

# ACORN MICRO OPPORTUNITIES FUND

30 JUNE 2021



## Fund Update

The Acorn Capital Micro Opportunity Fund (Fund) declined 1.3% in June broadly in line with the return of -1.2% from the S&P Emerging Companies Accumulation Index (XECAI) benchmark. The portfolio held 71 stocks across 11 industries with the Top 10 Holdings representing 28% of the fund. Cash levels at month end were 8.3% down from 16.5% as previous inflows were invested with participation in 3 IPO's and 6 placements.

The 3 largest industry exposures are Resources (18%), Healthcare (17%) and Consumer Discretionary (14%) following capital market activity. The portfolio had 56% (48% in May) exposure to Expansion stage companies. Exposure to Mature Growth companies remained stable at 7% as did early-stage companies at 28%.

June was volatile into year end with only 4 of 12 industries delivering positive returns for the fund and 4 industry portfolios outperforming their industry benchmarks. June saw a market rebound in Staples and IT reversing previous inflation fear induced weakness, with software names dominating returns. The Financial sector continued strong performance delivering 3.6% culminating in 16% for June quarter, led by consumer lending names. The Fund's healthcare investments performed strongly adding 1.9% against the market that fell -6.5% with Telix Pharma returning 35% and supported by Amplia, Control Bionics and Kazia, against prior strongly performing names running out of momentum. The resources portfolio fell -7.3% after delivering +12% in May. Peel, Hillgrove and Stavely declined with the macro copper price, but remain key holdings, along with Ionic Rare Earths where the Fund further invested against a -23% fall. Together with Australian Rare Earths the Fund has built a solid position in these critical minerals. Lake Resources rebounded 34% with the Fund invested for its unique high lithium carbonate deposit. Consumer Discretionary outperformed the market by 3.2% with AMA, Cluey Learning, Harris Tech and Shine Justice all solid, while Evolve weakened on a NZ staff shortage led downgrade. Tight labour markets are becoming a theme to be aware of.

## Fund Performance as at 30 June 2021

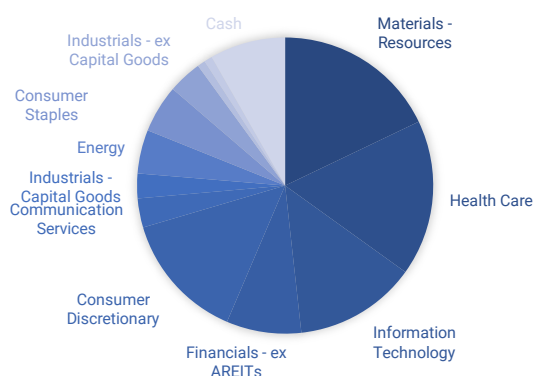
Performance	1 month	3 months	6 months	1 year	Since inception % p.a.
Acorn Capital Micro Opportunities Fund *	-1.31%	7.81%	2.48%	53.91%	67.93%
S&P/Emerging Companies Accumulation Index	-1.17%	8.30%	11.82%	59.24%	68.88%

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

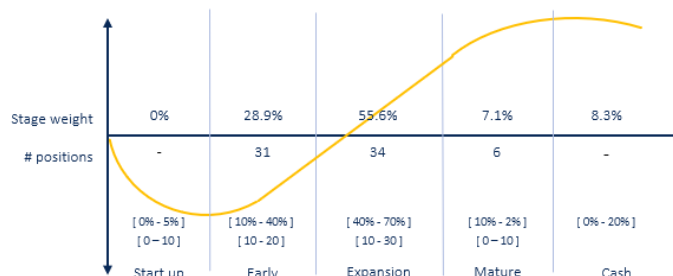
## Top 5 Holdings (alphabetic order)

Company	Sector	Development stage
Access Innovation Holdings	Information Technology	Early
Ama Group	Consumer Discretionary	Expansion
Autosports Group	Automotive Retail	Expansion
Probiotec	Consumer Staples	Expansion
Wisr	Financials - ex AREITs	Expansion

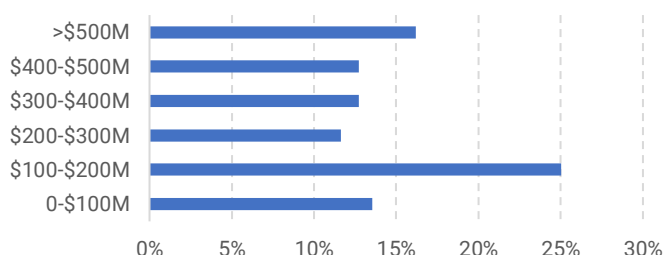
## Sector Exposure



## Stage of development



## Market capitalisation exposure



## Fund Review

The Fund's performance in June of -1.3% was driven by declines in Resources, Industrials and Utilities exposure, against positive returns in Healthcare, Communications and Consumer Discretionary.

Notable positive stock performers over June include:

**Australian Rare Earths** (+900%) was revalued ahead on its successful IPO on 1 July 2021. The Fund invested in November 2020 at the start up for its exploration of tenements in South Australia. It is unique on the ASX with a small but high-grade resource of rare earths containing a high percentage of the key rare earth elements used to manufacture high-strength magnets. A key aspect of its Koppamurra project are the near-surface clays only containing negligible amounts of uranium and thorium. These radioactive elements are problematic from a materials-handling waste-disposal and product-purity perspective.

**Telix Pharmaceuticals** (+35%) received confirmation from the FDA of no outstanding matters regarding its New Drug Application for its prostate imaging product. Telix also announced an acceleration of its Glioblastoma program into earlier stage patients and initiated an imaging study in Bladder cancer with its second imaging agent, TLX-250CDx which is about to complete a Phase 3 renal imaging trial.

**Lake Resources** (+34%) rising Lithium prices drove the share price up. We are attracted to its unique high lithium carbonate deposit in Argentina.

**Rhipe** (+14%) share price finally started to reflect the improving sales outlook across Asia after its May upgrade for FY21. The company entered a trading halt at month end, before announcing in early July a bid from Crayon at \$2.50 per share. Whilst the headline valuation multiples look reasonable, this does not take into account the potential in Japan which is still early in development and loss making as well as the substantial cash on the balance sheet.

**Poseidon Nickel** (+20%) performed strongly on the release of positive drilling results at their nickel development project near Kalgoorlie, WA. Drilling continues and we remain positive.

Notable negative portfolio performers during the month were:

**Wisr** (-19%) issued circa \$55m of new equity at \$0.25, which represented a 21.9% discount to the market price at the time. Given the size of the raising, any buyers who were in the market were filled at the lower price which saw the stock trade down to the \$0.25 issue price. The good news is the new capital will be used to support Wisr's very rapid loan growth and thereby supporting longer term upside.

**Envirosuite** (-18%) declined as the market absorbed the stock from the recent capital raise at a 19% discount. We believe the business now has sufficient capital to accelerate the opportunities for its software and solutions to manage and mitigate environmental impacts and allow customers to make real time decisions.

**Peel Mining** (-24%) continues to deliver positive drilling results from its copper development projects in NSW. However, the poor performance in June was mainly due to a modest pullback in copper prices.

**Ionic Rare Earths** (-23%) continued to pull back after the release of scoping study on its rare-earth development project. We remain positive on the company and the commodity so were buying the dip.

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

- 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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