

ACORN MICRO OPPORTUNITIES FUND

31 AUGUST 2021



Fund Update

The Acorn Capital Micro Opportunity Fund (Fund) returned 2.3% in August and 78.2% since inception in May 2020. The S&P Emerging Companies Accumulation Index (XECAI) benchmark returned a strong 7.3%. The portfolio held 70 stocks across 11 industries with the Top 10 Holdings representing 28% of the fund. Cash levels at month end were 6.8%, a decline from 9.5% the previous month as funds were invested.

The 3 largest industry exposures are Resources (20%), Healthcare (16%) and IT (15%). The portfolio had a 51% (vs 54% in July) exposure to Expansion stage companies, with exposure to Mature Growth companies dropping slightly to 5% and exposure to early-stage companies increasing from 31% to 37%, investing in Dropsuite, Jervois and Straxcorp.

August saw a solid monthly portfolio return with 7 of 10 sectors delivering positive returns led by Calix in Materials (+40%), Consumer Staples and Communications Services. However, the benchmark was on a tear in August delivering +7.8% including +3.4% in the final two days. Whilst most Index sectors rose there was a heavy concentration in the higher momentum stocks with the top 5 contributing 50% of the index return, and all were outside the funds' investable universe (>\$500m). It was particularly acute in Healthcare (Imugene) and Resources (Vulcan Energy). As a result, we only outperformed the relative benchmark industries in 5 of 11 sectors.

The reporting season highlighted several emerging trends, such as a rebound in international business activity versus domestic uncertainty, freight and broader supply chain disruption, and to a lesser degree labour inflation, which are all potential margin headwinds. In addition, with the cost of capital so low (both debt and equity) we expect to see further M&A activity, with the portfolio already benefiting from bids for rhipe and Huon Aquaculture.

During August we invested in a new unlisted position, StraxCorp, a medical device company aiming to become the diagnostic gold standard for the diagnosis of (hence leading to prevention) fragility fractures. The technology combines an FDA approved High Resolution Peripheral Quantitative CT scanning device together with software to analyse results. Also, Marketplacer has commenced a

capital raise with strong demand at a 66% premium to our recent investment and carrying value.

Net Return of \$50,000 invested since inception



The above chart represents the return on \$50,000 invested in the Acorn Capital Micro Opportunities Fund at its inception on 22 May 2020, net of all management fees and assuming reinvestment of distributions. No allowance has been made for tax.

Fund Performance as at 31 August 2021

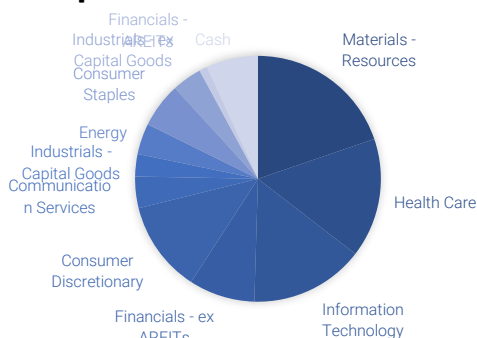
Performance (%)	1 mth	3 mths	6 mths	FYTD	1 yr	Inception
Acorn Capital Micro Opportunities Fund*	2.30	4.73	7.03	6.12	34.33	78.22
S&P/Emerging Companies Accumulation Index**	7.28	8.95	16.29	10.24	43.28	86.19
S&P/ASX Small Ordinaries Accumulation Index	4.98	8.95	15.58	5.70	29.51	43.65

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

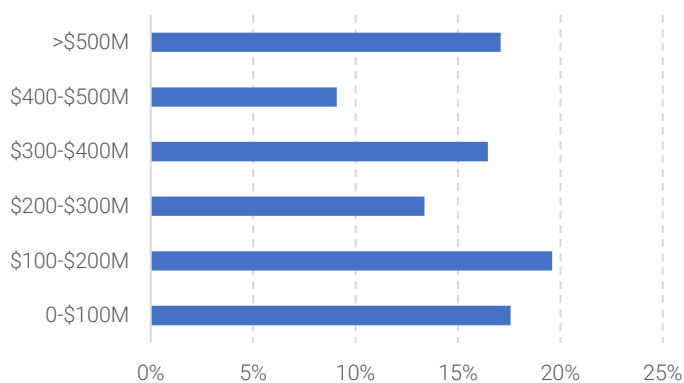
Top 5 Holdings (alphabetic order)

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

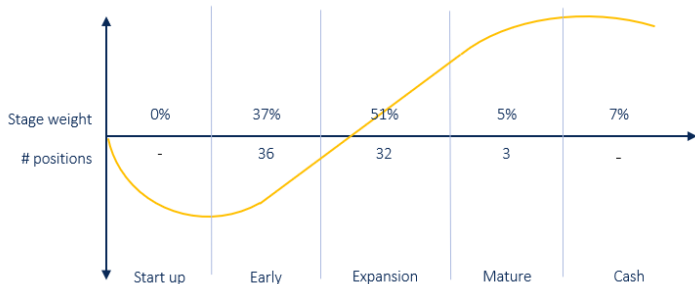
Sector Exposure



Market capitalisation exposure



Stage of development



Fund Review

The Fund's performance in August of 2.3% was driven by very strong performance in Materials Ex-Resources (+40%), Consumer Staples +(8%), Communication Services (+7%), and Healthcare (+6%). Consumer Discretionary (-2%) was the worst performing sector over the month.

Notable positive stock performers over August include:

AI Media (+13%) results were ahead of expectations, with the GPM increasing from 38% in 1H to 42% in 2H, and importantly exited at a June margin of 50%. This sets a sustainable higher profitability level to build on in FY22.

Australian Rare Earths (+37%) continued its strong rerating as a listed entity post its successful IPO on 1st July. As mentioned in last month's report, AR3 offers a unique exposure to high-grade rare-earth elements found in near surface clays containing negligible amount of uranium and thorium. Despite the strong returns we remain very attracted to the asset at current valuation levels.

Calix (+40%) laid out a FY22 strategy to accelerate its water treatment business into new geographies, advance LEILAC project to the next stage, and target 3 MOU/JV's for additional production plants.

Envirosuite (+23%) results were in line, but the new management team laid out a focused strategy in core

competencies and focus on revenue growth in FY22. EVS is well positioned to capture tailwinds of corporate environmental monitoring and pollution reduction.

Huon Aquaculture (+34%) was acquired by the fund given it was trading at less than replacement value and a strategic process was underway. Huon received a bid from global giant JBS at \$3.85 providing a 38% uplift, but there is tension with Twiggy Forrest entities with a 20% stake.

RedBubble (+34%) benefited as management indicated the vast majority of CY2020 growth was being retained, and in reiterating medium term targets with increased forecast EBITDA margins confirms the business model brings operating leverage, which was previously in doubt.

Notable negative portfolio contributors during the month were:

White Rock Metals (-32%) fell after completing a merger with AuStar Gold. Their drilling program on an exciting exploration project in Alaska is under way so we used the dip to increase our position.

Wizr (-8%) revenue grew inline with expectations from \$7m to \$27m and kept arrears at a low 92bps. Following the capital raise and \$225m asset back securities it is well positioned to maintain strong growth going forward.

AMA (-12%) results were inline with expectations, but the board fed the short sellers with comments on potential capital raisings in the outlook statement. We believe the new management team has a strategy to deliver a step change improved profitability, but will be dilutionary.

Autosports (-5%) came in ahead of guidance with stronger margins which we expect to continue given the demand vs supply dynamics. The market sold off on lockdown concerns, but we believe ASG is well positioned to capture future growth in high end vehicles and a recovery.

Fund Details

Fund Facts	
Inception	22 nd May 2020
Distributions	Semi-annual
Management Fee	0.90% ⁽¹⁾⁽²⁾
Benchmark	S&P/Emerging Companies Accumulation Index
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

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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