

ACORN MICRO OPPORTUNITIES FUND

31 JANUARY 2021

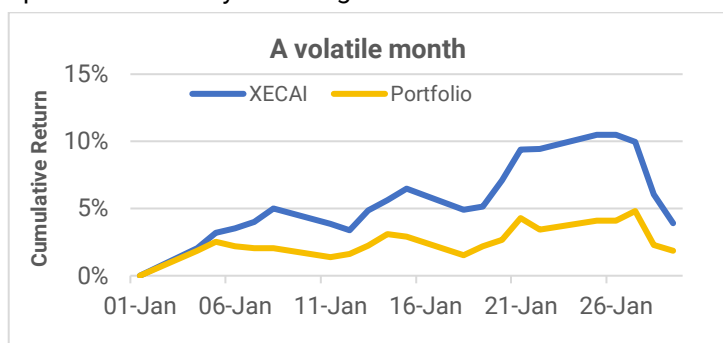


Fund Update

The Acorn Micro Opportunity Fund (Fund) returned +1.7% in January versus +3.9% for the S&P Emerging Companies Accumulation Index (XECAI) benchmark. The portfolio held 73 stocks across 11 industries with the Top 10 Holdings representing 32% of the fund. Cash levels at the end of the month were just over 8%.

The 3 largest industry exposures are Resources (19.5%), IT (14%) and Healthcare (12.6%). The portfolio is 48% exposed to Expansion stage companies, exposure to Mature Growth companies remains stable at around 10% while exposure to early-stage companies marginally increased from 33% to 34% over the course of the month.

Market conditions were volatile in January with noticeable speculative activity. While the Gamestop/Reddit short squeeze in the US made global headlines, it highlighted an underlying tone in the markets that has been building since the pandemic struck. Closer to home our own emerging companies index reflected some of the speculative and volatile conditions with the index up 10.5% to the 25th of January before losing 6% over the next 3 days to finish the month up 3.9%. The portfolio did not experience the same volatility as the benchmark which is not surprising as our process forces us to look through the shorter-term noise that speculative activity can bring to markets.



Fund Performance as at 31st January 2021

Performance	1 month	3 months	6 months	Since Inception Cumulative %
Acorn Capital Micro Opportunities Fund *	1.67%	18.85%	40.88%	66.60%
S&P/Emerging Companies Accumulation Index	3.92%	20.40%	38.40%	57.82%

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

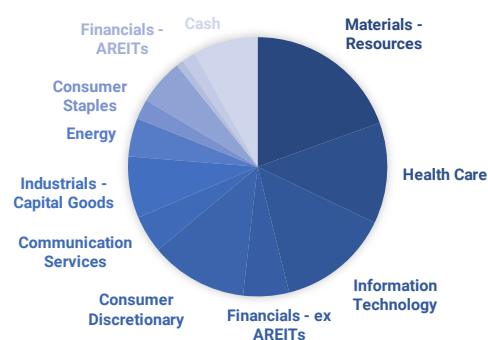
Fund Details

	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

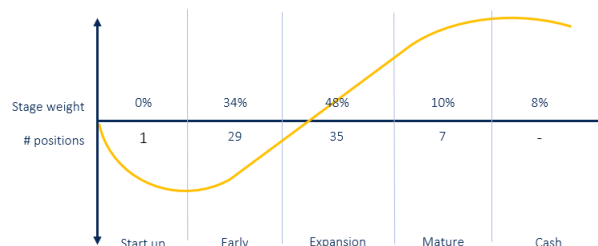
Top 5 Holdings (alphabetic order)

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

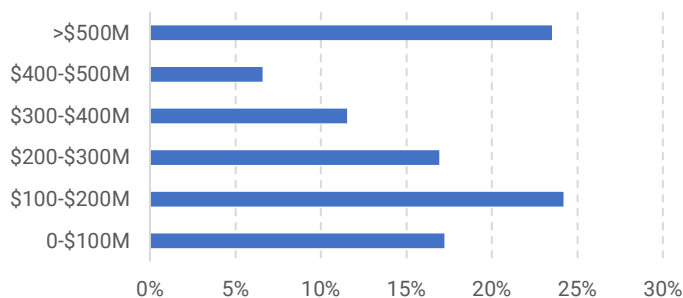
Sector Exposure



Stage of development



Market capitalisation exposure



Fund Review

The Fund's performance in January of 1.7% was driven by exposures in the Materials ex-Resources, Utilities and Industrial sectors. Notable positive stock performers over January include:

Calix (+46%) Global cement manufacturing giant Cemex, announced they were joining the Calix carbon capture project JV in Europe. This is a material step forward in the project moving to full commercialization.

Redbubble (+21%) with its global marketplace providing a unique exposure on the ASX we believe it will continue to benefit from the strong growth in ecommerce and connecting consumers seeking unique designs with artists. Given the ongoing Covid restrictions in the northern hemisphere where 90% of revenue is generated, tailwinds remain strong.

Lake Resources (+69%) is a lithium developer and its price rose strongly in early January in response to rising lithium prices and strong messaging from the likes of Joe Biden and Larry Fink on the importance and urgency of the global transition to a low-carbon economy. Lithium, and Lake Resources, were major beneficiaries.

Jervois Mining (+31%) performed strongly in response to rising cobalt and nickel prices. Jervois has a copper-cobalt project under construction and is investigating the restart of a nickel cobalt refinery. The market is recognizing the potential for near-term cash flow.

Notable negative portfolio performers during the month were:

AMA Group (-19%) with the announcement of an investigation into the CEO's expense claims and speculation of a board dispute the share price justifiably declined. Whilst the core business remains on a strong recovery trajectory, given the heightened governance risk we reduced our position in AMA.

Maggie Beer Holdings (-20%) Management confirmed 20% group revenue growth in 1H implying a 2Q acceleration after 19.2% in 1Q, led by the Maggie Beer brand at 28.6% YoY growth. Management have successfully reduced the cost base to a sustainable level and are embarking on growth initiatives to capitalise on their strong branded products. We believe the decline in January is reflective of shorter-term profit taking after a strong performance in 2020.

Over The Wire (-14%) continued to soften following its 20th Dec trading update highlighting non-recurring revenues were below expectations, but core recurring business and acquisitions remain on track. We believe the business is well positioned to capitalise on the ongoing trend of businesses digitalising their operations and shifting to the cloud.

Sequoia (-6%) Sequoia has been a strong performer for the portfolio and the decline in January was not related to any fundamental news flow. A relatively small purchase of another financial planning business in late 2020 highlights their disciplined strategy of growth by acquisition.

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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