

ACORN MICRO OPPORTUNITIES FUND

31 DECEMBER 2020



Fund Update

The Acorn Micro Opportunity Fund (Fund) returned +5.3% in December versus +2.6% for the S&P Emerging Companies Accumulation Index (XECAI) benchmark. The portfolio held 71 stocks across 13 industries with the Top 10 Holdings representing 35% of the fund. Cash levels remained around the 7% with buying opportunities largely in the primary market (80% of all buying in December vs 54% in November).

The 3 largest industry exposures are Resources (18.9%), Healthcare and IT (both 12.2%). The portfolio is still predominately exposed to Expansion stage companies (50% vs 53% in November), of which 20% are late-stage expansion. Mature Growth companies was stable at 9.7% of the portfolio. Exposure to early-stage companies increased from 31% to 33% with an investment in Amareo International.

November's momentum in the Microcap market continued in December but was selective and moderated pace. Energy (+12.8%) as spot prices increased and Communications (+10.6%) with media recovering saw strong sector returns. Whilst Staples (-8.8%) declined as McPherson's downgraded and CEO departed. We believe the Fund's stock selection and portfolio construction processes will continue to deliver investor returns even if markets pause or increase in volatility. The Fund's Staples and Industrials returns materially exceed the market, whilst lagging the market in Materials and Communications without the cyclical media exposure.

Fund Performance as at 31st December 2020

Performance	1 month	3 months	6 months	Since Inception Cumulative %
Acorn Capital Micro Opportunities Fund *	5.32%	21.84%	50.16%	63.84%
S&P/Emerging Companies Accumulation Index	2.64%	17.40%	42.41%	51.86%

* Net performance is based on redemption price for the period, after all fees and costs. Assumes all distributions are reinvested.

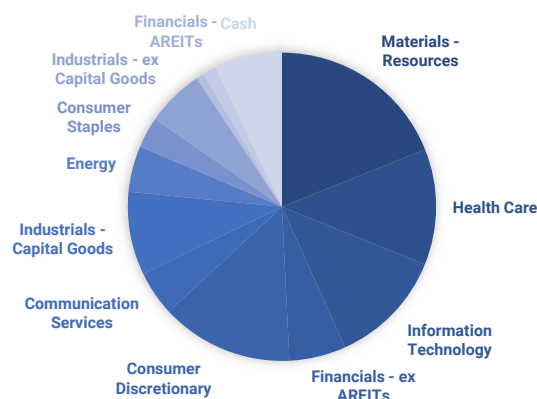
Fund Details

	Fund Facts
Inception	22 nd May 2020
Distributions	Semi-annual
Management Fee	0.90% ⁽¹⁾⁽²⁾
Incentive Fee	20% above the S&P/Emerging Companies Accumulation Index ^{(2) (3) (4) (5) (6)}
High watermark	Yes
Minimum Investment	A\$50,000
Subscription/Redemption Frequency	Daily
Eligible Investors	Sophisticated/Wholesale Investors

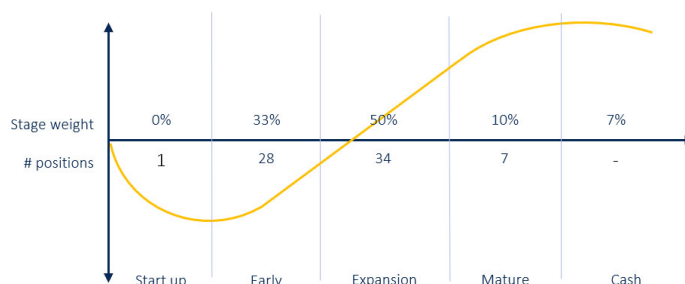
Top 5 Holdings (alphabetic order)

Company	Sector	Development stage
Ama Group	Consumer Discretionary	Expansion
Amaero International	Industrials - Capital Goods	Early
CleanSpace	Industrial - ex Capital Goods	Expansion
Sequoia Financial	Financials	Expansion
Telix	Healthcare	Early

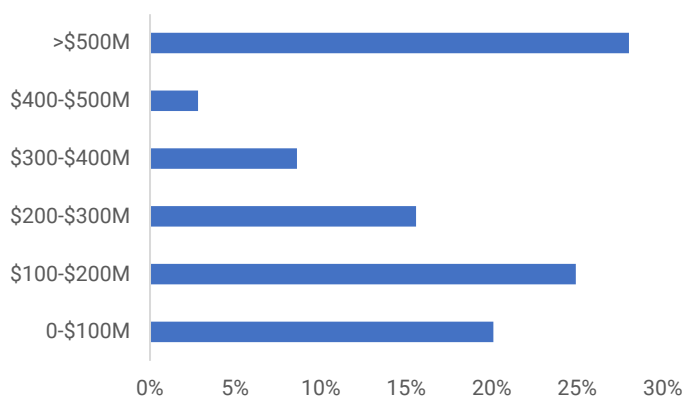
Sector Exposure



Stage of development



Market capitalisation exposure



Fund Review

The Fund's performance in December of 5.3% was driven by exposures in the Financials, Industrial and Healthcare sectors. Notable positive stock performers over December include:

Immutep (+54%) presented very positive overall survival data from its Phase 2B AIPAC study in Metastatic Breast Cancer. Survival benefit was 7.1 months in patients under 65 years of age and +9.4 months in patients with a low starting monocyte count. Additional encouraging data showed a statistically significant increase in CD8 T cells in patients treated with efiti plus chemotherapy which correlated with prolonged overall survival. This data supports our understanding of efiti's underlying mode of action.

Boss Energy (+48%) benefitted for a strong rise in the spot price for uranium and a recognition by the market that the company has a project that can get into production quickly for most capital expenditure.

Investigator Resources (+32%) infill drilling results at the Paris Silver project confirmed the presence of high-grade silver. Paris is the highest-grade undeveloped silver project in Australia with reasonably shallow deposits that have the potential for open-cut mining.

FirstWave Cloud Tech (+30%) confirmed progress from 28 to 40 billing partners by June 2021 with 37 signed to date for its cloud content security platform. FCT is now progressing international sales channel development after previous delays, which is a large addressable market.

Notable negative portfolio performers during the month were:

S2 Resources (-56%) declined after negative results from an exploration program in the Fraser Range in Western Australia. Acorn retained its position in the stock because S2 Resources has several other quality projects in Australia and Sweden that will be drilling in early 2021.

OncoSil Medical (-29%) fell after announcing the termination of CEO Daniel Kenny after delaying the first European revenues from late 2020 to sometime in 2021.

Stavelly Minerals (-13%) announced more positive drill results during the month but the share price decline after a very strong run in October and November.

Senex (-11%) declined largely in response to a fall in the spot price of domestic gas in eastern Australia. Senex sells most of its gas via contract so we remain positive on this stock in the near- to medium-term.

About the Fund

Investment Strategy

The Fund is actively managed, investing in a portfolio of Australian microcap companies across a diverse spectrum of industry sectors.

The Fund will invest in listed or expected to be listed securities on the Australian Securities Exchange (ASX) or other Australian securities exchanges. The Fund can also invest in unlisted Australian companies (limited to 10% of fund's net assets). The market capitalisation of any underlying investment of the Fund will be less than \$500 million at the time of first investment.

The Acorn Investment Team of industry experienced analysts scour the Fund's investment universe seeking companies displaying sustainable competitive advantages and investment risks that are commensurate with the company's return potential.

The investment process results in a well-diversified portfolio containing 50 - 70 stocks. Portfolio construction takes into account each stock's potential return and risk, its sector and stage of development, and each analyst's level of conviction in that stock relative to all other investment opportunities.

Investment Team

Acorn employs the largest dedicated microcap / emerging companies investment team in Australia. The team comprises 10 investment management professionals with combined industry experience of 160 years. Two of Acorn's most senior investors, Paul Palumbo and Robert Bruce, are co-Portfolio Managers of the Acorn Micro Opportunities Fund.



Paul Palumbo

- 15 years industry experience, joined Acorn Capital in 2007
- Portfolio Manager and Head of Portfolio Implementation
- Analyst for the Healthcare and Biotechnology sectors
- Prior career at PwC and IBM Business Consulting



Robert Bruce

- 23 years industry experience, joined Acorn in 2014
- Portfolio Manager and Head of Research
- Analyst for the Consumer and IT sectors
- Prior career at CLSA, UBS Warburg, Kaplan Funds Management and Westpac Institutional Bank

References

(1) Exclusive of expense recoveries of 15bp (excludes deal related legal fees and deal transaction costs) (2) Refer Acorn Capital Micro Opportunities Fund Information Memorandum for Further Details (3) Subject to prior High Water Mark (HWM) being exceeded (no HWM resets allowed) (4) Subject to the Fund's return also exceeding 0% (5). Calculated after management costs and expense recoverables have been deducted (6). Calculated daily and paid quarterly

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