and may include allocating a portion of the Fund's assets to cash. There is no guarantee that such defensive strategies will provide the expected levels of protection against loss. Additionally, there is a risk that defensive strategies are employed at a time when the market rises, potentially resulting in the Fund underperforming its peers or the benchmark.

**Unlisted securities risk:** The Fund may have exposure to securities which are not listed on a securities exchange. Unlisted securities may have a higher risk of loss, and may be difficult to independently value and to sell due to their unlisted nature. Where such securities do list (for example through an initial public offering, or IPO), the listing price may differ materially from the price previously used when calculating the Fund's unit price. Where the Fund has exposure to unlisted securities these may increase its unit price volatility, its potential to underperform its benchmark, and its potential for loss.

**Default risk:** Issuers or entities that the Fund has exposure to may default on their obligations, for instance by failing to make a payment due on a security or by failing to return principal. Such parties can include the issuers of securities that the Fund holds or has exposure to including warrants, depositary receipts, and hybrid securities. Counterparties to the Fund may default on a contractual commitment to the Fund. Counterparties may include over-the-counter derivatives counterparties, brokers (including clearing brokers of exchange traded instruments), stock lending counterparties, foreign exchange counterparties, as well as the Fund's custodian. Default on the part of an issuer or counterparty could result in a financial loss to the Fund.

**Currency risk:** The Fund may have exposure to investments denominated in currencies other than Australian dollars. Currency risk is the risk that fluctuations in exchange rates between the Australian dollar and foreign currencies impact the value of the foreign investments that the Fund has exposure to.

**International investments risk:** The Fund has exposure to international investments. Global and country specific macroeconomic factors may impact the Fund's international investments. Governments may intervene in markets, industries and companies; may alter tax and legal regimes; and may act to prevent or limit the repatriation of foreign capital. Such interventions may impact the Fund's international investments.



# D

## How we invest your money

### THE INVESTMENT PROCESS

Acorn Capital’s investment philosophy is based on the belief that rigorous research in inefficient markets leads to superior returns. Inefficiencies typically result in information gaps that manifest themselves in the pricing of emerging companies. Experience and specialist skills are required to successfully invest in emerging companies. Reasoned judgement of both qualitative and quantitative factors are equally important when investing in early stage companies.

#### Approach

Acorn Capital’s expertise is understanding how to research, analyse and invest in emerging companies and to construct diversified portfolios with appropriate risk/return properties.

Acorn Capital has provided institutional investors with risk managed microcap equity portfolios since 1999. It has one of the largest and most experienced dedicated microcap investment teams in Australia and has remained committed to researching all industry sectors of the emerging companies’ universe.

Through Acorn Capital’s research capability, the Fund’s strategy exploits information inefficiencies through bottom-up research across the entire universe of ASX listed companies with a market capitalisation less than the 100th largest company on the ASX at the time of initial investment.

Once identified, a portfolio will be constructed of those investment opportunities that demonstrate appropriate risk/return profiles given their stage of development and commodity type. Application of prudent portfolio risk management will be applied to ensure the portfolio is appropriately structured to meet the objectives of the Fund.

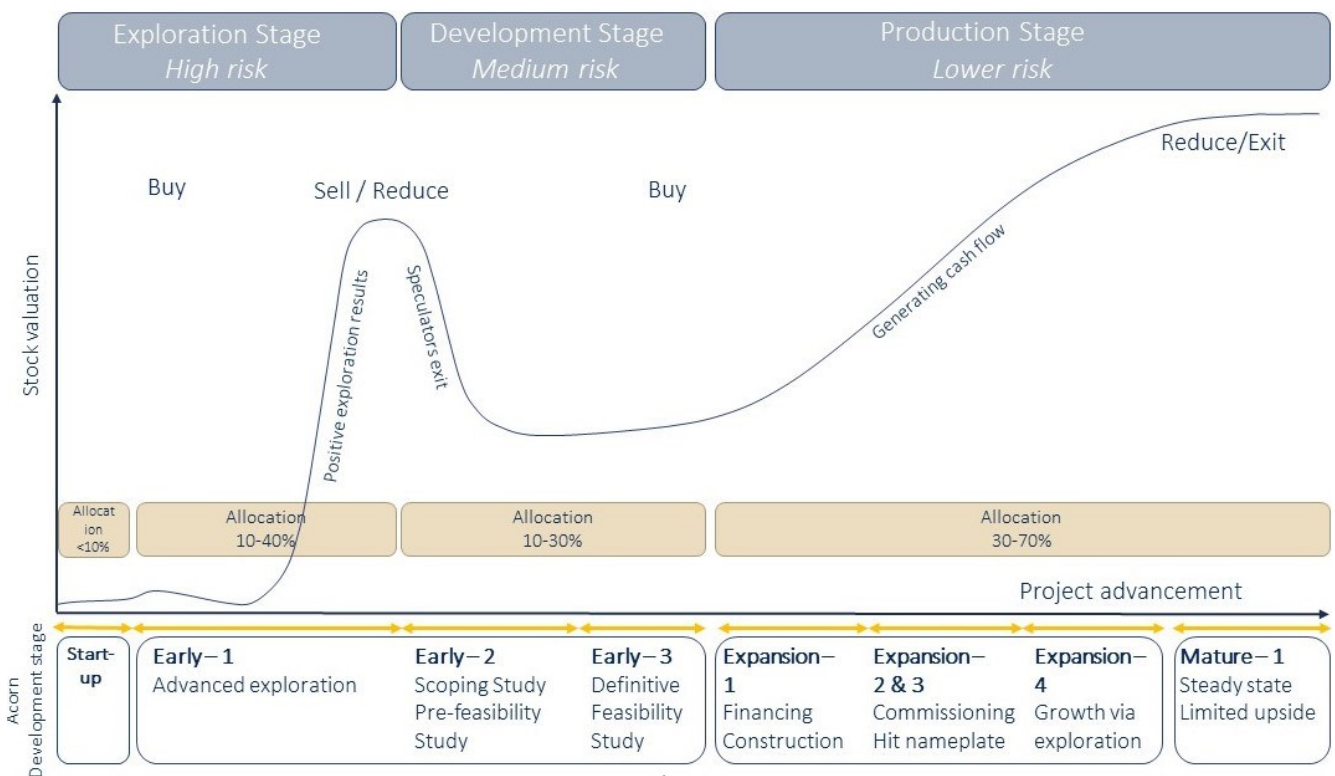
### THE INVESTMENT PROCESS

Stock selection occurs following a process of initial research, detailed research and ranking which are the responsibility of the sector specialist.

The process of stock selection and portfolio construction is detailed below.

1. The sector specialist’s initial or desktop research utilises a proprietary database to screen more than 1,300 companies, which collectively hold more than 6,700 underlying resources. The results of this screening are used to identify a preliminary group of attractive investment opportunities according to commodity type and stage of development (e.g., exploration, development or in production).
2. Detailed research is conducted on companies that move beyond the initial research stage. Analysis includes (but is not limited to) a qualitative assessment of companies and their projects, involving a range of characteristics of the resources or energy projects that may affect its suitability for economic development. Part of this assessment may involve company meetings, site visits and video calls with senior company staff to investigate resource estimates, development plans, process designs and issues related to environmental and government licensing, where applicable. This analysis also focusses closely on factors including sustainability, competitive advantage (inclusive of ESG factors), industry position, capital requirements, management, financial metrics and valuations.
3. Having completed the quantitative/qualitative review and ranking process, the sector specialists choose the most-attractive investment opportunities. Portfolio construction and risk management will have regard to the exposure to individual commodities, the stage of development (i.e., the position of the company on the Lassonde Curve) of the underlying companies. The Lassonde Curve is a graphical representation of the value cycle for Resources and Energy companies as the progress from the exploration through development to production stages. The Sector Specialists make and adjust allocations to maximise gains through this cycle. Shorter term trading opportunities may be added to the portfolio if appropriate to provide additional returns to the Fund.

Lassonde Curve – value cycle from exploration to mining







# E

## Fees and costs

### ADDITIONAL EXPLANATION OF FEES AND COSTS

#### Can fees be different for different investors?

The law allows us to negotiate fees with “wholesale” investors or otherwise in accordance with ASIC requirements. The size of the investment and other relevant factors may be taken into account. The terms of these arrangements are at our discretion.

If you qualify as a wholesale investor, contact us to see if you’re eligible to negotiate fees with us.

#### What are the costs of investing and withdrawing from the Fund?

We have a documented policy (Unit Pricing Policy) in relation to the guidelines and relevant factors taken into account when calculating unit prices, including all transaction costs and the buy-sell spread. We call this our unit pricing policy. We keep records of any decisions which are outside the scope of the unit pricing policy, or inconsistent with it. A copy of the Unit Pricing Policy and records is available free on request. The Unit Pricing Policy is on our website ([www.evolutiontrustees.com.au](http://www.evolutiontrustees.com.au)).

#### Can the fees change?

We may change the fees for the Fund. Reasons for this might include changing economic conditions and changes in regulation. The constitution for the Fund sets the maximum amount we can charge for all fees. If we wished to raise fees above the amounts allowed for in the Fund’s constitution, we would need the approval of investors.

We will give you (or your IDPS operator) 30 days’ written notice of any proposed change to these fees.

We may accept lower fees than those disclosed in the fee table in section 6 of the PDS.

#### Government charges and taxation

Government taxes such as GST will be applied to your account as appropriate. In addition to the fees and costs described in this section, standard government fees, duties and bank charges may also apply such as stamp duties. Some of these charges may include additional GST and will apply to your investments and withdrawals as appropriate.

The fees outlined in the PDS take into account any reduced input tax credits which may be available.





# F

## How managed investment schemes are taxed

### PAYING TAX

Australia has specific laws dealing with the taxation of certain trusts known as “Attribution Managed Investment Trusts” (AMITs). A trust can be an AMIT where it is a managed investment trust, its investors have “clearly defined interests” and the Responsible Entity makes an irrevocable election to enter the AMIT regime.

Consequences of entering the AMIT regime include:

- ◆ the “attribution” of income to investors whereby investors are taxable on the income of the Fund attributed to them by the Trustee in accordance with the Fund documents;
- ◆ the ability to carry forward under/over distributions of income;
- ◆ upward and downward adjustments to the tax cost base of units in the Fund; and
- ◆ deemed fixed trust treatment under the tax law.

The Fund has elected to be an AMIT. Accordingly, taxable income flows through to investors on an attribution basis rather than a distribution basis:

- ◆ you will therefore be taxed on any income or capital gains attributed to you, regardless of the amount actually distributed to you. Your attributable income may comprise: income (for example, dividends and interest);
- ◆ net taxable capital gains (from the sale of the Fund’s investments); and
- ◆ tax offsets (for example, franking credits attached to dividend income and offsets for tax paid on foreign income).

Your tax liability ultimately depends on your circumstances, including whether you are an Australian resident. Additionally, you might be entitled to claim tax credits or concessions to reduce your tax liability.

We will distribute income and capital gains, if any, shortly after 30 June each year.

It is important that you seek professional advice before you invest or deal with your investment. We will send you the information you need each year to help you to complete your tax return.

Additionally, Australian residents are generally subject to capital gains tax on gains when they withdraw any money or transfer units.

Depending on the kind of taxpayer you are, and how long you have held your units, you may be entitled to a capital gains concession which can reduce your capital gains tax liability by up to one half.

If you choose not to provide us with your Tax File Number (TFN) or Australian business number (ABN) and don’t have an exemption, we must deduct tax at the highest personal rate, plus the Medicare levy, before passing on any distribution to you. The law is very strict on how we can use these details.



# G

## More information

### PRIVACY

We use personal information about you to administer your investment and also to conduct research.

By applying for units in the Fund you consent and agree to information about you being obtained and used by us. We will collect and use your information in accordance with our Privacy Policy, a copy of which is available free of charge.

If you fail to provide us with the required information or if you provide us with incomplete or inaccurate information we may not be able to provide you with the products or services you are seeking within the time periods contemplated in the PDS.

Personal information about you is used to administer your investment in the Fund and also to conduct research.

Your information will not be disclosed unless:

- ◆ the law requires;
- ◆ your financial adviser needs the information;
- ◆ it is in keeping with our Privacy Policy and may be provided to external service providers including the Fund's custodian, Investment Manager, auditors, taxation and legal advisers and information technology consultants; or
- ◆ we need it to send you promotional material. If you do not want this, indicate on the application form or contact us anytime.

We may provide your personal information confidentially to external service providers including the Fund's custodian, auditors, taxation and legal advisers and information technology consultants.

We will disclose information if required by law to do so (including under the AML CTF Act and relevant taxation legislation (including FATCA and CRS)).

If you fail to provide the required information or if you provide incomplete or inaccurate information we may not be able to provide you with the products or services you are seeking.

If you think any of the details that we hold are wrong or out of date, please contact us and we will correct the details. You can always access the personal information held about you by contacting us on +61 2 8866 5150.

### ANTI-MONEY LAUNDERING

In order to meet our obligations under the AML CTF Act or taxation legislation (including FATCA and CRS), we may require further information from you as to identity, the source of your funds and similar matters.

We are required to verify that information by sighting appropriate documentation.

Records of the information obtained will be kept and may be required by law to be disclosed. Otherwise the information will be kept confidential.

By applying for units in the Fund, you also agree that we may, in our absolute discretion:

- ◆ determine not to issue units to you;
- ◆ cancel units which have been issued to you; and/or
- ◆ redeem any units issued to you.

If we believe such action to be necessary or desirable in light of our obligations under the AML CTF Act or other legislation (including FATCA and CRS), we will not be liable to you for any resulting loss.