

ACORN MICRO OPPORTUNITIES FUND

31 MAY 2021



Fund Update

The Acorn Micro Opportunity Fund (Fund) returned 3.34% in May versus 1.98% for the S&P Emerging Companies Accumulation Index (XECAI) benchmark. The portfolio held 70 stocks down from 72 position after rebalancing, across 11 industries with the Top 10 Holdings representing 26% of the fund. Cash levels at month end were 16.5% following strong inflows at the end of the month, which will be selectively deployed next month.

The 3 largest industry exposures are Resources (18%), Healthcare (13%) and Consumer Discretionary (13%). The portfolio had 48% (51% in April) exposure to Expansion stage companies. Exposure to Mature Growth companies remained at 7%, while early-stage companies increased from 25% to 28%.

May saw 8 of 12 industries deliver positive returns for the fund and 6 industry portfolios outperform relevant industry benchmarks. May was a volatile month in microcaps with the XECAI benchmark down 4.2% in the first 2 weeks of the month to then rally 6.4% in the last 2 weeks. In comparison the portfolio was down 2.9% in the first half on the month then up 7.2% in the second half. Despite it being tough month for the resources sector (XEC resources -1.9%) the resources portfolio performed very strongly, returning 12%. Several portfolio names were up over 20% during the month across a range of commodities (gold, copper, rare earths). Despite the Healthcare portfolio returning a respectable 4.3% in May it was no match for its benchmark which returned 11.5% largely on the back of a single stock, Imugene, which returned 110% over the month. The company is at a very early stage of clinical development, and we struggle to rationalise its \$2B market capitalization. We think the company has done a remarkable job of engaging with its shareholders, particularly in the retail market. While markets are becoming more volatile, the power of the retail investor remains strong. Something to keep a watch of.

Fund Performance as at 31st May 2021

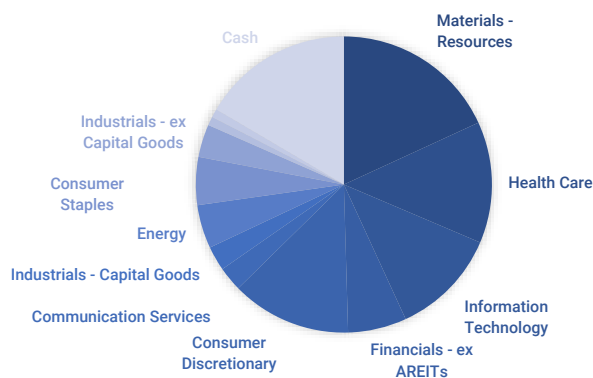
Performance	1 month	3 months	6 months	FY to date	Since Inception % p.a.
Acorn Capital Micro Opportunities Fund *	3.34%	2.20%	9.39%	55.96%	70.16%
S&P/Emerging Companies Accumulation Index	1.98%	6.74%	16.13%	61.13%	70.89%

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

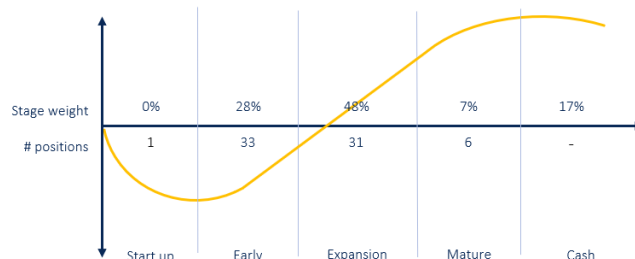
Top 5 Holdings (alphabetic order)

Company	Sector	Development stage
ai media	Access Innovation Holdings	Information Technology
AMA GROUP	Ama Group	Consumer Discretionary
AROA	Aroa Biosurgery	Healthcare
HRL	HRL Holdings	Industrials
MAGGIE BEER HOLDINGS	Maggie Beer Holdings	Consumer Staples

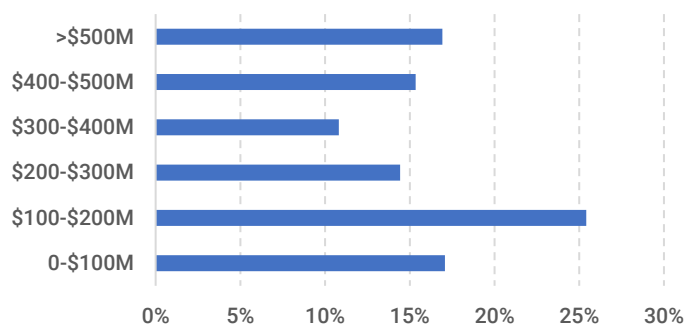
Sector Exposure



Stage of development



Market capitalisation exposure



Fund Review

The Fund's performance in May of +3.3% was driven by positive returns in the Resources, Financials and IT sectors with exposure to the Communications sector being the only notable drag on returns (-10% in XEC, -14% in portfolio) during the month.

Notable positive stock performers over May include:

Wisr (+31%) announced the pricing for its \$225m asset-backed securities at AAA (Moody's). This is a very positive announcement as it highlights the quality of its loan book and more importantly lowers its cost of funding. At the end of the month Wisr also announced it was undertaking a \$50m capital raising to support its growth initiatives.

Maggie Beer (+21%) concluded the Hamper Emporium acquisition and confirmed the core Maggie Beer brand was maintaining 30% growth. Hamper growth remained strong, and the company is reviewing Paris Creek, which in our view could unlock significant potential value to be redeployed in higher return activities.

Hillgrove Resources (+35%) was aided by rising copper prices and positive drilling results at their mothballed copper mine in South Australia. Drilling continues as the company appraises a restart of the mine.

Immutep (+52%) was up strongly on the back of Bristol Myers Squibb reporting strong top line data from its Phase 3 Relativity-047 trial combining relatlimab (anti LAG3) and Opdivo in first line melanoma. The data points to LAG3 as being the next immune checkpoint to target in immunoncology. Immutep is a world leader in the development of LAG3 therapeutics.

Peel Mining (+38%) benefitted from rising copper prices and positive drilling results at their Wirlong copper project in NSW. Although the copper intercepts were >250 m below surface, the thicknesses and grades were impressive.

Notable negative portfolio performers during the month were:

Mnf Group (-12%) retraced some of the recent strength along with other telco's in the sector. We expect the Global Wholesale business to drive growth, as evidenced by the growth in new numbers in 1H, feeding revenue and earnings in 2H. Changing workplaces and the need for a common collaboration platform should also drive future growth, assisting initial demand for Singapore's launch.

Carbon Revolution (-27%) had a minor downgrade to earnings guidance after a US based client paused its purchases of wheels due to a vehicle production slowdown in response to the global shortage of semi-conductors. Whilst the downgrade was minor (circa 300 cars only), the fact that it came only 3 weeks after the completion of last month's capital raising, was enough to trigger an exit from the stock by at least one large institutional holder. Acorn has used this as an opportunity to acquire shares as we see the disruption as short term.

Payright (-30%) continues to struggle after its underwhelming IPO. There has been significant churn in the share register due to a lack of escrowed investors who backed the business when private. The underlying business has been performing strongly which merchant numbers up 43% on pcp, customers up 52% and GMV up 38% over the year. During the month they also announced the launch of a Bill smoothing product for consumers and that the company had appointed an advisor to assist in securing a new debt warehouse that will materially lower cost of funds.

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.

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
APIR Code	ACQ4764AU

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

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



Robert Bruce

- o 23 years industry experience, joined Acorn in 2014
- o Portfolio Manager and Head of Research
- o Analyst for the Consumer and IT sectors
- o 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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